Transforming agricultural markets to reduce deforestation and increase resilience

Lessons from SNV
Introduction

This briefing provides an insight into SNV’s approach to addressing deforestation and forest degradation and increasing productivity and resilience in the agricultural sector. It brings together lessons learned from projects in critical landscapes across Africa and SE Asia.

Most of the projects highlighted in this report have been supported by the German Ministry of Environment, BMUB, through their IKI.
Background

At the same time as facing threats from climate change, agricultural production systems are themselves a major contributor to climate change. Between 2007 and 2016, agriculture, forestry and other land use contributed 23% of global man-made greenhouse gas emissions\(^1\). Such land use change also creates negative feedback loops for regional climatic conditions. It is clear that the continued conversion of tropical forests to agriculture in developing countries should not continue.

Fortunately, immediate action to address climate change adaptation and mitigation, desertification, land degradation and food security can bring social, ecological, economic and development co-benefits (IPCC, 2019). These synergies and co-benefits of adequate action are recognised by many countries who have included actions tackling land use change, deforestation, forest degradation and sustainable land use as key strategies in their Nationally Determined Contributions. At the same time there is growing concerns and calls to actions from companies\(^2\) concerned with the climate risks and dealing with deforestation in their supply chains.

SNV uses its extensive experience in business and market development, to drive change in regions most vulnerable to, or contributing to, climate change. Done successfully and effectively this creates benefits for people living in poverty, businesses and the environment. We focus on “forest-risk” commodities, as well as those sectors that are most vulnerable to climate change in a number of priority landscapes across Asia and Africa.

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1. IPCC 2019: Special report on climate change and land.
2. As of March 2017, 447 companies had made 760 commitments to curb forest destruction in supply chains linked to palm oil, soy, timber and pulp, and cattle – principal forest-risk commodities – according to NGO Forest Trends.
Mangroves and Markets: Mekong Delta, Viet Nam

In the southern-tip of Vietnam, Ca Mau National Park and the protected mangrove forests that create its buffer zone, have been historically cleared as farmers develop or extend shrimp ponds. MAM established a partnership between the local government, the private sector and producers to kick start sustainable shrimp supply chain which increases farmer incomes and protect local mangrove forests. To date the project has trained 5,500 farmers, protected 12,600 hectares and reduced the deforestation rates from 2% to 0.5% during the project’s lifetime.

Coffee Agroforestry and Forest Enhancement for REDD+: Central Highlands, Viet Nam

Café REDD+ will reduce agriculture-driven deforestation, and enhance the coffee landscape, in one of the Central Highland’s most important landscapes, the Lang Biang Biosphere Reserve. It is doing this by establishing a Public-Private-Producer Partnership to strengthen institutions for climate-smart planning, working with companies to establish and trace deforestation free supply chains, and working with smallholder farmers to adopt more sustainable practices.
Green Prosperity Partnership: Berbak landscape, Sumatra, Indonesia

The Berbak Green Prosperity Partnership has been set up to deliver sustainable management of the Berbak landscape through a low-carbon, inclusive economic growth model. The area consists of the internationally acclaimed Berbak National Park, a forested buffer zone, and neighbouring Muaro Jambi district characterized by oil palm concessions - historically a driver of environmental degradation in the region. This is where SNV is working to enhance the sustainability and livelihoods of 10,000 palm oil smallholders. SNV does this through landscape planning, training for smallholder farmers, and establishing a forest monitoring system to detect deforestation.
SNV Climate Smart Landscapes in Africa

Sustainable Cocoa Agroforestry Systems: High Forest Zone, Ghana

The High Forests of Ghana is one of the world’s major cocoa production areas, but it is beset by challenges: many cocoa farms have ageing trees with declining yields and are highly vulnerable to climate-related shocks such as drought. With limited access to land farmers may encroach upon protected forest areas to raise cocoa and food crops. To reverse this trend, working in the buffer zone of one of Ghana’s last untouched forests, Bia National Park, SNV is working with farmers and businesses to introduce climate-smart farming practices, multi-stakeholder planning approaches and cocoa monitoring and traceability systems that increase quality yields whilst managing sustainable farm expansion and reducing deforestation.

Building pastoralists resilience to climate change in the Sahel

Across the Sahel region, there is a growing shortage of water for pastoralists, affecting their herds and in some cases leading to conflict. As a response SNV has developed the Garbal, mobile phone service in Burkina Faso (MODHEM project) and Mali (STAMP project) to strengthen pastoralists resilience to climate change. Across the main transhumance routes pastoralists are provided with reliable information on biomass availability and quality, surface water availability, herd concentration and market prices for livestock and staple grains. The Garbal service provides information at a cost, to ensure the service is market-based and sustainable beyond the project’s duration. The service has been accessed by more than 200,000 pastoralists in Burkina Faso and Mali.
Key Lessons

Lessons and experiences has shown that we need to support four key intervention areas.

1. Climate smart market development

In order to deliver the transition towards inclusive and climate smart development at scale it is necessary to support overall market development. Our experience in CAFÉ REDD has shown that a critical step is the establishment of multi-stakeholder platforms, giving businesses and public agencies the opportunity to meet others in the supply chain and to explore opportunities and constraints, as well as developing a shared vision for the sector.

Often the markets for climate smart products and services may be underdeveloped, so there is a need to help stimulate supply and demand, and strengthen links along the value chains. We also recognise the need to strengthen the broader business ecosystem and stimulate services pivotal to transforming supply chains. In particular, we target financial, aggregator, climate information and energy services. For example, in STAMP, we build the capacity of local service providers to supply dedicated climate information services.

2. Shifting business practices

We have found that some companies may not be fully responsive to the impacts of climate change due to a lack of information and/or understanding of their exposure and vulnerabilities. Others may be aware but unsure how to act. This lack of understanding can be overcome through the generation and sharing of information on the impacts of climate change on different sectors, crops and businesses. Central to this is demonstrating that the introduction of climate smart practices provides the opportunity to not only reduce climate risks but also deliver higher financial and economic returns. SNV applies tailored tools and guidance to generate climate information to share with agri-businesses to build their awareness and influence their behaviour.

A growing number of global companies have committed to deforestation free supply chains. However, they often lack the ability to understand the reach and impact of their supply chains. They increasingly recognise the need to link closer across their supply chain, including with smallholder farmers. Doing so can bring economic, social and environmental rewards. SNV is working with companies in the coffee, cocoa and palm oil sectors to provide a bridge between the smallholder farmers and companies as well as ensuring the sustainability of their supply chains, through increased transparency about their sourcing areas and the impact they have.
3. Leverage finance for scale

To scale impact and ensure sustainability of our interventions, we continually see that access to finance - by businesses, farmers and public agencies - is critical. We pioneer tailored approaches to make this access a reality, for example, SNV and Financial Access have developed a farmer cash flow forecasting model integrated with a credit risk scoring tool, to help palm oil and cocoa farmers access loans. We use seed capital and other financial instruments such as guarantees and Results Based Financing (RBF) to de-risk commercial investments and leverage private sector capital. SNV has developed significant track-record in managing RBF facilities to accelerate deployment of renewable energy products and services in underserved areas.

Through the provision of technical support to farmers and businesses we also recognize the need to de-risk investments and reduce transaction costs for Financial Institutions (FIs); for example by increasing productivity and resilience of farmers, through farmer aggregation and offtake agreements and applying digital financial services. SNV is also increasingly working with different types of investors. For example, we work with FMO to jointly implementing the Euro 160 million Dutch Fund for Climate and Development. SNVs role is to help generate high impact, climate smart investible business pipeline for the investment funds.

4. Support to the enabling environment

A clear lesson from our work is that Governments, development agencies and other public sector actors have a critical role to play to re-orientate their economy towards more climate resilient and low emissions development. SNV works with governments to create a conducive enabling environment for climate smart agriculture. This may require mainstreaming climate change into key policies, plans, as well as building general awareness and climate smart extension practices.

Examples of where we have been supporting a conducive environment for CSA includes, Vietnam, where we have developed a provincial payments for ecosystem services policy, levied on the shrimp industry, that brings additional income to farmers who maintain mangrove trees on their farms, and Ghana, where we facilitated an agreement with Traditional Authorities on the terms of lease agreements, unlocking cocoa replanting activities.

SNV is also working with government and businesses on the design and implementation of their NDCs, in particular with regards private sector engagement and mobilisation.
Mainstreaming Gender and Youth in Landscapes

In all these critical landscapes, SNV finds that poor economic, social and political connectivity for these communities reduces employment and livelihood opportunities, and exacerbates the vulnerability of women and youth.

SNV’s Opportunities for Youth Employment model is a successful market-based approach, developing inclusive business solutions for youth employment and enterprise development, where we act as a match maker between young people, private companies and consumer markets. Our Balancing Benefits approach has four pillars to systematically reduce gender inequality: households, women-led enterprises, women’s leadership and the enabling environment.

We apply our cross-cutting work on youth and gender throughout our work on these topics, for example in cocoa where we have built capacity of women on land management and agro-forestry, and in Café-REDD+ where we are catalysing investment in on an off-farm jobs for local youth.

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