

Department for Environment, Food and Rural Affairs

Intervention Summary

***Low carbon agriculture for avoided deforestation
and poverty reduction in Brazil***

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What support will the UK provide?

The UK will provide £24.9 million of finance from the International Climate Fund (ICF) to be used over four years, (2013 – 2016), for financial and technical support to small and medium-scale farmers to develop and implement forest restoration and low carbon agriculture in Brazil.

The project aims to promote sustainable rural development; restoring deforested and recovering degraded land, and reducing pressure on forests by addressing unsustainable agricultural practices. It aims to recover 41,560 hectares of degraded forests and pastures, reduce up to 10.71 million CO₂e emissions over 20 years, avoid 6.97 million CO₂e emissions over 20 years and benefit around 3,700 producers.

This project will support a number of sustainable, low carbon practices including:

- i. Integrated crop-livestock-forestry (in crop-livestock, agro-forestry and livestock-forestry phases);
- ii. Planting of commercial forests to aid recovery of degraded areas;
- iii. Sustainable management of remaining native forests; and
- iv. Restoration, management, recovery and/or maintenance of Permanent Preservation Areas and/or Legal Reserves.

The project will target seven states critical to supporting Brazil's forests - three in the Amazon region (Mato Grosso, Pará and Rondônia) plus four in the Atlantic Forest region (Bahia, Minas Gerais, Paraná and Rio Grande do Sul).

The Inter-American Development Bank (IDB) will administer the grant and the project. This is Official Development Assistance (ODA) Capital-DEL, as project activities will be integral to delivering the restoration of tangible assets (i.e. land/forests). The Brazilian Ministry of Agriculture, Livestock and Food Supply (MAPA) is the main beneficiary of this project.

ICF funds will be used to support the following components:

- a. Component I – Financial support for producers (55% or £13,695m)

The first component will finance conditional payments to small and medium sized rural producers as an incentive to enable their access to rural credit for investing in low carbon emission technologies. This includes; investment in sustainable production and environmental compliance measures, hiring accredited technical services for agricultural and environmental planning and assistance with business planning, legal services and accounting.

- b. Component II – Technical support for producers (32% or £7,968m)

The second component will finance training, capacity building and knowledge transfer for both producers and trainers with the aim of implementing sustainable land use, lowering carbon emissions, pursuing good forest management and improving environmental protection. Technical support will include: (i) the establishment of demonstration units, for the on-site demonstration of the practical use of low carbon technologies as well as of property and business management techniques; (ii) the training of producers and technical assistance providers to build capacity on these technologies and property/business management skills; (iii) the availability of supporting tools, templates, forms, etc. for beneficiary producers and service providers; (iv) the promotion and dissemination activities to bring information and guidance to stakeholders; and (v) the establishment of a portal on the Internet to disseminate management techniques, procedures, and training-supporting materials among others.

c. Component III – Execution, Management and Monitoring and Evaluation (10% or 2,490m)

This component will finance activities related to the execution and monitoring of the project in order to ensure that the benefits of the project are delivered, and to gather evidence of the benefits of the approach. This will include: (i) ensuring good practices on procurement, contract management and payments; (ii) preparation of progress reports, financial reports and other documents; and (iii) monitoring and evaluation, so that the progress can be supervised, inspected and audited, and timely corrective measures can be taken to avoid risks; and identification and description of best practices and lessons learned.

The remaining 3% or £747m of the grant is reserved for contingencies.

Why is the UK support required?

Brazil is home to 12% of the world's forest area, 35% of the world's tropical rainforests, an eighth of its freshwater and up to 20% of its biodiversity. As a result of the availability of land, favourable climate conditions, water abundance and technological progress, Brazil's agricultural sector has reported significant growth in recent decades and become one of the main levers of economic growth. Gross production value of agriculture in Brazil has been growing at an average 4% annually since the 1960s (this compares to global annual growth rates of 2% over the same period). With predicted population growth, rising per capita GDP and changes in eating habits of emerging middle classes, both domestic and global demand for Brazil's agricultural production look set to increase and put pressure on valuable forest assets. These forests support a significant proportion of land based biodiversity, are substantial carbon stores, and support the livelihoods of people living in rural areas.

Deforestation in Brazil, largely driven by agriculture production, has slowed in recent years, but small scale deforestation remains persistent. This has resulted in significant GHG emissions. Brazil currently ranks as one of the world's largest greenhouse gas emitter, with around half of all emissions coming from deforestation. Deforestation also has

significant wider environmental costs in terms of habitat fragmentation and destruction, biodiversity loss, soil and pasture degradation, water pollution and sedimentation.

Brazil has taken serious action to mitigate greenhouse gas emissions, particularly from deforestation. The National Policy on Climate Change Law (enacted December 2009) sets out the goals and guidelines for the domestic approach to tackling climate change and enshrines in law the national voluntary commitment to reduce emissions by 36% to 39% below business as usual levels by 2020. Achieving this involves mitigation action in a number of key sectors including deforestation, agriculture, and industry. Specifically on agriculture, Brazil has developed the Sectoral Plan for the Mitigation and Adaptation of Climate Change for Low Carbon Emissions Agriculture (Plano ABC), aimed at reducing emissions from agriculture land use by 6% by promoting greater productivity of existing agriculture systems, sustainable management practices and recovery of degraded land. The main delivery mechanism for Plano ABC is rural credit lines linked to agriculture technologies and investments that reduce greenhouse gas emissions. However, there has been low uptake of such credit lines, due to:

- Lack of information for farmers on Plano ABC and the credit lines available from financial agents under the plan
- Poorly informed perceptions amongst farmers about loss of productivity and efficiency of sustainable production methods
- Lack of understanding by farmers of the technologies used in Plano ABC
- Failure of farmers to comply with environmental legislation, mainly Legal Reserves (LR) and Permanent Preservation Areas (PPAs) under the Forest Code, without which credit cannot be awarded. Compliance with environmental regulation requires upfront costs.
- Upfront cost for conversion to sustainable practices (e.g. acquisition of modern machinery).
- Widespread utilisation of old machinery on farms
- Lack of technical assistance to help farmers to undertake projects using the practices in Plano ABC.

By targeting the barriers experienced by farmers in accessing rural credit for sustainable agriculture practices and the restoration of degraded pastures and forests, UK support is intended to unlock rural credit in line with the objectives of Plano ABC in relation to sustainable land and forest management.

This project is one of many under the [International Climate Fund](#), in which the UK is tackling a range of globally significant, linked, issues including climate change, deforestation and poverty.

What are the expected results?

It is expected that the project will have a significant impact on reducing deforestation and increasing forest and land restoration in Brazil leading to greenhouse gas emissions reduction, poverty alleviation, and the preservation of biodiversity.

In particular:

- ICF support will be used to recover 41,560 hectares of degraded forests and pastures with significant biodiversity benefits, reduced soil erosion on cultivated land, improved water quality, as well as protection and enhancement of wider ecosystems services;
- ICF support will promote increased compliance with environmental regulation by farmers, including areas restored as Legal Reserves and Permanently Protected Areas;
- ICF support will be used to increase agricultural production on degraded lands instead of forests;
- ICF support will be used to reduce 10.71 million CO₂e emissions over 20 years resulting from the uptake of low carbon agriculture practices (reforestation and carbon sequestration);
- ICF support will be used to avoid 6.97 million CO₂e emissions over 20 years from deforestation avoided (from reduced pressure on native forests);
- ICF support will be used to alleviate poverty and improve livelihoods in Brazil's rural sector via diversified income streams, efficiency gains and increased medium and long term productivity. It is expected that around 3,700 producers will benefit directly from the project;
- ICF support will promote increased capacity of government institutions, particularly at a federal level, to improve the management of land and forests;
- ICF support will help unlock in-country rural credit from Brazilian banks, with scope to leverage similar funding from other donors and to scale up such activities.

For more information on this project, please visit this [link](#).