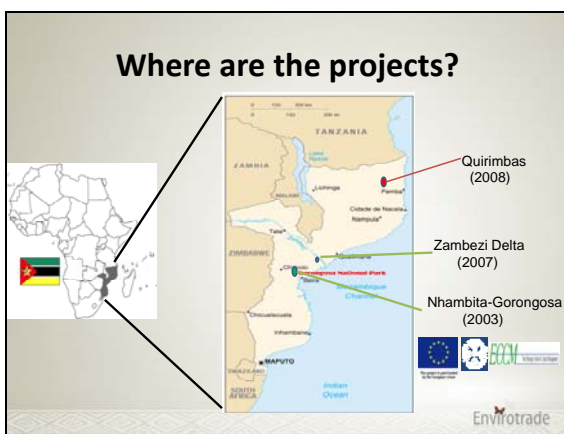


Financial Management in REDD+ Projects at the Local Level: Lessons Learned from Community Carbon and Poverty Alleviation Projects
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I would like to take this opportunity to share what we are doing on the ground in Mozambique. We are still small but with more than a decade of experience in implementing community carbon project in Mozambique.

1. Where are the Projects?



The pilot project starts here. It is on the buffer zone of one of the most famous and important protected areas in Gorongosa National Park. The project was in partnership with the EU, the University of Edinburgh, and the Edinburgh Centre for Carbon Management¹. The EU funded about 80% of the project and Envirotrade participated with about 20% of total of about \$2 million for a five year project.

The University of Edinburgh, apart from managing the financials and funds from EU, was responsible to do a research on the project. The ECCM² had the responsibility to develop all of the technical specifications that we use to implement the carbon project. Then, in 2007, we move to Zambezi Delta also close to the buffer zone of one of the protected areas. It is one of the two Ramsar areas in Mozambique and includes a part of a buffalo reserve and two forest reserves includes also game hunting concessions with a huge

¹ <http://www.eccm.uk.com/> (Currently Unavailable)

² Edinburgh Centre for Carbon Management

potential for REDD projects. The four game hunting concessions have about 300,000 hectares of pristine forests, so with a huge potential to develop REDD project.

However, until now, we only manage to work with the community on the agro forest, and we are on the process of engaging the other stakeholders who are managing the other areas like the hunting concessions, the buffer reserves, and the forest reserves. However, this process is taking much longer than we expected.

Then, in 2008, we move to the north of Mozambique and we start another project also on the buffer zone of one of the protected areas, so which is Quirimbas National Park. However, this project lasted about three years and we gave up because we did not manage to attract investors to go straight to this year's standard. Therefore, we decided to give up.


2. Common Problems & Challenges

Common problems

- **Extreme poverty;**
- **Lack of infrastructure;**

⇒ **High human pressure**

- Deforestation;
- Poaching; and
- Bushfires.



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All of these three areas have in common because we were coming from a long and destructive civil war. These three areas have in common extreme poverty, a lack of all kind of infrastructure including clinics, schools, and roads. All of these people are living there. For example, in the Zambezi Delta, there are more than 300,000 people living there. In Gorongosa, there are more than 100,000 people living there. All these people depend on the natural resources. The pressure on natural resources is very high. Essentially, inside the protected areas, people survived by poaching and by extracting all of the natural resources available in these protected areas. We had high rates of deforestation, poaching, and also bushfires.

The challenge

⇒ **Innovation**

- * **Provide food security;**
- * **Create livelihoods;**
- * **Change land use;**
- * **Conserve biodiversity; and**
- * **Mitigate greenhouse gas emissions**

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When we started with the project in Gorongosa, we were challenged by the Gorongosa National

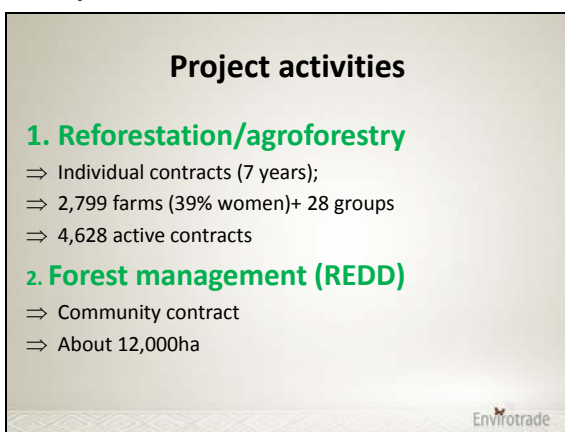
Park Authority. Since they were suffering of the pressure from the people around, they challenged Envirotrade and the other partners to bring something innovative and contributing to the park conservation by providing food security, creating different source of livelihoods, and changing land use by conserving also the biodiversity and mitigating greenhouse gas emissions. This was the big challenge raised by the park authority at the time that Envirotrade portended to initiate with the pilot project in Gorongosa.



The project aimed to contribute to rebuild from the civil war, rebuild the local economy by establishing environmentally responsible farming and the food security. In the other words, it is to create some incentive to involve people on the sustainable forest management because we believe that the transactions are the basis for sustainable development.

At the beginning, we use the Plan Vivo³ standard. One of the partners, which is the University of Edinburgh, was a part of developing this standard in Mexico previously. We adopted the Plan Vivo when we started the project. Later on in 2010, we had also the CCB Standards⁴.

3. Project Activities



We have two main project activities. In agro-forest, we sign individual contracts not with the household but with individual owners of the field or crop field. We have involved on this contract about

³ <http://www.planvivo.org/>

⁴ The Climate, Community & Biodiversity Alliance: <http://www.climate-standards.org/>

2800 farmers, from which about 39 are women and 28 groups. Groups mean schools, churches, and other small organizations. From this activity or from the agro-forest contracts, we have about 4600 contracts. It seems not make sense because we have 2000 farmers and 4000 contracts. What has happened is some of the farmers have more than one contract with us. The contract has a seven year validity.

The other activities, the forest management what we normally call REDD areas and the contract here is with the community has all, and we are managing together about 12,000 hectares. This is only in Gorongosa because we have not yet concluded the process of managing the forest at the Zambezi delta.

Other Project activities

- 3. Research
- 4. Environmental education
- 5. Micro-enterprises

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Apart from this, and because we recognize from the beginning that the carbon money will not solve all the problem at local level, the contribution of carbon money is a small part of our problem. We also promote research, environmental education, and essential micro enterprises. The idea of micro enterprises is to generate more jobs and also diversify the income sources of the people living on these areas.

4. Financial Model

Project governance

Responsibility & benefit sharing

- > **Community**
 - > Labor
 - > Land
 - > Local knowledge
- > **Envirotrade**
 - > Technical assistance
 - > Inputs
 - > Market

Appropriation

- > Envirotrade time horizon : 15 years
- Exchange of roles

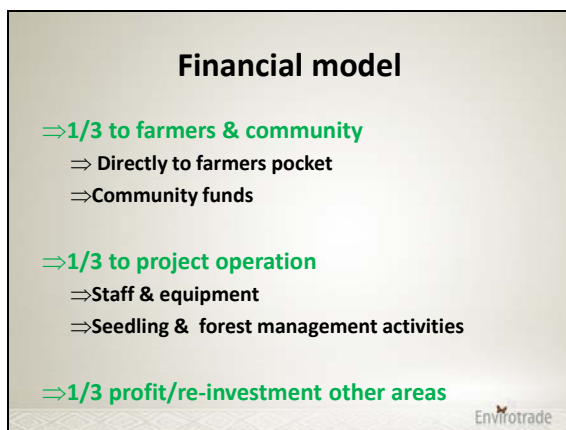
Government, NGO's, clients & donor's

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In terms of project governance, we have two main pillars. One is responsibility and benefit sharing and the other one is appropriation. On the responsibility and benefit sharing, we mean that the community has a responsibility and also will benefit from participating on this and they participate with labor, land, and local knowledge. Envirotrade also will share both benefiting and responsibility by giving technical assistance, some other inputs, and also facilitating the market.

On appropriation, we mean that the project stays in the community for a maximum of 15 year.

During this period, it transfers all of the responsibility from Envirotrade to the community through the community association we have in these areas. At the end of 15 years, we had probably the role of advising and facilitate the market, which is one of the hardest things to be done by the community. We are working on these two pillars with the government (essentially local government), NGOs essential for training the communities, clients, and also donors.



Financial model

- ⇒ **1/3 to farmers & community**
 - ⇒ Directly to farmers pocket
 - ⇒ Community funds
- ⇒ **1/3 to project operation**
 - ⇒ Staff & equipment
 - ⇒ Seedling & forest management activities
- ⇒ **1/3 profit/re-investment other areas**

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In terms of financial model, from the beginning, we decided the income or the sales will be shared in three parts: one-third to the farmers and communities, one-third to the project operations, and one-third to have profits reinvested in other project areas.



Farmers contract & PES

- ⇒ Individual contract valid for 7 years;
- ⇒ Price negotiated with farmer \$4/tCO₂;
- ⇒ Contracts signed in advance

⇒ PES made until 2013: **\$ 2,136,744.00**

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So far, we have already paid to these two community projects about \$2 million from the credit selling. Under the current price, we are paying to the farmer because unfortunately we sign a contract from before we sell the carbon, and at the time the price of the carbon was about \$12 per ton. Because this sharing mechanism or model of one-third, we signed with the farmer contract of to pay them \$4 per ton.

Carbon generated & sold

- ⇒ **Carbon credits:**
 - ⇒ Agroforestry: 316,884 t
 - ⇒ REDD: 187,562 t
- ⇒ **Carbon sold:**
 - ⇒ Agroforestry: 294,923 t
 - ⇒ REDD+ : 145.315 t
- ⇒ **Average price: about \$6**
- ⇒ **Carbon available: 64.208 tonnes**

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From these two activities, we generate for agro-forest about 316,000 tons of carbon. From 12,000 hectares of REDD area, we generate about 200,000 tons. From this, we sold about 300,000 from agro-forest and 145,000 from REDD areas. The average price now in the last few years since 2010 is about \$6, but in some cases, we had to sell at less than \$4 per ton. We still have about 64,000 tons of carbon to sell.

Market

- ⇒ **Swedish broker (Europe)**
 - ⇒ European travel companies;
 - ⇒ Dairy cooperative;
 - ⇒ A hamburger chain, and
 - ⇒ Hotels
- ⇒ **Broker in Mauritius**
 - ⇒ an office automation company
 - ⇒ Hotel group in Mauritius and Maldives

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In terms of market, we have two big niches. One is in Sweden and the other one in Mauritius. We are working through brokers. They buy from us and they resell and also we work together to find new clients. We are working with, essentially, two brokers, although we deal with some other clients directly, but for the small amount of carbon.

5. Project Impact

Project Impact

- 1. **Social/local economy**
 - Over 140 "green jobs";
 - Income diversification;
 - Social infrastructure (2 schools, clinic, clean water);
 - Food security improved;
 - Living standards improved



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In terms of project impact, I would divide this in three. In terms of social and local economy, we consider it, until now, as a big success because jobs were created. Some infrastructure like schools were built with the money from the carbon and also the food security and living standard was improved.

Project impact

2. Environmental

- Over a million trees planted;
- About 12,000 ha of forest under sustainable management

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In terms of environmental impact, we planted already this year over a million trees in both projects, and also we are protecting 12,000 hectares.

Project Impact

3. Business & sustainability

- The price (low) is the biggest problem;
- Project contracted to pay very high price to farmer

=> Too small to be financially viable

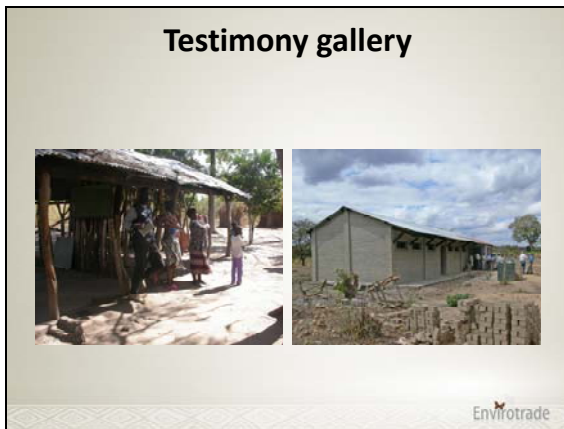
Example: project selling for \$1.5/tonne but generate more than 1 million tonnes/year

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In terms of business and sustainability, the other two impacts we consider positive, but in terms of business and sustainability we are considering negative because of the current project carbon prices, and also because the size of the REDD area. The amount of carbon we can generate in that small area is not enough to compensate the current price of carbon.

In fact, we are too small (taking account these two issues; size and the price) to be financially viable. We cannot compete, for example, with the big project in Zimbabwe who is selling \$1.5 per ton, but in compensation, they generate about one million tons per year. The size of the areas and the amount of credit that they can generate cannot compensate these low prices, and we cannot compete with this kind of projects.

6. Testimony Gallery



I would like also to share some of the pictures from what is happening there. This was the school before the project. Immediately after the war, some of the international organizations helped with the roof and they built the school. With the carbon project money, they managed to build two schools. This is one of the schools.



One of our clients also donated 200 computers to the local schools. This is another school, the second school and also people are earning some money to buy some assets like motorbikes, roofing, and also improving the houses.

Also, people are already investing in vegetable gardens. This is a picture of a nursery. we have five community nurseries. We are buying seedling to distribute to the farmers. We are not running the nursery. The idea is to create this extra income, and we are also developing beekeeping and carpentry.



Here, I would like to show some of the plantations. This is one of the species we are promoting, which is nitrogen fixing. This is a pod mahogany that they are planting also. This is the view of the project areas in Gorongosa. Here is a farmer showing his orchards were planted under the project.

More details I think you can find on the website or you can email me for these two addresses.

DAY2
Session 2