



Compensation for farmers' carbon sequestration

By **Lennart Båge**, President of the International Fund for Agricultural Development (IFAD), published in *Development Today* 17/2007

Lennart Båge, President of IFAD, proposes expanding the concept of carbon trading to include compensation for the rural poor for their contributions to soil conservation and avoided deforestation.

The **Millennium Development Goals** created a new basis for development cooperation, spurring our efforts while providing a metric to measure progress. Three out of four of the world's one billion extremely poor people, who survive on less than one dollar a day, live in rural areas and depend on agriculture and related activities for their livelihoods. More rapid agricultural growth will thus be the key factor in the pace of poverty reduction.

Historical evidence underscores this point. In **China**, for example, agricultural growth has proven 3.5 times more effective in reducing poverty than non-agricultural growth. In Latin America, it has been 2.7 times more effective. More starkly, as the 2008 *World Development Report* has shown, GDP growth generated by agriculture is four times more effective in benefiting the poorest half of the population than growth in other sectors.

Yet, agriculture aid has fallen sharply in the last 25 years, from 18 per cent of total ODA in 1979 to just 3.5 per cent in 2004. Domestic investment in agriculture has followed a similar downward trend. This trend must be reversed and there are some welcome signs of new attention and priority being given to agriculture. The fact that this year's *World Development Report* is devoted to agriculture, for the first time in 25 years, reflects this new interest.

Even as we intensify our efforts, **climate change** presents both risks and opportunities. We are already seeing the effects of climate change on developing country agriculture. Crop failures and livestock deaths cause high economic losses and undermine food security with ever greater frequency, especially in parts of sub-Saharan Africa. Crop yields could drop by 50 per cent by 2020 in some countries.

Agricultural commodity prices are rising, partly due to changing weather patterns. This will have enormous consequences for poor rural people. For some, it will mean new opportunities - particularly poor rural producers with access to markets. But, for the majority of households that are net buyers of food commodities, rising prices will cause serious problems.

Biofuels are seen as an important response to climate change, but they increase the competition for agricultural land - and contribute to food price increases. At the same time, second generation biofuel crops such as sweet sorghum and jatropha curcas, which can grow on marginal lands, could become a new source of income for poor farmers. International efforts must focus on avoiding the risks to food security, while expanding the opportunities associated with biofuels.

Climate change renders agriculture even more crucial. While adaptation is key for poor farmers, they could also play a major role in mitigation of climate change through the sustainable management of land, forests and other natural resources. Over three billion people live in rural areas - most live on less than two dollars a day. While they are profoundly vulnerable to the effects of climate change, they also contribute to global greenhouse gas emissions: the World Bank estimates that developing country agriculture and deforestation contribute an estimated 22 per cent of emissions.

Yet agriculture and forestry can also play a key role in tackling climate change. Afforestation and reforestation, better land management practices such as conservation tillage and agroforestry, rehabilitation of degraded crop and pasture land, and improved livestock management practices can all contribute significantly to reducing carbon emissions. They have also help farmers to adapt to climate change.

For this to occur, a substantial increase in support for research to generate drought-resistant and salinity-tolerant crops is needed. Investment is also needed to ensure that smallholder farmers have access to these technologies, and that this

translates into increased, climate-proof production.

However, I believe we need to go further. I am convinced that poor rural producers should be recognized and compensated for the environmental services they provide when they practice environmentally sound land-use management and forestry that benefit all of us. Support for soil conservation, incentives for sustainable production practices, and payment for carbon sequestration and for avoided deforestation, are all part of the solution. Schemes for carbon trading need to involve compensation for rural carbon sequestration. Through several grants, IFAD is supporting research into accounting approaches to calculate the price of maintaining environmental services.

Climate change will affect us all, but it poses a particular risk to development and poverty reduction, and to the achievement of the MDGs. Our efforts will be more effective if we recognize poor rural people as effective custodians of the natural resource base, and ensure they have access to the technology and financing they need to cope with climate change and be part of the solution.

By listening to the voices of poor rural people when planning adaptation and mitigation processes, we can reduce the risks of climate change, while accelerating progress towards a world without poverty.

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