

Introduction to the SARD-M Project: An Initiative of FAO, Rome for Remuneration of Positive Externalities in Mountain Regions

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The SARD-M project liaises between Sustainable Agriculture and Rural Development (SARD) and Mountain (M) issues, described by the UN General assembly in 2007 (A/RES/62/196). SARD-M identifies many challenges, and calls for coherent policies, instruments and programmes on mountain development. It is led by the Food and Agricultural Organisation (FAO), the United Nations lead agency on both sustainable agriculture and rural development. As a five-year multi-donor project funded by France and Switzerland and following the request of the Adelboden Conference held in 2002,^{1,2} it has been in operation since 2005 and aims to facilitate the formulation, implementation and evaluation of sustainable agriculture and rural development policies, institutions and processes.

The SARD-M project has identified four key issues for mountain regions: Rural-Urban Migration, Gender and Equity issues, Cultural Heritage of Mountain Regions, and Remuneration of Positive Externalities (RPE), such as environmental externalities. External economic and environmental pressures (i.e. globalisation, climate change) will impact negatively on the distinctive characteristics and values of mountains unless appropriate policies are in place to ensure the continued supply of externalities. Positive externalities can help communities survive and in turn need dynamic community engagement and recognition to be sustained.

Why remunerate positive externalities in mountain regions?

In mountain regions in particular, RPE may not only contribute to improved natural resource management, environmental services and climate change mitigation, but also improved livelihoods and reduced food insecurity by:

- Redistributing wealth and providing additional income to

rural communities or farmers who provide the services.

- Restoring / maintaining natural resources, including biodiversity, and consequently impacting positively on agricultural productivity.
- Facilitating social dialogue between stakeholders (among providers, among users, between providers and users, with NGOs or national / local governments).
- Preserving heritage, for example cultural diversity of technical know-how.
- Building capacity and sharing knowledge for sustainable management of sensitive mountain agro-ecosystems.

How can we remunerate positive externalities in Mountain regions?

Important preliminary conditions to any remuneration system are the existence of positive externalities, the willingness to recognise these and the overall legal framework at national level, and enforcement. What are the policies regarding agricultural development, environmental protection, pollution control (the legal levels of pollution)? What are the institutional capacities for training, for control, for possible payments (or sanctions)? What is the system of property rights? These criteria are important to ascertain before any initiative is developed towards RPE.

The remuneration itself may happen in form of a payment:

- By public funds through incentives, or through NGOs' grants;
- Through market payments (water fees).

It may also happen in other forms:

- Vouchers (e.g. programme of Food for Work by WFP) or in kind (for example beehives from downstream communities); users' rights, tax reduction, extension programmes.

The implementation of a RPE scheme involves different steps, from the provision of services or goods and products by the farmer / rural community, to remuneration respectively by the public budget or by the market (see diagram 1, right).



Remunerating ES and Improving Incomes. Photo: Jean Gault.

¹ see http://www.fao.org/sard/common/ecg/1182/en/AdelbodenDeclaration_en.pdf

² The Adelboden Group is an informal advisory and lobbying body. Its members come from different mountain countries, multilateral organisations, NGOs, and scientific organisations.

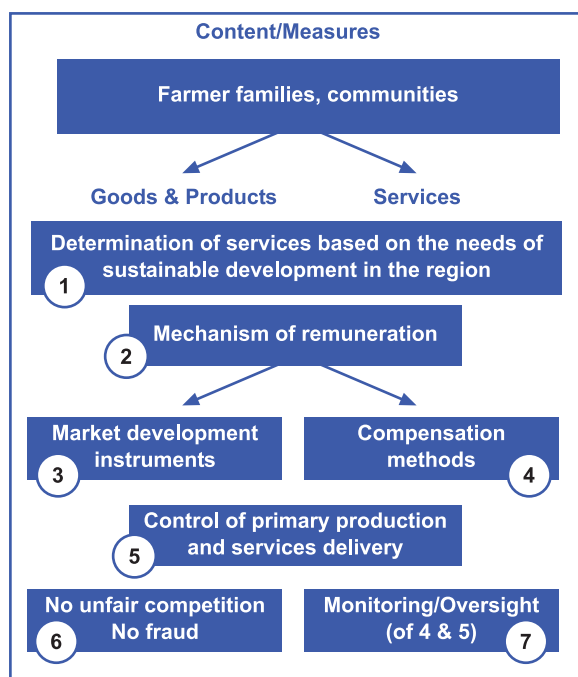


Diagram 1. Implementation of RPE.

These steps include:

- Determination of the externality to remunerate (1), its providers and its users.
- Building a mechanism for the remuneration (2) with legal basis and negotiated agreements (intermediaries, brokers).
- Implementing the remuneration : by public funding (4) or by the market (3).
- Verifying (5) the delivery, and the overall system (6).
- Monitoring, evaluating, communicating and oversight (certification)(7).

An efficient remunerating system should rely on trust and mutual understanding of the issues, including of the starting point (baseline), and of the timeframe; it should offer an acceptable price (or reward) for each party: remunerating the foregone benefits of the provider ('opportunity costs'), and on the other hand valuing the improved service for the user. Transaction costs should remain reasonable. The control should be independent from remunerating services, either public or private. An efficient and transparent communication on the services received is necessary to maintain trust. From the outset, it is necessary to define and agree on simple monitoring/evaluation and reporting systems that are satisfactory to both parties.

To enhance food security and livelihoods, the participation of all potential stakeholders is tantamount, inclusive of those most at risk of vulnerability and marginalisation (the poorest, indigenous people, women), who are dependent on local resources for survival, those who may lack access to land, technical skills or ability to invest.

Some bottlenecks have been identified:

- The most important condition is... to find a buyer: many

projects are never manifested because no one remunerates or acknowledges the services.

- The level of remuneration must be higher than the opportunity costs of the provider, and lower than the benefits of the user.
- The transaction costs must be as low as possible (they sometimes exceed 20% of the value paid).
- The remuneration system must be compatible with World Trade Agreements, that is to say trade non-distortive.

Conclusion

The remuneration of positive externalities offers opportunities to transfer resources to mountain communities in a way that is compatible with multilateral trade agreements. It contributes to the sustainable management of our environment, and most importantly with the urgency to address climate change issues. It also has the potential for reducing poverty and food insecurity in different ways, but finding the right mechanism to reach out effectively to the poorest communities remains a challenge. The remuneration of positive externalities is a complex issue but many global examples are showing that success is possible both in Northern and Southern countries, providing that mechanisms are tailored to the context.

The FAO Project for Sustainable Agriculture and Rural Development in Mountain regions is considering ways of incorporating the recommendations (see Box 1) of the Adelboden group into Remuneration of Positive Externalities in Mountain regions through appropriate participative programmes of work. These recommendations were endorsed by the "Adelboden Group" at its meeting held in October 2007, which also underlined the need to develop methods for the remuneration of positive externalities generated by agricultural and rural activities in mountain areas.³ Together they provide a useful insight into new approaches to environmental management in Mountain regions.

Policies

- A long-term vision and holistic approaches should be adopted by governments and their development partners, in order to remedy the present common lack of strategies and integrated approach to policies for SARD in mountain regions.
- Higher priority should be given to mountain issues in national, regional and global policy-making, either through incorporating mountain-specific requirements into general policies or through specific mountain policies.
- Awareness of mountain specificities and of possible impacts of current policies on mountains needs to be improved among policy-makers and civil society partners.
- Economic diversification as well as value-added production and services need to be fostered, with the objective of improving employment and incomes.
- Better integration of mountain economic activities through improved access to markets and the promotion of public-private partnerships must be encouraged.
- Securing long-term land tenure for mountain agriculturalists, including for women-headed

³ <http://www.fao.org/sard/common/ecg/2991/en/SARDStatementFinal.pdf>

households, is a fundamental prerequisite for SARD-M.

- Higher priority should be given to indigenous traditional knowledge in order to protect mountain environments and promote SARD-M.

Institutions and Processes

- The institutional capacity for SARD-M policy formulation and implementation as well as for policy coordination should be improved at the national level to achieve better complementarity and coherence between policies.
- Transnational approaches to SARD-M should be fostered at the regional level, for instance in the context of regional mountain conventions, such as the Alpine Convention and the Carpathian Convention.
- Knowledge generation and management, information sharing and networking need to be rapidly developed at all levels.
- Participation of civil society in policy formulation should be ensured at all levels.
- The capacities of all stakeholders should be strengthened to ensure that they can participate effectively in all policy formulation and implementation processes.
- The evaluation and monitoring of mountain-relevant policies as well as their implementation should be systematic.

Box 1: Recommendations of the Abelboden Group to shape environmental management approaches in mountain regions, 2007

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