

The JK Papermill CDM Project: Sustainable Development Promises and the Situation on the Ground- A field visit report to villages in the Kalahandi district, Odisha

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Introduction

The “Improving Rural Livelihoods Through Carbon Sequestration By Adopting Environment Friendly Technology based Agroforestry Practices” CDM project (project number 4531) is an reforestation project that was registered under the Clean Development Mechanism (CDM) in February 2011. So far, it has been awarded with 79.811 carbon credits (CERs).

The project implements reforestation on 1607.7 ha of land belonging to 1590 farmers in the states of Andhra Pradesh and Orissa, in India. The paper mill primarily promoted plantation of eucalyptus trees on 3500 hectares of land in selected villages. The project covers 6 districts, 3 of which are located in Orissa and 3 that belong to the state of Andhra Pradesh. The project is financed by the project participants, namely: Veda Climate Change Solutions Ltd, JK Paper Ltd and the participating farmers.

The CDM is a project based flexible offsetting mechanism that allows crediting of emission reductions from greenhouse gas (GHG) emission abatement projects in developing countries. Following a dual purpose, the CDM was designed to bring sustainable development to developing countries and to enable industrialized countries to achieve emission reductions in the most cost effective way. However, JK Papermill is yet another example of CDM project that misses its original targets.

This reports offers to take a look to the harsh reality, totally opposite to the promises originally made. Following a field visit to the Kalahandi district, in the State of Odisha, it will show how instead of getting out of poverty, farmers were pushed into bankruptcy and left with nutrient-depleted soil and water resources that make growing food difficult.

1. Project Background

The Kalahandi district in Odisha, is one of the poorest districts of India. The topography of Kalahandi consists of plain land, hills & mountains. Kalahandi is surrounded by hills. The district is primarily agricultural, with over one third of the district area covered with dense jungle forest. Industry is very limited, but bauxite and graphite deposits can be commercially exploited.

As set out in the Project Design Document (PDD)¹, which describes the project activity in detail and forms the basis for all future planning and administrative procedures, the JK Paper Mill claimed that the initiatives created by this CDM project would help resource-poor farmers to *“improve their livelihoods through carbon sequestration by adopting environmental friendly technology-based agro-forestry practices”*.

The company stated that it was actively working on the Emissions Reduction Purchase Agreement (ERPA) programme with the World Bank’s Bio Carbon fund. The Bio Carbon Fund would, in return, buy 276,000 tonnes of carbon dioxide equivalent from the farmers from 2008-2017, paying them for every tonne of carbon sequestered. Under this project, the mill provided saplings to farmers for plantation on 3,500 hectares of so called degraded land in six districts of Orissa and Andhra Pradesh.

JK Papermill further determined that through the project activity resource-poor farmers would be mobilized to raise tree plantations on their farmlands which, according to the project proponent, were degraded lands. They also gave assurance that the resource-poor farmers will be linked to the end users of wood products in order to optimize land use and to facilitate the coordination of wood producers, agronomists, financial institutions and non-governmental organizations (NGOs) to improve the livelihood opportunities of rural households.

Concretely, the PDD states:

“the Farmers are encouraged to plant eucalyptus trees on their farming lands to produce raw materials for paper production that will be processed by JK Papermill. The farmers contribute to the project in form of land and labour supplies in the establishment of tree crops. The resource-poor farmers are also contributing their savings as investment in the plantation activity. Accordingly, the beneficiary farmers themselves, out of their savings or through loans, meet the plantation establishment cost.”

¹https://cdm.unfccc.int/filestorage/H/2/O/H2OVT4UEGD90PM5CIKSY7136QNZRWL/PDD.pdf?t=MUF8bm9hM3d1fDDPJnf_TovQlpxFqJPxEde

Furthermore,

“the project activity shall mobilize resource-poor farmers to raise tree plantations on farmlands. It proposes to link resource-poor farmers and end users of wood products in order to optimize the land use and to facilitate the co-ordination of wood producers, agronomists, financial institutions and non-governmental organizations to improve the livelihood opportunities of rural households.”

2. Sustainable development benefits according to the PDD

At the design stage of each project, project developers specify how the CDM project will contribute to the sustainable development of the host country. The contribution to sustainable development is displayed in the Project Design Document (PDD). In India, this must further be specified in the sustainable development action plan, outlining the exact actions that will be implemented to achieve the respective sustainable development benefits.

Every host country defines its own sustainable development criteria that have to be met by the CDM project activity.

2.1 Contribution to social well-being:

It is outlined in the PDD of the JK Papermill project that the project activity will contribute to social well-being of the region in the following ways:

- promotion of local financing arrangements for restoration of degraded lands by resource-poor farmers to meet the cost of plantation and maintenance
- identification of resource-poor farmers and to improve their awareness to tree growing
- improvement in productivity of degraded lands under the project activity through a participatory approach involving local farmers, JK Paper Ltd, and VEDA Climate Change Solutions Limited (VCCSL)
- development, testing and dissemination of best practices in plantation and agro forestry to minimize risks (fire, pests, insects and disease) and maximize environmental and social benefits
- provision of seedlings raised from clonal technology to the farmers to raise plantations
- promotion of farmer-industry partnerships with buy-back arrangements to purchase wood
- generation of additional income from carbon credits to the farmers
- development and strengthening of the capacity of various stakeholders: resource-poor farmers,

- governmental and non-governmental organizations through training and technical assistance to
- take advantage of the international mechanisms

2.2 Contribution to environmental well-being:

It is outlined in the PDD of the JK Papermill project that the project activity will contribute to environmental well-being of the region in the following ways:

- observation of biodiversity through reduced dependence on natural forests by producing raw material for housing, construction and industry on private lands through plantation forestry

2.3 Local Consultation according to the PDD:

According to the PDD, *“the initial consultations with farmers identified that their very low capacity, absence of awareness to land use alternatives, lack of access to technology, and risk aversion to activities that do not provide immediate returns are the prohibitive barriers, which can only be alleviated with external institutional support”*.

The consultation was carried out using:

- *A project leaflet has been prepared with the brief introduction of the project objective, main activities, benefits and potential risks, as well as the modalities and procedures of the project. The leaflet was distributed to the communities and was explained*
- *Meeting with farmers’ representatives in each selected village. Participants included village headers, farmer representatives, etc.*
- *Questionnaire, distributed among different stakeholders, 10-15 households randomly selected from each selected village, local institutions, etc. The questionnaires were collected and analyzed to understand the local socio-economic profiles, land use, land tenure, income and sources, land management ways, awareness, technical know-how, favorable tree species, technical and financial barriers, need and desire of farmers to participate in the proposed project activity*

- *Interview with various stakeholders involved in the project. 10-15 households randomly selected from each selected village were also interviewed using semi-structured approach*

3. The situation on the ground: field visit to the Kalahandi district

Field visits to eight villages in the Kalahandi district found the situation on the ground to be very different from the sustainable development claims.

3.1 Recruitment of local farmers

Company officials from JK Papermill together with the help of middle men (mostly big land holders who have benefited from eucalyptus plantation) have successfully motivated some poor and marginal land holding farmers to start eucalyptus plantations giving promises of high profit despite drought conditions. The company helped to arrange loans from the local banks like the State Bank of India (SBI) and Utkal Gramya Bank (UGB) for the farmers to meet various expenses for the plantation. The loans provided saplings to the farmers, thereby deducting the cost of saplings from their respective loan amounts.

The people were informed that the company would buy back the pulp wood trees on maturity from the farmers. It was further specified that there would be three cycles of crops. With the first crop yielded after 3 to 4 years. It was said that each cycle would fetch about Rs.15 to 20 thousand (about 190-260 EUR). The loan amount given to the farmers would be cleared after cutting of the first crop therefore four years after starting the plantation.

Lured by this promise, small land holders of villages in Lanjigarh and Narla Blocks of the Kalahandi district opted for eucalyptus in place of traditional farming. People's motivation to start eucalyptus plantations was driven by the aim of generating more profit from this new farming practice.

Our field visit to 8 villages that are covered under the JK Papermill CDM project in these two blocks revealed that 26 farmers are planting eucalyptus. Ten out of these 26 are big farmers, with more than 10 acres of land holding each. From the other 16 farmers, one is landless and the rest are small or marginal land holders owning 1 to 5 acres of land. The total area cultivated by all these farmers is 120 acres. 56 percent (67 acres) of this land belongs to big farmers.

The land use pattern of the farmers reveals that 59 percent of the total land available of all 26 farmers has been used for plantations. When the percentage of land utilized by the big farmers is 54 percent, in case of small and marginal farmers it is 75 percent of the total land available for

them. 9 of the farmers have used all their lands for eucalyptus cultivation. This means failure of eucalyptus would affect the small and marginal farmers the most.

3.2 Many farmers stay indebted

We have found that most of the small and marginal farmers have suffered losses and remain indebted by the banks. The company has not come to their rescue as promised initially. 19 farmers out of the total 26 have obtained loan from the banks. 13 farmers revealed that their loans are still outstanding. Some of them have been given the impression by company's middlemen that the government will waive these loans under certain schemes but no such scheme is available.

The bank officials often visit the villages, causing humiliating situations for the poor farmers. The farmers can't repay their loans and have to express their helplessness.

The story goes like this: JK Papermill promises of good harvest from its seedlings fail. Then, whatever harvest the farmers not get, will not be bought by the company. There are no contracts with the farmers which can help them sue the company for the false promises made. At the end the farmers suffer.

Debraj Biswal's case is a clear example:

Debraj Biswal of the Tikarpada village obtained a Rs. 9000 (about 115 EUR)r loan from the bank and planted eucalyptus on three acres of land. Most of this money was taken by JK Papermill for providing him about 400 seedlings. He hardly remembers any conditions, or knew that he would have to pay back the charges for the loan. The only thing he recalls is that an official of the JK Papermill Company told him that he won't have to pay any interest to the bank if he repays the loan within three years.

His crop was not ready after three years, so he could not cut the plants. However, he arranged some money from personal sources and went to the bank convinced he would be spared of the interest. The bank, however, said he would have to pay the interest as well. As a consequence, Debraj stayed indebted.

Debraj harvested his first crop after four years and sold it directly to JK Papermill. The company delayed the payment and, as a result, he went to middle men when harvesting his crop after another four years.

The situation is the same with other farmers, also in different villages. Discussions with the farmers reveal that terms and conditions of the loan, the plantation and the buyback arrangements have never been discussed with the people. The only thing they were told is that through the plantation of eucalyptus, as a substitute for the existing crop practices in the uplands, they would be able to generate more income.

Most of the farmers we talked to revealed their ignorance of terms and conditions of loans. When the loans were provided to the farmers, the company was paid for the saplings directly by the banks, which was deducted from the loan advanced to the farmers. The farmers also did not know the total amount of the loan sanctioned. There was no consultation with the stakeholders.

3.3 Local stakeholder consultation

This is another critical point of the JK Papermill project: the flawed local stakeholder consultation. Villagers directly impacted by the project activity have not been invited to the local stakeholder consultation and have not been informed about this CDM project. Farmers complain about the fact that they never have been told about the negative effects of eucalyptus on agriculture as well as regulations about carbon credits generated by the project activity. The company specifically targets small land holders, putting them in economic danger as a failure of crops means huge financial loss to them. The local stakeholder consultation was inconclusive and did not inform all potentially affected stakeholders in a sufficient way.

The farmers do not have any documents or any written agreement with the JK Papermill project proponents. . They do not know how much money was sanctioned. The farmers only remember the verbal agreement with the JK Papermill official stating that they would have to sell the plants to JK Papermill.

3.4 No increase of income

About 50% of the total land cultivated in the villages we visited was upland. Almost all farmers are cultivating various types of pulses, millets, cereals and oil seeds as well as cotton in the uplands. Each of the farmers who are self-engaged as laborers for cultivation are getting an average Rs. 4 to 5 thousand (50-55 EUS) per acre. However, as the crops are rain dependent, they sometimes fail to grow, which affects the livelihood of the farmers. Although the upland crops cover 50% of the total land, there was no provision of insurance coverage for these crops. Thus, when the JK Papermill paper approached the villagers with the assurance of giving better prices for the trees, the farmers easily agreed. JK negotiated with the local banks and loans were arranged.

As a result, the farmers, especially the small and marginal ones, suffer heavily. One third of the plantations (of 7 small and marginal farmers) have been totally destroyed. 4 plantations were destroyed due to termite attack in the first year of plantation, 1 plantation caught fire in the first year and 2 plantations caught fire after cutting of the first crop.

Fire is a major problem in the villages where plantations have been erected. When the dried leaves under the mahua trees (in the adjacent forest areas) are burnt to clean the ground for collecting mahua flowers, the fire spreads to other places in the jungle and catches the plantations.

The average income of the farmers from one acre of plantation, as can be derived from the discussions we had, is about Rs. 5500 (70 EUR). Deducting the labour cost and the interest paid for the loan, the income is less than Rs. 3000 (38 EUR) per acre. So, there is no profit to be generated by planting eucalyptus for the local farmers.

3.5 No Benefits from the credits generated

The misery remains the same, but have the carbon credits generated, benefited the project participants? We found that three payments by cheques have been made to three different farmers – one big farmer and two small ones.

The big farmer got Rs.3000 (about 38 EUR) in 2013. One of the small farmers got the same amount, while the other one got Rs. 2000 (about 25 EUR). However, the cheque for one of the small farmers bounced and he is yet to get it back.

Company officials handed over this cheque stating that ‘The World Bank gave us this money for our good work of planting eucalyptus trees.’

There does not seem to be clarity about how the money for the roughly 80.000 carbon credits received so far has been distributed. The farmers do not know what exactly the money they received is and more importantly, why some of them received it while others who are involved in the same plantation activities did not.

Conclusion

Concluding, we can say that some small benefits given to farmers have not been able to compensate for the loss small farmers have made by shifting to 'commercial monoculture' for the JK Papermill CDM project activity.

A closer look at this project and the underlying rules reveals that participating companies can easily shift the financial risk of a project to participating local communities and farmers. If the project does not generate tradable carbon credits, the financial risk lies solely on the farmers. Even if carbon credits materialise, the revenue does not stretch to cover the costs they have incurred.

This is a serious issue regarding the responsibility of participating entities that put the livelihoods of marginal farmers at risk because of a risky CDM forestry project. Many small farmers are negatively impacted by this project as they cannot payback the loans they took to start eucalyptus plantations. Successfully motivated by the company and middlemen, farmers face financial losses and food shortages as farm land is degraded due to the eucalyptus monoculture.

This project continues to be a faulty one, promoting commercial monoculture for a company's profit by marginalizing the poor farmers. There is no mechanism available for the victims to approach if there is injustice done to them. These cases underline that the CDM mechanism should have a system to revoke projects and provide a grievance mechanism for affected individuals and communities.

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