

POSITION PAPER

Reconciling Integrity and Inclusion: How the Voluntary Carbon Market Can Better Serve People and Planet



Executive Summary

Family farmers produce **over 80% of world's food** and represent **approximately 5% of total global greenhouse gas emissions** yet receive **less than 1% of climate finance**. The Voluntary Carbon Market (VCM) was designed to channel private capital to where it is most needed in the fight against climate change. Instead, its rising complexity risks excluding the very people who are both most vulnerable to climate change and yet essential to solving it.

Among them, smallholder farmers, who cultivate less than 2 hectares and represent the vast majority of family farms, are indispensable to achieving food security goals and contributing to climate objectives. While they **produce up to one-third of the world's food**, they also manage landscapes critical for carbon storage and biodiversity. Yet they remain the most exposed to the effects of climate change. Engaging them is not optional: it is the only way **to inclusively deliver both 1.5°C targets and resilient food systems**.

While we believe in the power of VCM, we see a growing pattern that could put aside smallholder farmers (here-after referred to as “smallholders”):

- **Complex rules and permanence demands:** Permanence rules that require 30-100 years of permanence clash with local realities where farmer life expectancy is for instance 55-60 years in parts of Africa.
- **Escalating costs:** Monitoring, reporting, and verification processes can consume **15-20% of project budgets** and up to **30% of field staff time**, diverting resources from impact.
- **False dichotomies:** A growing debate opposes nature-based solutions (NBS) against technological removals. Yet science shows that NBS could provide over one-third of cost-effective climate mitigation by 2030, while also restoring ecosystems, improving soils, and strengthening rural livelihoods.
- **Shrinking public funds:** With official development assistance and domestic budgets constrained, the VCM remains one of the few scalable vehicles to finance solutions for vulnerable rural communities.

For 15 years, Livelihoods has demonstrated that when the VCM is designed inclusively, it works: restoring ecosystems, improving farmer incomes, and delivering millions of tons of high-integrity carbon credits.

As COP30 approaches, we face a paradox: **integrity without pragmatism risks becoming integrity without impact**. If rules are written for theoretical perfection rather than real-world adoption, they will exclude the very communities the system most needs.

This paper calls for urgent action to:

- **Reconcile integrity and inclusion:** Align permanence rules with farming cycles and adapt requirements for smallholders' contexts.
- **Implement solidarity mechanisms for NBS:** Intentionally allocate part of the buffer mechanism to cover the risk of smallholder initiative. This could catalyze solidarity across the ecosystem.
- **Leverage the power of nature:** Recognize NBS as indispensable, mobilizing carbon finance for agroforestry, soils, and mangroves at the service of smallholders' farm resilience.
- **Develop fit for purpose monitoring, reporting, and verification processes, adapted to cultural realities:** Create innovative ways to recognize local context and customary tenure so that all smallholders can benefit from VCM financing and adapt.
- **Keep the system in motion:** Accept that methodologies will evolve; prioritize learning, iteration, and scaling over waiting for perfect certainty.

The VCM is not the goal but a tool, a way to direct private finance into climate action, resilient livelihoods, and healthy ecosystems. **Integrity must guide us, but movement must propel us forward, because inaction is the greatest risk of all.**

Photos: Livelihoods' first mangrove project launched in 2009 in Casamance and Sine Saloum, Senegal, with the local non-governmental organization Océanium. Credit: Hellio & Van Ingen.

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