Designing Benefit Sharing Arrangements: A resource for countries

This platform provides a comprehensive set of tools, resources and case studies for the design and implementation of benefit sharing arrangements for emission reductions programs, as well as other results-based land use initiatives. The different sections of this platform are designed to break down the complex concept of benefit sharing into distinct steps to enable a logical approach to developing arrangements that help achieve programs' objectives and promote equity and efficiency.

This resource was created by the World Bank's Forest Carbon Partnership Facility and BioCarbon Fund Initiative for Sustainable Forest Landscapes.

Overview of contents:

Introduction

Results-based finance for sustainable land use, an approach that has been tested at project scale, is being increasingly implemented at the jurisdictional or national level. Mechanisms like REDD+ and Payment for Environmental Services (PES) provide finance based on proven outcomes in reducing emissions, sustainable land management, ecosystem protection, or other metrics.

Several programs implementing these mechanisms apply benefit sharing requirements to the way results-based finance is used and distributed. For example, the Forest Carbon Partnership Facility and the BioCarbon Fund Initiative for Sustainable Forest Landscapes have developed benefit sharing requirements that emission reductions programs must comply with in order to be eligible for results-based finance.

Many factors influence a program's arrangements for sharing benefits and contribute in various ways to synergies and tradeoffs in effectiveness, efficiency, and equity. This resource brings together information for approaches and good practices for benefit sharing in jurisdictional-level, land use programs that may be applied across (but not limited to) initiatives focused on forests, land use, natural resources, and/or climate change.

While the case studies and information presented in this resource are offered as a reference to support the country-specific processes that are needed, they do not cover every important aspect of benefit sharing. Users are invited and encouraged to explore additional resources on this constantly-evolving topic.

Benefit sharing terminology

- **Benefit sharing**: the intentional transfer of monetary and/or non-monetary incentives (goods, services, or other benefits) to stakeholders funded by results-based finance.

- **Beneficiaries**: recipients of monetary and/or non-monetary benefits.
- **Benefit sharing mechanism**: the system(s) or channel(s) through which monetary and/or non-monetary benefits are distributed.
- **Benefit sharing arrangements**: a description of the processes for the distribution of monetary and non-monetary benefits to beneficiaries, including the mechanism and processes by which such benefits will be distributed.
- **Benefit sharing plan**: some programs require a document (can have a different title) that describes the benefit sharing arrangements for the program, as well as additional information including stakeholder consultation, implementation, monitoring, and communications processes related to benefit sharing.

Design process and consultations

Developing benefit sharing arrangements requires a good understanding of:

- The drivers of emissions and ways to address them;
- The types of stakeholders involved in addressing these drivers; and
- The incentives needed to engage stakeholders in reducing emissions and reversing trends.

Stakeholder participation is key in the design, implementation, and evaluation of benefit sharing arrangements to ensure they respond to the needs and interests of the full range of stakeholders for the emission reductions program.

Stakeholder consultations are particularly important during the design of benefit sharing arrangements. For example, enabling beneficiaries to decide on the benefits they receive in a participatory manner is an efficient and effective approach for determining benefits that would incentivize stakeholders to participate in the emission reductions program.

The following good practices can be used to enable stakeholder engagement for benefit sharing arrangements.

- ***Stakeholder analysis:*** A stakeholder analysis can be done to identify all groups that are critical to the success of the emission reductions program, to understand their needs, interests, capacities, rights, and any historical conflicts or alliances.
- ***Comprehensive and iterative consultations:*** Consultations should be comprehensive and iterative, covering all elements of benefit sharing as relevant, including identification of beneficiaries and benefits, institutional arrangements, and monitoring and evaluation.
- ***Sufficient resources, time, and other inputs:*** Effective stakeholder participation requires significant time and resources and is often underbudgeted. A stakeholder engagement plan should include the steps involved and the resources, time, and other inputs needed, as well as measures to ensure effective stakeholder participation. This includes advanced dissemination of information tailored to each stakeholder group in a format they understand – for example, using local languages, providing information through public meetings and stakeholder representatives, and paying special attention to provide information to women and vulnerable and/or marginalized people. These approaches are critical for obtaining the free, prior, and informed consent of indigenous peoples and other groups with collective rights to lands and resources.
- ***Social inclusion***: Specific measures should be adopted to facilitate and ensure social inclusion through the participation of women, indigenous peoples, and marginalized and/or vulnerable

groups that may otherwise be excluded—for example, through separate meetings or other approaches that address barriers for participation.

- ***Managing expectations***: It is important to manage consultations in a way that does not unnecessarily raise stakeholders' expectations through clear messaging on the stage of development of the emission reductions program and benefit sharing arrangements as well as expected results and associated risks for under-performance given the results-based nature of program financing.
- ***Transparency***: Stakeholder consultations and their outcomes, including dates, locations, participants, and feedback provided, should be documented and publicly disclosed to promote transparency and build trust.
- ***Cost-benefit analysis****:* Benefits should outweigh opportunity costs and the efforts and inputs needed to participate in the program, so a cost-benefit analysis for different stakeholder groups can be helpful. However, this may not be easy, so participatory identification of benefits—enabling the beneficiaries themselves to decide on the benefits they receive—is often the most effective approach.

Case studies

Approaches to consultations

Brazil's state system of incentives for environmental services (SISA)

Broad and inclusive stakeholder engagement in Brazil builds understanding and ownership of Acre's system of incentives for environmental services.

In Acre, Brazil, the state system of incentives for environmental services (SISA) framework and legislation has benefited from a comprehensive, transparent, and long-term participatory consultation process over the course of 2009 and 2010, which included a public comment period, technical seminars, workshops, and one-on-one meetings with stakeholder groups (civil society, indigenous peoples, farmers, extractivists, government, international agencies, carbon companies, and others) that generated more than 300 comments and recommendations. Designing the program in a participatory manner—including having resources specifically allocated to ensure participation from *all* relevant stakeholders even those that are geographically remote—helped build understanding and ownership, which ultimately enabled greater participation and social support for SISA. This outreach highlights how deep stakeholder engagement is needed not only to design appropriate benefit sharing arrangements, but moreover to generate sufficient buy-in to support longevity and success of implementation.

Australia's Emissions Reduction Fund (ERF)

In Australia's Emissions Reduction Fund, formal and informal outreach efforts ensure good participation and reduce conflicts.

Australia's ERF was designed over several years through a series of formal consultations requesting written comments on documentation outlining the design of the program as it evolved. This meant that people were generally well informed about the design of the legislation and was successful in getting feedback from carbon service providers. To learn from landowners, the government visits areas with a lot of projects or where there are conflicts to meet with landowners informally to explain the rules and process and respond to questions. This multi-pronged approach enables feedback from different stakeholders depending on their needs.

Advantages of beneficiary participation in decision making about benefits

Madagascar's Makira Project

In Madagascar, a formal, tiered structure from the local to the national level helps to ensure effective participation of beneficiaries in decision making about carbon credit fund allocations.

A fixed allocation of 50 percent of revenues from the sale of carbon credits from Madagascar's Makira Project is allocated to communities, which develop management plans (annexed to their forest management contracts) for the use of revenues to support forest protection and socioeconomic activities. Community management associations (VOI), including community representatives at different levels, make decisions about how to use the community carbon funds through a prioritization process.

A platform of VOIs for each of the six sectors around Makira Natural Park participate in a Local Technical Committee that reviews and prioritizes all proposals. Decisions are made based on the effort that each VOI has made to fulfill their forest protection responsibilities and how much support that community has received to date. The platforms elect a president of the VOI federation who, along with one representative from each of the three geographical regions in the Makira Natural Park, represents them in a Makira steering committee, chaired by the government, which makes the final decision about the use of funds by approving an annual work plan and budget for the community carbon funds.

Community participation in decision making has been important to ensure that local perceptions of equity are integrated into the allocation of funds and to facilitate sharing information with the beneficiaries about the rationale for decision making about allocations.

Beneficiaries

Beneficiaries are recipients of monetary and/or non-monetary benefits and are generally a subset or group of the emission reduction (ER) program's stakeholders. Beneficiaries may include, but are not limited to, communities, civil society, and the private sector, including any nested projects. Governments, as implementers, may also retain a certain amount of results-based finance to cover their costs for implementing and/or managing the emission reductions program.

Benefit sharing can incentivize stakeholders to contribute to reducing emissions and the overall performance of the emission reductions program. The following are some questions to consider when identifying key beneficiaries:

- Are they likely to contribute directly to the reduction of emissions, ultimately delivering results?
- Are they likely to use benefits to sustain successful emission reductions program interventions?
- Have they historically contributed to avoided emissions from deforestation, land degradation and other land-use practices (e.g., in some circumstances, indigenous peoples or land and resource tenure holders, including customary rights holders)?
- Have they undertaken concrete actions to reduce emissions, but ultimately under-perform due to circumstances such as force majeure, and therefore, may – regardless of their ultimate performance – require a portion of benefits to recognize their efforts?

These groups of beneficiaries are neither mutually exclusive nor exhaustive and can be considered in combination to maximize support for the implementation of emission reductions programs.

The following good practices can be drawn upon for identifying beneficiaries:

- ***Careful analysis*****:** Detailed research should be conducted to identify beneficiaries, based on those who require incentives for behavior change to achieve the objectives of the emission reductions program, and those who should be rewarded because of their rights and their contributions to generating the goods and services linked to results-based finance.
- ***Inclusion:*** Although land and resource tenure can provide a clear and legitimate basis for determining the eligibility criteria for beneficiaries, care should be taken to include key actors with overlapping rights and to recognize customary rights.
- ***Eligibility requirements:*** Requirements should not result in barriers to participation that exclude target groups, especially vulnerable and marginalized groups.
- ***Accessibility***: It's important to consider requirements for channeling monetary and/or non-monetary benefits to identified beneficiaries. For example, it may be necessary for beneficiaries to be formally organized with financial and governance structures in place to access monetary benefits, which could exclude some stakeholders. Programs should consider ways to overcome exclusion of key stakeholders and document and clearly communicate eligibility criteria for access to benefits.

Case studies

Addressing land tenure barriers and opportunities for participation in benefit sharing

Peru's Alto Mayo Protected Forest (AMPF)

In Peru's Alto Mayo Protected Forest, conservation agreements provide a model for addressing the absence of land tenure through the security of a contract.

The conservation agreements approach is thought to be a fundamental driver of success in the Alto Mayo landscape, where illegal settlement has driven deforestation and conflict between settlers and park authorities. It provides a mechanism for the participation of illegal settlers in the AMPF through the establishment of legally binding conservation commitments. Signatories co-design their own benefits packages by discussing their assets, priorities, and opportunities with government and implementation partners. Land title was not a legal option in this scenario, but land security was achievable if settlers complied with the regulations of the protected area.

Madagascar's Makira Project

Legally-established associations and forest management contracts under Madagascar's Makira Project are helping establish collective rights and responsibilities as a basis for benefit sharing.

Since 2004, 75 communities around Makira Natural Park have each formally established a community management association (VOI) that has signed a contract with the government to manage forests in the buffer zone surrounding the park. These associations provide a formal structure to represent each community with respect to benefit sharing from carbon revenues. The management plans annexed to the forest management contracts include community responsibilities for forest protection—such as patrols and reports of any illegal activities—and identify the community's priorities for development projects. The establishment of a VOI and a forest management contract are the eligibility criteria for participation in benefit sharing, and communities know that they will become ineligible for participation if their contract is revoked because they do not implement their forest protection responsibilities.

Guatemala's National Forestry Incentive Program (PINFOR) and Small Landowner Incentive Program (PINPEP)

Adjustments to eligibility requirements broadens inclusion in benefit sharing to small landowners in Guatemala.

PINFOR was a National Forestry Incentive Program in Guatemala that was operational from 1998 to 2016 and largely focused on increasing the country's forestry stocks. Eligibility was restricted to landowners able to demonstrate proof of title to at least two hectares of land. This resulted in the majority of incentives going to larger private landowners. PINPEP is a Small Landowner Incentive Program that was initiated in 2007 in response to demands for broader participation. It allows access to forestry and agroforestry incentives for people without formal land tenure but who can prove that they have a legal right of possession. The minimum land size requirement is only 0.1 hectares, which allows poorer families who do not have much land to also participate.

Measures to ensure inclusion of indigenous peoples, women, and marginalized and/or vulnerable groups

Brazil's ISA Carbono Program

Brazil's indigenous land management program is tailored to the needs of indigenous communities to increase the effectiveness of incentives for environmental services.

The ISA Carbono Program in Acre, Brazil, includes an Indigenous Land Management Program that is designed specifically for indigenous peoples; it includes an Indigenous Agroforestry Agents program, which is a platform for participation, communication, and capacity-building focused on implementing agroforestry activities with indigenous peoples. An indigenous working group, which represents 12 indigenous peoples' community associations, and a working group comprised entirely of women provide input based on their perspectives under the Commission of Validation and Monitoring (CEVA).

Costa Rica's Payments for Environmental Services Program (PSA)

Contractual eligibility requirements are tailored to the needs of indigenous peoples to increase their access to Costa Rica's Payment for Environmental Services Program (PSA).

Costa Rica's Payments for Environmental Services Program (PSA) has made special contractual arrangements to encourage the participation of indigenous peoples, successfully including 21 of the country's 24 indigenous peoples' territories in the program. This increased accessibility to submit proposals for contracts has led to growing annual demand to include indigenous lands under PSA contracts supported by Costa Rica's National Forestry Financing Fund (FONAFIFO) point system for prioritizing areas of low development indices and high conservation importance. This active inclusion of indigenous peoples' territories is further enforced by quotas, which are set for both indigenous peoples' community groups and women, in addition to a more generous size allowance of 800 hectares per indigenous peoples' community contract (as opposed to a maximum 300 hectares for individual landowners).

Benefits

As beneficiaries are identified, emission reductions programs also consider the form of benefits they are expected to share, which include monetary and/or non-monetary benefits (e.g., inputs, capacity building, trainings, equipment, infrastructure, alternative livelihood development, etc.).

Throughout this process, programs weigh various considerations, which may include, but are not limited to:

- The identification of forms of benefits that will incentivize beneficiaries to continue to support the emission reductions program and its successful implementation;
- Outcomes of stakeholder consultations where different forms of benefits have been discussed and stakeholders have provided feedback on their expectations, preferences, and priorities; and/or
- An understanding of the forms of benefits that stakeholders are receiving under other existing benefit sharing programs, such as Payment for Environmental Services (PES) schemes, and their proven impacts.

Emission reductions programs determine whether monetary or non-monetary benefits, or a combination, will be shared with various beneficiaries. This process is highly context specific and will vary per emission reductions program. The ultimate identification of benefits should be informed by the stakeholder consultation process to reflect beneficiaries' expectations, preferences, and priorities. It is typical for emission reductions programs to specify that benefits should be used, at least in part, to fund activities that further reduce emissions, which can have compounding effects on the potential to generate additional emission reductions and results-based finance. Some benefit sharing arrangements also include benefits for community development (e.g., schools, health facilities, boreholes, etc.).

Depending on feedback received during stakeholder consultations, programs may find that some stakeholders within a community have an interest in sustainable land use activities, while others do not and are more likely to be motivated by community development projects. This is an interesting example of mixing different types of non-monetary benefits to effectively incentivize different beneficiaries given the specific emission reductions program context.

The following good practices can be used when identifying benefits:

- ***Differentiated approach**:* A differentiated approach can be effective, providing different types and/or amounts of benefits to different groups of beneficiaries to reflect their different rights and contributions with respect to the objectives of benefit sharing. This approach should consider monetary and/or non-monetary and individual and/or community benefits as appropriate, bearing in mind that greater complexity could increase operational and transaction costs for delivery of benefits.

- ***Performance-based benefits***: Specific outcomes can be facilitated by making benefits performance-based or linked to conditions, such as clear commitments in an agreement or contract, and/or by requiring an investment plan for the use of monetary benefits received.

Conditions should be clear, with monitoring to assess compliance and consequences or penalties consistently applied when the conditions are not met.

- ***Participatory identification of benefits**:* Benefits should outweigh opportunity costs and the efforts and inputs needed to participate in the program, so a cost-benefit analysis for different stakeholder groups can be helpful. However, this may not be easy, so participatory identification of benefits—enabling the beneficiaries themselves to decide on the benefits they receive—is often the most effective approach.
- ***Individual versus community benefits**:* Consideration can be given to the value of individual versus community benefits. Although benefits to individual households can be appropriate and effective in some contexts, community benefits can reinforce and reward collective responsibilities and can ensure that all community members—including the vulnerable and marginalized—share in the benefits.
- ***Revenue-generating activities**:* Benefits in the form of revenue-generating activities are often popular and can help ensure long-term sustainability if there is good market access, but care should be taken in their design to link revenue-generating success to the maintenance of the forest or other environmental objectives to avoid perverse or unintended outcomes.
- ***Timing, duration, and consistency**:* The timing, duration, and consistency of benefits over time can have an important impact on their effectiveness, bearing in mind that some activities may require up-front investment (such as tree planting), whereas later delivery provides an opportunity to link benefits to performance.
- ***Monetary benefits**:* Monetary benefits can provide strong incentives by giving beneficiaries decision-making control about how they spend the cash they receive. Monetary benefits can be efficiently delivered where beneficiaries have bank accounts, and they are generally more appropriate where there is clear land tenure and landowners have the capacity to implement activities on their own land.
- ***Non-monetary benefits**:* Non-monetary benefits can be targeted to achieve social or environmental objectives but, to be effective, beneficiaries should identify which benefits are implemented and whether they are able to effectively benefit from them. Capacity is also needed to deliver non-monetary benefits, which can be more challenging than monetary ones, both administratively and logistically.
- ***Positive and negative lists:*** It is useful when programs document and clearly communicate information on eligible and/or ineligible uses (i.e., 'positive or negative lists') of benefits for each beneficiary group. This provides a greater sense of clarity to beneficiaries and other stakeholders on the intended use of benefits, and therefore their potential impacts.

Examples of advantages and challenges of monetary and non-monetary benefits

Advantages	Challenges
Monetary benefits	
• Efficient to administer if payments are made directly to bank accounts • Transparent • Quick delivery • Low transaction costs • Can ensure that all beneficiaries receive their share of benefits • Empowers beneficiaries to decide on their own priorities for use of funds • If large enough, can be a significant incentive to produce the desired behavior	• Difficult where target beneficiaries do not have bank accounts and would have difficulty accessing the cash • Hard to target benefits for specific activities—for example, for capacity building and for social services • Potential for mismanagement of community funds • Require robust local governance structures and financial management for community funds • If smaller benefits packages are divided among many individuals, the incentive realized on a per capita basis may not be perceived as significant
Non-monetary benefits	
• Easier to target benefits to support specific activities and capacity building, such as training for revenue-generating activities or seedlings for plantations • Can ensure that all/more community members benefit, depending on the type of benefit	• Delivery of nonmonetary benefits can be challenging logistically • Delivery of specialized training or inputs can require skills or inputs not available locally, increasing costs • Significant support may be needed to facilitate community agreement on priorities and ensure effective delivery of the benefits, often requiring an intermediary • Transaction costs can be high • Delivery of benefits can be slow • Benefits delivered may not be successful if they do not respond to local interests, or have not been well conceived or implemented—for example, if the implementing organization does not have the required skills • The amounts spent and value of the benefits may not be transparent, causing mistrust • Benefits may need support from and coordination across government departments to be effective and sustainable

Non-Carbon Benefits

Non-carbon benefits are generally referred to as benefits that are produced by or in relation to the implementation and operation of an emission reductions program. Non-carbon benefits can include improvements to livelihood opportunities, governance, and environmental services, amongst others, and are therefore important to the overall emission reductions program's success. However, non-carbon benefits are distinct from monetary and non-monetary benefits, which are funded with results-based finance from the emission reductions program. That said, non-carbon benefits should be well understood as part of the broader context of benefits that each emission reductions program may provide to stakeholders and monetary and non-monetary benefits funded by results-based finance should be designed to complement these to maximize the potential for the Emission reductions program's impact and sustainability.

Case studies

Tailoring and targeting benefits to specific beneficiary groups

Peru's Alto Mayo Protected Forest (AMPF)

Tailored benefits for specific beneficiary groups help address drivers of environmental change in Peru's Alto Mayo Protected Forest (AMPF).

The Alto Mayo program in Peru initially focused on the AMPF and illegal settlers who drove deforestation through coffee cultivation. Much of the benefit package emphasized technical support to shift coffee cultivation to more sustainable and more productive practices. Later, the program expanded to include indigenous peoples adjacent to the protected area where communities were facing declining socioeconomic conditions and cultural values linked to high deforestation in their territories. This required defining a new, specific theory of change related to drivers of forest loss on indigenous peoples' lands, often resulting from renting land to outsiders who then cleared forest for agriculture.

The process was participatory, following principles of free, prior, and informed consent, reflected the Shampuyacu community's Life Plans (community-driven assessments of their collective needs and desires), and included social and gender considerations which included prioritization of support to retain and recover traditional practices. The process employed a conservation agreement approach, like the one in the protected area, but tailored to the indigenous peoples.

Brazil's Bolsa Floresta Program

A combination of collective and individual incentives in Brazil's Bolsa Floresta Program has helped to engage a broader range of stakeholders, including women.

Beneficiaries in Brazil's Bolsa Floresta program in the State of Amazonas are eligible for funding in four sub-programs: (1) communities receive finance to implement sustainable production activities; (2) communities receive additional finance to improve the social conditions of the communities (e.g., education, health, transportation); (3) associations of settlers receive finance to support their operation; and (4) women (mothers of families) receive finance for living in the conservation unit, to be used however they choose. All beneficiaries participate in a series of workshops that explain individually the rights and obligations if they voluntarily decide to participate in the program.

Increased land tenure security as a significant non-monetary benefit

Indonesia's Katingan Mentaya Project

A pilot program in Indonesia enables villages to secure tenure rights to surrounding forest land.

The Katingan Mentaya Project in Indonesia is piloting a program to enable villages to seek formal recognition and tenure over forest estate land (designated by government to be preserved as permanent forest) in the immediate vicinity of the village. The project facilitated two villages (Mendawai and Telaga) to design and propose to government a "Village Forest" (*Hutan Desa*) application seeking clearer management rights on between 2,000 and 10,000 hectares of forest estate land in the buffer zone of the project area, adjacent to those villages. If successful, the village forest license will grant the village a 30-year concession license to manage the forest in that area sustainably. As part of the application process, the village must outline a restoration and sustainable use plan for the area (including forest and hydrological restoration).

The challenges of assisting villages to obtain village forest licenses vary from village to village, and the approach must always be tailored to the exact circumstances and desires of the village in question. In this case, the process typically includes lengthy initial discussion, further participatory mapping, formulation of a detailed land use plan for the targeted area, and formulation of a village business unit (if one does not already exist), followed by formal application to the Ministry of Forestry.

Benefit distribution by beneficiary group

Considering the various beneficiaries identified for an emission reductions program, monetary and/or non-monetary benefits can be shared in different proportions and combinations to incentivize participation in program implementation. Providing uniform benefits to all beneficiaries may be simple to communicate and relatively easy to administer, but there are cases where some form of differentiation of benefits for each beneficiary group can address issues of effectiveness, equity, and/or efficiency.

Examples of approaches to benefit distribution:

- All or a proportion of benefits could be distributed equitably to all beneficiaries or entities within a beneficiary group to ensure all stakeholders see some level of benefits from the emission reductions program;
- Benefits could be distributed according to each entity's proportionate performance in reducing emissions (or another metric) to directly incentivize delivery on the program's objectives;
- A proportion of benefits could be distributed to stakeholders that have historically contributed to avoided emissions (e.g., in some circumstances, indigenous peoples or land and resource tenure holders, including customary rights holders);

- Programs could include provisions to distribute a small proportion of benefits to stakeholders who under-deliver in reducing emissions despite their best efforts (e.g., in the case of force majeure).

These approaches can be used in combination to reach beneficiaries more broadly to address underlying drivers of emissions through changes in behavior.

Beyond specifying benefit distribution across beneficiary groups, programs can also specify how monetary and non-monetary benefits will be distributed within groups of beneficiaries. In some cases:

- Benefits may be further shared amongst beneficiaries according to their respective performance in emission reductions program implementation, which could be determined through proxies or other means. For example, forest management units within a community may be designated to receive a specified proportion of the community's benefits given their role in managing and protecting forests.

- Benefit distribution within a group of beneficiaries could be intentionally based on indicators other than performance. For example, some emission reductions programs specify that community groups will use their share of results-based finance to implement non-monetary benefits that impact the community as a whole, like a forest training program, improvements to the generation and marketing of non-timber forest products, schools, improvements to infrastructure, etc.

- Benefit distribution can be based on proposals for the use of benefits submitted by beneficiaries within a group. Information on defined application criteria, applicant eligibility requirements, and eligible and/or ineligible activities for these processes should be documented and clearly communicated to stakeholders. This approach may self-select and directly incentivize those beneficiaries that are motivated by this type of support.

Case studies

Targeting benefits to specific groups through allocations, weighting, and quotas

Costa Rica's Payments for Environmental Services Program (PSA)

Costa Rica's incentive program for environmental services uses a point system to prioritize applications from low development areas.

In 2010, the National Forestry Financing Fund (FONAFIFO) moved from a system in which contracts were awarded on a first-come-first-served basis to any submission that meets the basic requirements to a point-system for weighting and prioritizing applications. This new evaluation matrix prioritizes areas of low development indices and high conservation importance (e.g., biological corridors), in addition to favoring small farms. It also sets quotas for women and indigenous peoples' community groups, stipulating a minimum number of contracts to be awarded to these generally marginalized groups.

Nepal's Community Forestry

Nepal's pro-poor approach to community forestry ensures a minimum allocation of benefits to vulnerable and marginalized groups.

Community forestry in Nepal has been explicitly designed to be pro-poor. Community forest guidelines require that 35 percent of the income generated by Community Forest User Groups be used to improve the social and economic condition of the poorest households, Dalits (socially marginalized group), indigenous peoples and ethnic groups, and women through livelihood improvement programs.

Guidelines for implementing community forestry specify how poorer and marginalized individuals and groups should be identified using a participatory well-being ranking to identify those with limited access and control over social, economic, physical, natural, and human resources. There are also requirements for including women, poorer individuals, indigenous peoples, and socially marginalized groups in the decision-making process.

Benefit distribution through a benefit sharing mechanism

A benefit sharing mechanism is the system(s) or channel(s) through which monetary and/or non-monetary benefits are distributed. This mechanism can support the timeliness of sharing of benefits as well as the credibility, trust, financial soundness, and acceptability of the benefit sharing process.

When developing benefit sharing arrangements, programs can review existing benefit sharing mechanisms and processes in the country or jurisdiction, including their legal and institutional frameworks. This process is particularly valuable because such existing mechanisms may be used for benefit sharing under the emission reductions program, foster trust and transparency for the benefit sharing process, and/or illuminate lessons that could be learned from. Examples of such relevant mechanisms include, but are not limited to, existing PES schemes, conservation funds, REDD+ projects, jurisdictional results-based finance programs (including bilateral programs), reforestation funds, and others.

Regardless of the benefit sharing mechanism and approaches identified, it is good practice to consider the most effective and low-cost way to reach beneficiaries. Consideration should also be given to the timeline for benefit distribution given results are paid for ex-post and the flow of monetary and non-monetary benefits through the benefit sharing mechanism is likely to require time after the payment is made.

Emission reductions programs should document and clearly communicate institutional arrangements for the execution of the benefit sharing mechanism at all relevant levels (national, subnational, local). Specifically, decision making, funds flow, and reporting processes are critical for the operation of the benefit sharing mechanism. Disclosure of this information and inclusion of key stakeholder groups, including marginalized groups, in these processes can increase transparency and trust in the emission reductions program. For example, some programs identify a multi-stakeholder platform or committee to review proposals for and reports on the use of monetary and non-monetary benefits. The following information related to institutional arrangements and governance is useful to document and communicate:

- Ability to transfer funds to relevant beneficiaries and the distribution channels required to do so, including any gaps to be addressed.
- Institution(s) responsible for benefit sharing, including those that will receive the results-based finance and to which institutions it will be distributed, including their capacities and related gaps.
- Institutional arrangements for decision making, funds flow, and reporting related to benefit sharing, including selection criteria for governance structures and their make-up and responsibilities.
- Costs of implementing benefit sharing arrangements, including those related to consultations, communications, establishing systems to distribute benefits, financial management procedures, responding to grievances, and monitoring implementation.
- Timelines for benefit sharing, taking into account the anticipated timing of ER generation, ER verification, and results-based payments, as well as any risks to these timelines.

The following good practices can be used when identifying and/or developing benefit sharing mechanisms:

- ***Legal framework***: Benefit sharing should be grounded in a clear legal framework to support and enable the necessary agreements and collaboration.

- ***Legal and institutional arrangements:*** Some flexibility in the legal and institutional arrangements is needed—for example, defining them through regulations rather than laws—to be able to make adjustments in beneficiaries, benefits, institutional composition, and activities over time such that the program can respond to lessons learned and changes in context.

- ***Technical and administrative capacity:*** Substantial technical and administrative capacity is needed to administer benefit sharing in a way that effectively and equitably distributes resources. Partnerships with nongovernmental organizations (NGOs), private sector actors, and others to provide services and build capacity can be helpful to improve efficiency and effectiveness while also benefiting from local knowledge and presence.

- ***Capitalizing on existing institutions:*** It is often most efficient and effective to capitalize on existing institutions if they have the legitimacy, capacity, and thematic relevance to the program—strengthening these where necessary—given that new laws and institutions require significant time, resources, and political will; otherwise, establishing new institutions may be more appropriate.

- ***Up-front financial resources:*** Significant up-front financial resources are often required to cover the many costs associated with designing and initiating a program—conducting adequate stakeholder input, documenting baselines, establishing new institutions, implementing activities—before results-based payments can be made.

- ***Financial management transparency:*** Transparency around financial management, including regular audits, can build trust and participation in the program, but they can also increase overall operating costs. Adopting a simple approach to calculating, monitoring, and delivering benefit transfers helps enable wider public understanding.

- ***Transaction costs:*** Transaction costs should be assessed, both to reduce them where possible and to adequately budget for them so as to not undermine project efficiency and effectiveness.

- ***Grievance and redress mechanisms****:* Benefit sharing mechanisms should have clear, accessible, impartial, culturally appropriate, easy-to-understand grievance and redress mechanisms that operate in a timely manner.

Case studies

Challenges delivering benefits to beneficiaries with relatively lower capacity

Madagascar's Makira Project

Madagascar's Makira Project helps local communities overcome literacy barriers to improve access to incentives for sustainable forest management.

In Madagascar, many of the communities around the Makira Project are in isolated areas (some are up to three days' walk from the nearest transport) and over half of the heads of households are illiterate. Although Tany Meva, the entity charged with managing and disbursing funds, originally requested detailed and costed proposals for non-monetary benefits, many community management associations (VOIs) sent brief descriptions for their proposed use of the community funds.

To overcome this barrier, Tany Meva staff visited villages to help communities develop a full project proposal by establishing project feasibility and estimating costs. In some cases, communities were able to get support from someone with a higher education level to prepare a project dossier, which led to their project being prioritized.

Tany Meva typically provides advances to communities to implement planned activities, and based on technical and financial reports, a second installment can be requested. Alternatively, Tany Meva would purchase the materials and organize their transport to the communities. This led to significant backlog and delays in delivery of benefits. In some cases, agreed incentive payments for patrols were not made for up to six months, which reduced community motivation to protect the forest and led to complaints from the communities.

Different types of service providers supporting benefit sharing

Ecuador's Socio Bosque Program

Ecuador's Socio Bosque Program establishes cooperatives with civil society to boost program effectiveness.

In Ecuador, the Socio Bosque Program (SBP) has collaborated with the Ministry of Environment to establish cooperative alliances with **civil society organizations**. These alliances support local families and communities interested in participating in the SBP by providing information on the program and preparing documentation for applications. In several cases, additional activities are implemented, such as training forest rangers, support on financial planning and management, or investment in compatible productive activities such as agroforestry or ecotourism.

Australia's Emissions Reductions Fund

Private sector partnerships help landowners gain better access to finance from Australia's Emissions Reductions Fund.

In Australia, a new type of **private sector actor** has emerged to provide administrative services as a "carbon service provider" to support the development of projects and enable landowners to access finance from the Emissions Reductions Fund (ERF). In order to participate in the ERF, project proponents must develop detailed documentation explaining how they will deliver emission reductions using approved methodologies and how they have the legal right to undertake the project, both of which are relatively complex to demonstrate. Therefore, service providers can help with preparing reports, conducting monitoring, organizing audits, and submitting reports.

Improving transparency while reducing transaction costs

Vietnam's Payment for Forest Environmental Services (PFES)

Electronic payment systems enable beneficiaries to more efficiently benefit from Vietnam's Payments for Forest Environmental Services program.

Beneficiaries in Vietnam's Payment for Forest Environmental Services (PFES) program are spread across the country with payments disbursed to village funds, household groups (of up to 20 families), cooperatives, and individual households, making the disbursement of payments a substantial task. The program was originally designed with electronic payments used only for groups; however, with an increasing number of people online and with access to electronic banking, an electronic payments system to individual households is being piloted. This development was requested by ministries to improve transparency of financial management between provincial funds and beneficiaries. As an added benefit, the pilots of this electronic system have demonstrated reduced transaction costs.

Inclusion of indigenous peoples, women, and marginalized and/or vulnerable groups

Indonesia's Katingan Mentaya Project

Indonesia's Katingan Mentaya project reduces barriers to the participation of vulnerable and marginalized groups in the preparation and implementation of the project.

The Katingan Mentaya project in Indonesia strives to reduce barriers limiting the participation of indigenous peoples and vulnerable and marginalized groups in the preparation and implementation of the project. This has involved three strategies: (1) actively targeting the participation of poorer and marginalized groups in planning processes and decision making through differentiated approaches to participation and information sharing (e.g., community message boards, meetings in different times and locations, one-on-one interviews, flyers, gender-disaggregated focus groups); (2) encouraging participation and transparency in order to reduce the risk of elite capture by making records publicly available and ensuring representative participation, particularly of marginalized people; and (3) ensuring that marginalized groups have the capacity and sufficient resources—both human and financial—to enable them to implement activities successfully.

Nepal's Community-Based Forestry Program

Nepal's community-based forestry program requires that women and other marginalized groups have equitable access to decision making.

The Community-Based Forestry Program in Nepal mandates that each Community Forest User Group's management committee is made up of 50 percent women and also has proportionate representation from other marginalized groups (indigenous peoples, minority ethnic groups, poor, and/or socially marginalized groups), along with promoting regular communication and public auditing and hearings. Community Forest User Groups are required to allocate at least 35 percent of their income for poverty alleviation specifically focused on socially marginalized groups, indigenous peoples, and women.

Monitoring and adaptive management

Emission reductions programs may have specific requirements for reporting, which influences what is measured and how. For example, philanthropic or corporate social responsibility funders may prioritize indicators aligned with their mission and specific reporting may be required for the use of public funds.

The complexity of benefit sharing can make it difficult to design monitoring and evaluation systems that are adequately informative, diverse, and robust, while still ensuring that this component is not overly burdensome for the program.

Results from monitoring and evaluation can be used for more than just reporting, but also adaptive management. Analysis of results can inform emission reductions programs of what is working well or not and enable changes to benefit sharing arrangements that improve efficiency, equity, and effectiveness.

The following good practices can be used for monitoring and adaptive management:

- ***Consider socioeconomic impacts***: The inclusion of socioeconomic impacts in monitoring and evaluation systems, as opposed to solely focusing on environmental outcomes, is useful for improving effectiveness and can foster support from politicians, donors, and other stakeholders.
- ***Implement simple, practical monitoring***: Monitoring is best kept as simple and practical as possible while still being adequate.
- ***Use a participatory approach:*** Beneficiary participation in monitoring activities in exchange for paid wages can constitute an important local benefit.
- ***Integrate adaptive management:*** Adaptative management of the design and implementation of benefit-sharing arrangements based on the results of monitoring and evaluation is critical for improving effectiveness, efficiency, and equity over time. Piloting of benefit sharing can help facilitate adaptive management during the design phase.

Case study

Socioeconomic monitoring can help improve design of benefits

Peru's Alto Mayo Protected Forest

By addressing underlying barriers to land tenure, Peru's Alto Mayo Protected Forest increased its effectiveness in delivering other benefits.

In Peru, the options provided for local people to select non-monetary benefits around the Alto Mayo Protected Forest (AMPF) changed a lot over time as implementers gained a deeper understanding of the social roots of the environmental problems in the area. Following an initial focus on coffee production, it was not until social surveys were done that the implementers understood that even though incomes were improving, beneficiaries were still dissatisfied.

There were much more fundamental barriers to human well-being that needed to be addressed, principally derived from living without land tenure security and in conflict with the law as illegal settlers in a protected area. The program had to branch out from addressing only deforestation through improving coffee yields to helping the local population to get tacit approval from the government to live in the protected area. This enabled the settlers to gain compliance with government stipulations but without access to all the services they desired, as the government would not provide these services in the protected area.

In this sense, the REDD+ program provided an opportunity to address not only economic drivers of deforestation but also fundamental issues surrounding security of home and place and peace with the park authorities. This, in turn, made conservation not only possible, but more efficient. But it was only through social survey work that this approach was developed and the benefit packages were adjusted.

Examples of adaptive management

Guatemala's National Forestry Incentive Program (PINFOR) & Small Landowner Incentive Program (PINPEP)

From 1998 to 2016, eligibility through PINFOR was restricted to landowners able to demonstrate proof of title to at least 2 hectares of land.

- This resulted in the majority of incentives going to larger private landowners, amid growing demand for broader participation.

PINPEP was initiated in 2007, and allows access to forestry and agroforestry incentives for people without formal land tenure but who can prove that they have a legal right of possession to at least 0.1 hectares.

Costa Rica's Payments for Environmental services (PSA)

Formal title was a requirement for participation in the PSA.

- This prevented the participation of actors who did not have formal land title.

The program now accepts proof of right of possession in lieu of title in some circumstances, enabling the poorest, smallest farmers to participate.

The PSA was initially developed as an untargeted program.

- The program was not maximizing effectiveness in terms of improving biodiversity conservation as well as equity.

Biodiversity and socioeconomic priorities have been incorporated into the application process to enable increasing targeting of the program over time. FONAFIFO currently prioritizes conservation hotspot areas, as well as counties where there is a relatively low Social Development Index. These priorities are adjusted approximately every five years as other needs or gaps are identified.

Peru's Alto Mayo Protected Forest

The AMPF initially focused incentives on illegal settlers in the protected area who drove deforestation through coffee cultivation. Much of the benefit package emphasized technical support to shift coffee cultivation to more sustainable and more productive practices.

- High deforestation continued in areas around the AMPF accompanied by declining social conditions and cultural values for adjacent indigenous peoples.

AMPF benefit sharing was expanded to include indigenous peoples adjacent to the protected area. This required defining a new, specific theory of change related to drivers of forest loss on indigenous peoples' lands, often resulting from renting land to outsiders who then cleared forest for agriculture.

Brazil's Bolsa Floresta Project

The financing model for Bolsa Floresta was initially based on state public funding and antificpated REDD+ payments.

- In 2015, the initial state funding in Amazonas had been distributed and it was clear that PES/REDD+ programs would not provide sufficient ongoing finance.

The financing strategy was reoriented toward philanthropic funding from businesses and foundations, initially in Brazil and then internationally. A trust fund has also been established, whereby the interest generated is used to finance the monetary disbursements while the base endowment is maintained.

Australia's Emissions Reduction Fund

Australia's Carbon Farming Initiative was designed with relatively stringent requirements and processes for participation, including a requirement that the project proponent is the landowner.

- The high transaction costs for participation proved challenging for smaller-scale landowners to participate.

The subsequent ERF facilitates aggregation—so the project proponent no longer needs to hold the carbon sequestration rights but can have a contract with the landowner—with standard arrangements for transferring rights to a project aggregator to help reduce transaction costs.

Communications

Emission reductions programs should document and inform stakeholders about where information related to benefit sharing is publicly available and how this information will be shared with relevant stakeholders over time. Information should be communicated on all aspects of benefit sharing, including during development and implementation stages.

Websites, media coverage, regular meetings, consultations, and other approaches can be used to communicate. Considerations should be made for the needs of beneficiaries and relevant stakeholders – for example, beneficiaries could have needs related to the language (local dialects, etc.), form (written, visual, audio, etc.), and manner (in meetings, through radio programming, newspapers, etc.) in which benefit sharing information is disclosed.

The following good practices can be used for communicating benefit sharing information:

- ***Public disclosure***: Sharing information about the overall financial envelope for benefit sharing, the amounts distributed to each stakeholder group in different geographic areas, the per hectare or other rate used for monetary benefits, and all the nonmonetary benefits delivered promotes transparency and builds trust.

- ***Active and tailored information***: Beneficiaries and potential beneficiaries need to understand the purpose of benefit sharing, the opportunities to participate, the eligibility criteria, the conditionalities for receiving benefits, the results achieved, and how to provide feedback or submit a complaint. This requires *active dissemination of information tailored to each stakeholder group* in a format that they understand—for example, using local languages, providing information through public meetings and stakeholder representatives, and paying special attention to provide information to women and vulnerable and/or marginalized people.

Case study

Public hearings and audits to share and receive information

Nepal's Community Forestry

Nepal's community forestry program requires regular public hearings to promote transparency and provide effective feedback to local communities.

In Community Forestry in Nepal, Community Forest User Groups are required to hold a public hearing as well as public auditing at least once a year, during the general assembly of Community Forest User Groups, to inform users about group programs, income, expenditure, sale and distribution of forest products, group decisions, and implementation status. In addition, income, expenditure, programs, and decisions of the group are shared on a regular basis through posting information in public places.

For more information, please explore additional resources:
- Benefit Sharing at Scale: Good Practices for Results-Based Land Use Programs
- Guidance Note on Benefit Sharing for Emission Reductions Programs