Guidance Note on Benefit Sharing for Emission Reductions Programs

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1. Introduction

Benefit Sharing is an essential aspect of emission reductions programs (ER Programs) under both the Forest Carbon Partnership Facility (FCPF) and BioCarbon Fund Initiative for Sustainable Forest Landscapes (BioCF ISFL). Benefit Sharing Plans for these ER Programs incorporate Benefit Sharing Arrangements and other elements, the requirements for which are outlined in the FCPF Methodological Framework[1] and ISFL ER Program Requirements.[2]

The FCPF Methodological Framework and ISFL ER Program Requirements were not intended to be overly prescriptive in order to allow flexibility for Benefit Sharing Plans to develop according to the unique context of each ER Program. However, technical issues related to Benefit Sharing can be complex. Therefore, this note intends to provide Program Entities[3] with recommendations and additional information to consider when developing Benefit Sharing Arrangements and Benefit Sharing Plans. Specifically, this note:

1. Clarifies terminology related to Benefit Sharing;
2. Specifies required Benefit Sharing documentation and timing;
3. Provides Program Entities with recommendations and information to consider when developing their Benefit Sharing Plans, including examples of approaches that ER Programs are pursuing to date; and
4. Provides Program Entities with general guidance on the monitoring and reporting of the implementation of Benefit Sharing Plans and revision process.

This note will be updated periodically as additional Benefit Sharing Plans are reviewed and finalized to capture any lessons learned.[4] Throughout this version of the note, some lessons learned have been highlighted in text boxes, for ease of reference, though the entirety of the note reflects the experience of the FCPF and BioCF ISFL to date.

In addition to this note, the FCPF and BioCF ISFL have developed additional resources for Program Entities to reference in the preparation of Benefit Sharing Plans. First, the report *Benefit Sharing at Scale*[5] analyzed 13 case study programs (not FCPF or BioCF ISFL ER Programs) that have been in operation for at least five years to identify good practices for jurisdictional results-based land use programs. Second, *Designing Benefit Sharing Arrangements: A Resource for Countries*[6] is an online platform that walks users through distinct steps following a logical approach to developing Benefit Sharing Arrangements that help achieve

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[1] FCPF Methodological Framework.
[2] ISFL ER Program Requirements.
[3] Program Entities are the entities selling ERs from an ER Program under an Emission Reductions Payment Agreement (ERPA) in the case of the FCPF and Emission Reductions Purchase Agreement (ERPA) in the case of the BioCF ISFL.
[4] Previous versions of this note were created in January 2019 and July 2019. This note replaces previous versions.
[5] The English, Spanish, and French versions can be found here: *Benefit Sharing at Scale report*.
[6] The online platform in English, Spanish, and French versions can be found here *Designing Benefit Sharing Arrangements*.

a program's objectives and promote equity and efficiency in Benefit Sharing. The online platform combines information from this note as well as the *Benefit Sharing at Scale* report to provide guidance to users on Benefit Sharing and incentive mechanisms for results-based programs more broadly.

2. Explanation of Terminology

References are made to several Benefit Sharing elements in the FCPF Methodological Framework and ISFL ER Program Requirements. Some of these terms are defined in these documents (please see Glossary sections) but are further explained below in order to clarify their relationship to each other.

Term	**Explanation**
Benefit Sharing	The sharing of Monetary and/or Non-Monetary Benefits with Beneficiaries under the ER Program in accordance with the Benefit Sharing Plan.
Beneficiaries	A subset or group of the ER Program's stakeholders (people involved in or affected by ER Program implementation) identified in the Benefit Sharing Plan to receive Monetary and/or Non-Monetary Benefits resulting from the ER Program.
Monetary Benefits	Cash received by Beneficiaries funded by payments received under an ERPA (ERPA Payments). These benefits, if any, must be included in the Benefit Sharing Plan.
Non-Monetary Benefits	Goods, services, or other benefits funded with ERPA Payments, or directly related to the implementation and operation of the ER Program, that provide a direct incentive to Beneficiaries to help implement the ER Program and can be monitored in an objective manner (e.g., technical assistance, capacity building, and in-kind inputs or investments such as seedlings, equipment, buildings, etc.). These benefits, if any, must be included in the Benefit Sharing Plan.
Non-Carbon Benefits	Any benefits produced by or in relation to the implementation and operation of an ER Program, other than Monetary and Non-Monetary Benefits (e.g., improvement of local livelihoods, improved forest governance structure, clarified land tenure arrangement, enhanced biodiversity and other ecosystem services, etc.). Such benefits are specified in a distinct section of ER Program Documents (ERPDs) and do not form part of the Benefit Sharing Arrangements or the Benefit Sharing Plan for the ER Program.

Benefit Distribution Mechanism(s)[7]	The system(s) or channel(s) through which Monetary and/or Non-Monetary Benefits are distributed.
Benefit Sharing Arrangement(s)	The arrangement(s) that describe Beneficiaries, Monetary and Non-Monetary Benefits, and the Benefit Distribution Mechanism(s). Benefit Sharing Arrangements describe the processes for the distribution of Monetary and Non-Monetary Benefits to Beneficiaries, including the types and proportions of benefits to be shared and the Mechanism by which such benefits will be distributed. Benefit Sharing Arrangements are included in ER Program Documents (ERPD) and form the basis of the development of the Benefit Sharing Plan.
Benefit Sharing Plan	A document that elaborates on the Benefit Sharing Arrangements described in the ERPD, stakeholder consultation processes, and how the Program Entity will communicate, implement, and monitor the Benefit Sharing process. The content required in the Benefit Sharing Plan is specified in the FCPF Methodological Framework and ISFL ER Program Requirements. The ERPA requires that the Benefit Sharing Plan is implemented in accordance with its terms.

3. Required Benefit Sharing Documentation and Timing

Program Entities are responsible for developing Benefit Sharing Arrangements and Benefit Sharing Plans in a consultative, transparent, and participatory manner appropriate to the context of the respective ER Program. The development of the final Benefit Sharing Plan can be an iterative process over time, often beginning with an articulation of the Benefit Sharing Arrangements.

The following documentation[8] is required for ER Programs in relation to Benefit Sharing:

- A description of the Benefit Sharing Arrangements must be included in the ER Program Document (**ERPD**)[9].
- At least an advanced draft Benefit Sharing Plan (see description below) must be made publicly available in English and in a form, manner, and language understandable to the affected stakeholders for the ER Program prior to **ERPA signature**[10].
- If feasible, the final Benefit Sharing Plan (see description below) is made publicly available in English prior to **ERPA signature** and disclosed in a form, manner and language understandable to the affected stakeholders for the ER Program. If only an advanced draft Benefit Sharing Plan can

[7] Sometimes used interchangeably with 'Benefit Sharing Mechanism(s)', for example in the ISFL ER Program Requirements.
[8] All documentation submitted to the FCPF or BioCF ISFL Facility/Fund Management Team (FMT) must be in English.
[9] FCPF Methodological Framework Criterion 29, FCPF ERPD Section 15, and BioCF ISFL ERPD Section 3.5. It has been acknowledged that for some programs, at the time of ERPD submission, Benefit Sharing Arrangements may not be finalized and all relevant mechanisms may not be yet in place.
[10] Fund participants and the World Bank (as Trustee of the FCPF or the BioCF ISFL) may decide to proceed with signing the ERPA in the event that a final Benefit Sharing Plan is not available prior to ERPA signature.

be made publicly available prior to ERPA signature, the final Benefit Sharing Plan will become a **Condition of Effectiveness of the ERPA**[11] (which must be fulfilled within a period specified in the ERPA, usually within 12 months of ERPA signature).

The FCPF Methodological Framework and the ISFL ER Program Requirements require that **ERPDs** include a description of Benefit Sharing Arrangements. Specific ERPD requirements are clarified in these documents, as well as ERPD templates.

The FCPF Methodological Framework and the ISFL ER Program Requirements specify requirements for a Benefit Sharing Plan and specifically require that it elaborates on the information available in the ERPD. It is expected that an **advanced draft Benefit Sharing Plan** will include a further detailed description of the content of the Benefit Sharing Arrangements (Beneficiaries, Monetary and Non-Monetary Benefits, and Benefit Distribution Mechanism(s)), as well as monitoring provisions, and stakeholder consultations to date/any evidence of stakeholder buy-in. More specifically, the advanced draft Benefit Sharing Plan is expected to, inter alia, describe the following in greater detail than the ERPD, where possible:

- the consultation and design process;
- compliance with relevant laws and any gaps;
- categories of Beneficiaries, including rationale, eligibility criteria, and demographic considerations;
- the types and scale of Monetary and Non-Monetary Benefits and rationale by Beneficiary group;
- distribution of Monetary and Non-Monetary Benefits by Beneficiary group, including rationale, calculations of performance, and proportions;
- the Benefit Distribution Mechanism(s), including funding flows, current status;
- institutional arrangements for managing the Benefit Distribution Mechanism(s); and
- processes for how potential complaints arising from the implementation of the Benefit Sharing Plan would be addressed. The process for agreeing/obtaining any arrangements with the beneficiaries and how such arrangements will be documented are also expected to be explained in the advance draft Benefit Sharing Plan.

A draft Benefit Sharing Plan can be deemed as “advanced” once the World Bank has determined, following its own review and taking into account comments received from fund participants, that all fundamental issues have been addressed.

A final Benefit Sharing Plan is expected to further elaborate on the advanced draft as relevant, including on the final agreed Benefit Sharing Arrangements (Beneficiaries, Monetary and Non-Monetary Benefits, and Benefit Distribution Mechanism(s)), additional evidence of stakeholder buy-in (including any final stakeholder consultations), and final detailed communication and monitoring provisions. A final Benefit Sharing Plan will also address all remaining issues raised, as relevant.

[11] Note that the ERPA itself becomes effective upon signature. However, a “Condition of Effectiveness” means that the respective party’s obligations under the ERPA regarding the sale, transfer and payment for emission reductions (ERs) will only become effective upon the fulfillment of conditions by the Program Entity following ERPA signature. References to this can be found in the FCPF Methodological Framework (footnote 12) and ISFL ER Program Requirements (footnote 10).

Lessons learned:
Benefit Sharing Plans should concisely summarize the relevant issues for Benefit Sharing. Typically, more detailed procedures are described in other ER Program documents, such as a Project Operational Manual (POM), social and environmental safeguards and management documents, and Benefit Distribution Mechanism manuals and procedures.

The timeline for the development and submission of Benefit Sharing Plan drafts may differ for different ER Programs. **Program Entities are encouraged to prepare Benefit Sharing Plan drafts as early as is feasible and must have publicly disclosed at least an advanced draft acceptable to the Trustee, considering comments received from fund participants, prior to ERPA signature.** Some ER Programs may be able to prepare a final Benefit Sharing Plan at an earlier stage, for example at the time of ERPD submission, before a World Bank Decision Meeting, or before ERPA negotiations. Earlier submissions of Benefit Sharing Plan drafts are advisable because they assist assessment processes and ERPA negotiations.

It is also important to carefully manage the preparation process of the Benefit Sharing Plan to avoid raising unrealistic expectations of potential stakeholders. For example, if a Benefit Sharing Plan is prepared and consulted on too early when the ER Program measures[12] have yet to be fully defined, and the eventual Monetary and Non-Monetary Benefits or list of Beneficiaries need to be modified significantly later, it would be challenging to manage expectations (see section 3.2 for more information).

There may be some cases where an **update to the final Benefit Sharing Plan** is required during implementation of the ER Program, including, for example, when additional Beneficiaries have been identified (e.g., due to gaps in the original final Benefit Sharing Plan or changes in the jurisdiction over the lifetime of the ER Program[13]), lessons learned on the effectiveness of the Benefit Sharing Plan have been documented, or extreme events have occurred in the ER Program area (e.g., natural disturbances). Such update(s) to the final Benefit Sharing Plan may require additional consultations with stakeholders. Any update(s) to final Benefit Sharing Plans must be reported to the World Bank, including through the ER Monitoring Report, and will be subject to review and approval by the World Bank (see section 3.10 for more information).

Below is a general timeline of submission of documentation related to Benefit Sharing. While the timing may differ for some ER Programs, the indicative timeline below specifies the **<u>latest point</u>** at which documentation must be finalized.[14] Program Entities are strongly encouraged to complete documentation on Benefit Sharing as early as is appropriate to facilitate assessments and ERPA negotiations.

Documentation	**Latest point at which it must be available**	**Roles of different parties**
Description of ***Benefit Sharing Arrangements***	ERPD selection by FCPF Carbon Fund Participants into its portfolio or 'no	Program Entity prepares the description of the Benefit Sharing Arrangements in the ERPD (in accordance with the FCPF

[12] Policies, measures or projects to reduce deforestation and/or forest degradation and enhance and conserve carbon stocks that directly address the key drivers of deforestation and degradation, and are described in the ERPD (e.g., subsidies for reforestation, investments in agricultural intensification, land-use planning, etc.). Also referred to as 'Planned Actions and Interventions' by the ISFL.
[13] Until the ERPA closing date.
[14] This timeline is consistent with World Bank Operational Policies and Procedures, though in the case of any inconsistencies, World Bank Policies and Procedures will prevail.

	objection' of BioCF ISFL ERPD by BioCF T3 Participants	Methodological Framework or ISFL ER Program Requirements), with advice from the World Bank task team. Fund participants (and Carbon Fund observers in the case of the FCPF), independent third parties (e.g., members of the Technical Advisory Team (TAP)), and the World Bank review and provide comments on the Benefit Sharing Arrangements described in the ERPD.
Advanced draft Benefit Sharing Plan[15]	Prior to ERPA signature if fund participants and the World Bank (as Trustee of the FCPF or the BioCF ISFL) decide to proceed with signing the ERPA in the event that a final Benefit Sharing Plan is not available. In the absence of a final Benefit Sharing Plan at ERPA signature, there will be a Safeguards Action Plan or an Environmental and Social Commitment Plan (ESCP), as relevant, which will specify timelines for the finalization of the final Benefit Sharing Plan.	Program Entity prepares a draft Benefit Sharing Plan, elaborating on the Benefit Sharing Arrangements described in the ERPD and in accordance with the FCPF Methodological Framework or ISFL ER Program Requirements, with advice from the World Bank task team. Prior to formal ERPA negotiations, the World Bank holds a Quality Enhancement Review (QER)[16], which provides a thorough and wide-ranging review on the draft Benefit Sharing Plan. The draft Benefit Sharing Plan is then shared with fund participants for feedback on fundamental issues that would prevent the Benefit Sharing Plan from being deemed an 'advanced draft' (and therefore must be addressed before ERPA signature).[17] Following the World Bank's review and fund participants' feedback, the Program Entity addresses at least all fundamental issues raised in a revised draft Benefit Sharing Plan. The World Bank checks the revised draft Benefit Sharing Plan to ensure that at least all fundamental issues have been appropriately incorporated and any non-fundamental issues to be included in the final Benefit Sharing Plan have been identified before deeming it an 'advanced draft Benefit Sharing

[15] As a reminder, an advanced draft Benefit Sharing plan includes a further detailed description of the Benefit Sharing Arrangements (Beneficiaries, Benefits, and Benefit Distribution Mechanism(s)), monitoring provisions, and consultations to date/any evidence of stakeholder buy-in).

[16] Moving forward, QERs on advanced draft Benefit Sharing Plans should be held before World Bank Decision Review Meetings.

[17] The World Bank will confirm if these issues are indeed fundamental and would prevent ERPA signature.

		Plan' and linking it on the FCPF or BioCF ISFL website[18]. The FCPF or BioCF ISFL Facility/Fund Management Team (FMT) informs fund participants (and Carbon Fund observers in the case of the FCPF) of their availability online.[19] All remaining issues, if any, will be addressed, as appropriate, in the final Benefit Sharing Plan (see next row).
Final Benefit Sharing Plan	If not prior to ERPA signature, within a specified time period (usually 12 months) following ERPA signature.	The Program Entity addresses any outstanding issues identified during the previous World Bank QER and fund participants' feedback (as specified in a Safeguards Action Plan or ESCP, as relevant) including any relevant comments received on the publicly available advanced draft Benefit Sharing Plan, in a final Benefit Sharing Plan. The World Bank checks the final Benefit Sharing Plan, following consultations with fund participants, to ensure that all relevant issues have been appropriately addressed before deeming it a 'final Benefit Sharing Plan'. Following this, the FCPF or BioCF ISFL FMT will share the final Benefit Sharing Plan with fund participants (and Carbon Fund observers in the case of the FCPF) for their information, informing them that it is final, addresses all relevant issues, and will be linked on the FCPF or BioCF ISFL website by a certain date.
Revisions to the Benefit Sharing Plan	As needed during ER Program implementation	If necessary, the Program Entity prepares an updated Benefit Sharing Plan. Such update(s) to the final Benefit Sharing Plan may require additional consultations with stakeholders. Any updated Benefit Sharing Plans will be reviewed and deemed acceptable by the World Bank, in consultation with fund participants, and linked on the FCPF or BioCF ISFL website. Please see Section 3.10 for

[18] The Program Entity is responsible for making Benefit Sharing Plan drafts publicly available in a form, manner, and language understandable to the affected stakeholders for the ER Program.

[19] As is the case with other documents disclosed by the World Bank, there may be comments on the advanced draft Benefit Sharing Plan by the general public, which the World Bank can pass on to the Program Entity for their consideration.

		more information on the revision process and requirements.
Reports *from annual self-reporting by Program Entity and Third-Party Monitor and an annex to the ER Monitoring Report*	Prior to each ERPA Payment, starting with the second ERPA Payment	After the first ERPA Payment and prior to subsequent ERPA Payments, the Program Entity should report on the implementation of the Benefit Sharing Plan through the BSP Implementation Status Report. The World Bank will review reports from annexes to the ER Monitoring Reports, annual BSP Implementation Status Report and the Third-Party Monitoring (TPM) Report, when applicable (see section 3.11 for more information on the TPM).

4. Recommendations and Considerations for the Preparation of Benefit Sharing Plans

a. ER Program Design and Incentive Mechanisms

Benefit Sharing Plans are essential for the sustainable implementation of ER Programs, in particular for addressing drivers of emissions from deforestation, forest degradation and other land uses, and for providing incentives to stakeholders for continued ER Program support and buy-in.

Developing Benefit Sharing Plans requires a good understanding of the ER Program's drivers of emissions from deforestation, forest degradation and other land uses and their significance; the types of stakeholders involved in addressing these drivers; and the incentives needed to reduce emissions and reverse trends. Whether an ER Program receives ERPA Payments for ERs from REDD+ ER Programs (under the FCPF Carbon Fund) or from multiple land-use sector ER Programs (under the BioCF ISFL), such as Agriculture, Forestry and Other Land Uses (AFOLU) categories, the underlying drivers of emissions may be similar. For example, unsustainable agricultural practices may contribute to deforestation, which would result in emissions both from the agricultural activity itself and the deforestation it may cause.

In any case, Benefit Sharing Plans can incentivize stakeholders to implement activities that would address these drivers and help generate ERs, especially if they are aware of how and when they could benefit from the ER Program. For example, some ER Programs have noted that benefits will be distributed to address improvements to agricultural productivity, reduce encroachment into forest areas, and provide of incentives for forest management and non-timber forest products. This is a good example of combining benefit types and directing them to relevant stakeholders to maximize impacts on drivers of emissions from deforestation, forest degradation and other land uses both within and outside the forest.

b. Stakeholder Consultations and Expectations Management

Stakeholder consultations are required for the development and finalization of the Benefit Sharing Plan as they create stakeholder support and buy-in for ER Program implementation, clarify roles, and provide an understanding of the kind of Monetary and Non-Monetary Benefits to be shared with Beneficiaries. As per the requirements in the FCPF Methodological Framework and ISFL ER Program Requirements, ERPDs (including the section on Benefit Sharing Arrangements) and Benefit Sharing Plans will include details on stakeholder consultations. Consultations related to Benefit Sharing should be done in alignment with or build on national processes, including those related to REDD+ readiness such as the Strategic Environmental and Social Assessment (SESA), for consistency and efficiency purposes.

Descriptions of the outcomes of stakeholder consultations and how they are incorporated in the Benefit Sharing Plan are useful, particularly for stakeholders who did not participate. Given this, Program Entities are encouraged to include information in addition to the dates and locations of consultations, such as participating stakeholder groups, number of people, content of consultations or issues and concerns raised, and outcomes, as well as how these outcomes were incorporated in the Benefit Sharing Plan. If possible, it is also useful to disaggregate the reporting of participants by gender, indigenous peoples status, or other context-specific groupings, as well as include a description of what information was shared in advance of the consultations.

The FCPF Methodological Framework and ISFL ER Program Requirements note that Benefit Sharing Plans should be developed in a consultative, transparent, and participatory manner and reflect inputs by relevant stakeholders, including broad community support of affected indigenous peoples. Evidence of consultations and broad community support should be noted in Benefit Sharing Plans.

Program Entities have pursued a variety of approaches for timing stakeholder consultations in order to manage expectations for Benefit Sharing. Consultations must occur throughout the development of Benefit Sharing Arrangements for the ERPD and the Benefit Sharing Plans and should cover various aspects of Benefit Sharing as they develop. Given that a description of Benefit Sharing Arrangements is, to the extent known at the time, required in ERPDs, consultations must be held at least on these Arrangements and documented in the ERPD. Consultations on Benefit Sharing Arrangements should continue to evolve as details develop. In other words, it is expected that initially, consultations will be high-level. However, as the Benefit Sharing Plan is developed to the point of an advanced draft, it is expected that stakeholder consultations will similarly be more in-depth and with a greater number of stakeholders. In particular, it is critical that relevant communities and organizations (government, Civil Society Organizations (CSOs), academia, private sector, etc.) have been sufficiently consulted on fundamental elements of the Benefit Sharing Arrangements (Beneficiaries, Monetary and/or Non-Monetary Benefits, Benefit distribution allocations, Benefit Distribution Mechanism(s)). Similarly, when fundamental aspects of Benefit Sharing are altered, consultations must occur. Conversely, in cases where minor revisions are made to Benefit Sharing Plans that do not substantively affect the consulted Benefit Sharing Arrangements, further consultations may not be required.

***Lessons learned*:**
For ease of reference, Benefit Sharing Plans should include summary information, perhaps in a table, of the following information relevant to consultations:

- Date;
- Location;
- Stakeholders consulted (including number of people and disaggregation by gender, indigenous peoples status, organization/affiliation, etc.);
- Feedback from stakeholders specific to Benefit Sharing; and
- How stakeholder feedback was reflected in the Benefit Sharing Arrangements.

Also, some Program Entities conduct additional or iterative consultations on Benefit Sharing Arrangements after ERPA signature, once the final ERPA commercial terms[20] are known. Advanced draft Benefit Sharing Plans should include summary information, perhaps in a table, on which stakeholders will be consulted, when, and on what Benefit Sharing aspects after the advanced draft Benefit Sharing Plan is publicly disclosed and the ERPA is signed. In the final Benefit Sharing Plan and any subsequent revisions, all stakeholder consultations and their outcomes should be summarized.

It is important to manage consultations in a way that does not unnecessarily raise stakeholders' expectations. Clear messaging on the following can help with this:

- **Level of detail and finalization of Benefit Sharing elements.** When the development of Benefit Sharing Arrangements is nascent, consultations may also focus on more general-level Benefit Sharing elements such as broad categories of Beneficiaries and distinctions between Monetary and Non-Monetary Benefits, for example. As more details are developed, consultations should include more in-depth discussions, for example on proportions of Monetary and Non-Monetary Benefits to be shared amongst Beneficiaries.
- **Expected ERPA Payments and associated risks.** It should be clarified during consultations that the carbon funds under the FCPF and the BioCF ISFL are results-based financing vehicles. This means that Benefit Sharing relies on the successful generation, verification, and transfer of ERs through successful ER Program implementation, which requires stakeholders to play a role in generating these results (in the form of ERs) and supporting their transfer to the respective carbon funds. Any potential risks to ER generation and transfer should be clearly communicated to stakeholders, including mitigation measures and expectations for Benefit Sharing in the case of ER Program under- or non-performance (see section 3.6 for more information).

In addition, with regards to managing expectations, Benefit Sharing Plans should note that commercial terms (e.g., price, volume, advance payments, etc.) are subject to ERPA negotiations.

Lessons learned:
If the Benefit Sharing Plan notes ERPA commercial terms, these should be consistent with the signed ERPA or most recent ERPA term sheet (a summary document of ERPA commercial terms used during ERPA negotiations). In all cases prior to ERPA signature, Benefit Sharing Plans must clearly and consistently caveat that all commercial terms are subject to ERPA negotiations throughout the document.

c. Beneficiaries

Beneficiaries are a subset or group of the ER Program's stakeholders (people involved in or affected by ER Program implementation) identified in the Benefit Sharing Plan to receive Monetary and/or Non-Monetary Benefits resulting from the ER Program. Beneficiaries may include, but are not limited to, communities, civil society, and the private sector, including any nested REDD+ projects. Governments, as Program Entities and parties to the ERPA, may also retain a certain amount of ERPA Payments to cover their costs for implementing and/or managing the ER Program.

[20] Commercial terms include aspects such as the maximum volume of ERs that are contracted, price per ER, any advance payments or options, timing of reporting periods and expected ERPA payments, etc.

As stated in section 3.1 above, Benefit Sharing Plans can incentivize Beneficiaries to contribute to reducing emissions and the overall performance of the ER Program. Given this, Program Entities have considered various ways to identify and include key Beneficiaries in the Benefit Sharing Plan, including the following considerations:

- Are they likely to contribute directly to the reduction of emissions from deforestation, forest degradation and other land uses, ultimately delivering results;
- Are they likely to use the Monetary and/or Non-Monetary Benefits to sustain successful ER Program interventions;
- Are they dependent on forest resources for their survival, livelihoods, and/or social needs (e.g. cultural, religious);
- 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 the Monetary and Non-Monetary Benefits to recognize their efforts, continue to incentivize their participation in the implementation of the ER Program, and/or help them overcome these circumstances; and/or
- Have they historically contributed (or are anticipated to contribute) 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)?

These groups of Beneficiaries are neither mutually exclusive nor exhaustive, and, in the Benefit Sharing Plans reviewed to date, have been considered in combination in order to maximize support for the implementation of the ER Program and help incentivize its performance.

Lessons learned:
Beneficiary groups should be distinct and identifiable by the same titles/terminology throughout Benefit Sharing Plans, including in sections on Monetary and/or Non-Monetary Benefits, Benefit distribution, reporting, etc. By using the same title for Beneficiary groups, the reader can cross-reference sections to clearly understand how Monetary and/or Non-Monetary Benefits are expected to be distributed to these groups.

If relevant, Benefit Sharing Plans should include relevant demographic information on Beneficiaries, including vulnerable communities, indigenous peoples status, caste, ethnic or religious minorities.

It is useful to summarize the roles of each Beneficiary group in implementing the ER program in Benefit Sharing Plans, perhaps in a table.

Eligibility criteria for Beneficiaries should be clearly described so that stakeholders clearly understand whether they can potentially access Monetary and/or Non-Monetary Benefits from ERPA Payments under the ER Program. This criteria can include requirements related to legal status, having a bank account, being registered with the ER Program, submitting a report on their implementation of activities, or other requirements. Care should be taken to ensure that eligibility criteria does not inadvertently exclude relevant or vulnerable stakeholders. For example, during the preparation of Benefit Sharing Plans, some Program Entities have identified challenges in channeling Monetary and/or Non-Monetary Benefits to identified Beneficiaries. Beneficiaries may need to be formally organized in delimited communities with financial and governance structures in order to access Monetary Benefits. In these cases, some key stakeholders may be ineligible to access Monetary Benefits and may therefore be excluded from Benefit

Sharing Arrangements, which could impact the performance of the ER Program. To ensure the Benefit Sharing Plan can be implemented as designed, Program Entities are encouraged to consider ways to overcome any exclusion of key stakeholders in Benefit Sharing Arrangements, as well as the channels required to reach Beneficiaries and any plans and timelines required to formalize Benefit Sharing Arrangements (see section 3.7 for more information).

Lessons learned: In some cases, Beneficiaries may not easily meet eligibility criteria or may not have financial management capacity. This can be resolved in a few ways, *inter alia*: • The government or another intermediary (e.g., CSO) could support Beneficiaries in meeting eligibility criteria (e.g., writing a report on the implementation of activities). • If Beneficiaries do not have sufficient financial management capacity to manage Monetary and/or Non-Monetary Benefits, the government or another entity (e.g., CSO or private sector) could provide these Benefits to them or on their behalf. • If Beneficiaries must have legal status to receive Monetary and/or Non-Monetary Benefits, but do not – and the process for obtaining legal status is challenging or lengthy – there could be other ways to informally recognize the status of a group of stakeholders (e.g., village government recognition of indigenous peoples or other Beneficiary groups) or provide support to stakeholders to achieve this status efficiently (e.g., the government can prioritize the delimiting of communities).

There can also be unintended consequences of certain approaches, such as lack of access to information on Benefit Sharing Arrangements, that could result in the exclusion or limited participation of some stakeholders, which should be avoided and actively managed.

d. Benefits

As Beneficiaries are identified, Program Entities also consider the form of benefits they are expected to share through the Benefit Sharing Plan, which include Monetary and/or Non-Monetary Benefits. Throughout this process, Program Entities weigh various considerations, which may include, but are not limited to, the following:

- Identification of forms of benefits that will incentivize Beneficiaries to continue to support the ER 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 existing Benefit Distribution Mechanisms, like Payment for Environmental/Ecosystem Services (PES) schemes, and their impacts.

As part of this consideration, Program Entities consider whether Monetary or Non-Monetary Benefits, or a combination, will be shared with various Beneficiaries. This determination is highly context specific and will vary per ER Program. The report *Benefit Sharing at Scale* analyzed some advantages and challenges related to Monetary and Non-Monetary Benefits, which are summarized in the table below. This information may be useful to Program Entities when designing their Benefit Sharing Arrangements, though there may be some differences depending on context.

Advantages	*Challenges*
Monetary Benefits	
• Efficient to administer if payments are made directly to Beneficiary 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 community members benefit, depending on the type of benefit	• Delivery of Non-Monetary 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

Benefits should be designed taking into account social inclusion considerations, such as tailoring benefits to indigenous communities (as relevant), engaging youth, disabled and other disadvantaged groups, and incorporating gender considerations to ensure women and men benefit equally at the community (or other) level. For example, benefits could help mitigate adverse risks/impacts for vulnerable groups or enhance their ability to benefit from ERPA Payments. The description of Monetary and/or Non-Monetary Benefits may be broad, but at least a description of the intention to implement benefits in a socially inclusive manner should be documented in the Benefit Sharing Plan. More detailed information could be determined in a POM or other document, if relevant.

Program Entities have also considered ways of reinforcing ER Program implementation by specifying that Monetary and Non-Monetary Benefits must be used to fund activities that further support ER Program implementation and, thereby, help reduce emissions. This can take several forms, including the creation of a revolving fund for sustainable land use activities, policy changes, investments in forests and sustainable agriculture, and/or the continued oversight and implementation of the ER Program activities. For example, some Benefit Sharing Plans specify that a majority of ERPA Payments will be used to provide Beneficiaries with a mix of Non-Monetary Benefits like capacity building, law enforcement, investments (seedlings, equipment, etc.), and monitoring for forest and agriculture sectors to further improve the avoidance of deforestation and forest degradation and the use of climate-smart land-use practices. By combining Non-Monetary Benefits in this way, the Program Entity anticipates that it will be able to reach more Beneficiaries than it would with Monetary Benefits. This approach can have compounding effects on the potential to generate additional ERs, and thereby, additional ERPA Payments, which can once again be shared and re-invested. Program Entities are encouraged to consider this type of approach depending on the context of its respective ER Program.

Some Benefit Sharing Plans include approaches to provide community-level Beneficiaries with a combination of different types of Non-Monetary Benefits for community development and further ER Program implementation support. In one example, 50% of such benefits for communities would be used to address drivers of deforestation (e.g., seedlings, trainings, etc.) and the other 50% would be used for community development projects (e.g., schools, trainings, etc.). Some Program Entities have identified through stakeholder consultations that within a community some stakeholders 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 ER Program context.

Regardless of whether Monetary Benefits, Non-Monetary Benefits or a combination of both are pursued, it is highly recommended that Benefit Sharing Plans include information on eligible and/or ineligible uses (i.e., ‘positive or negative lists’) of such benefits. For example, some Benefit Sharing Plans specify the activities that will or will not be considered for support under a community fund that will provide Non-Monetary Benefits for proposals for sustainable land use activities. This provides a greater sense of clarity to Beneficiaries and other stakeholders on the intended use of benefits, and therefore their potential impacts. Benefit Sharing Plans should not include Monetary or Non-Monetary Benefits that would have significant negative environmental or social impacts. Program Entities will need to ensure that appropriate administrative procedures are in place to validate that both Monetary and Non-Monetary Benefits are used in accordance with any agreed positive lists or negative lists that apply to the Benefit Sharing Plan.

Lessons learned:
Monetary Benefits are essentially cash payments to individuals (see Section 3.5 on the distinction between flow of funds and flow of benefits). Typically Monetary Benefits have been used when there is an existing PES program in the country or when wages for patrolling/forest management/etc. are provided.

Benefit Sharing Plans should clearly identify what Monetary and/or Non-Monetary Benefits each Beneficiary group can receive. This can be done most simply in a table with Beneficiary groups in one column and a list of the benefits they can access in another column. It should be clear whether Beneficiaries are receiving Monetary and/or Non-Monetary Benefits.

Descriptions of Non-Monetary Benefits should provide a sense of what the ERPA Payments will be used for, but not be so specific that it could make the implementation of the Benefit Sharing Plan inflexible. For example, Non-Monetary Benefits can include capacity building and inputs for agroforestry or forest management. But, Benefit Sharing Plans do not need to include the detail of budget line items, like shovels, unless necessary.

It is not uncommon for the Program Entity or other relevant government entities implementing the ER Program to require a proportion of the ERPA Payments for what is commonly referred to as 'operational costs'. These are typically defined as the administrative costs for the ER Program, such as financial management and fees, safeguards supervision, MRV, etc. Program Entities are encouraged to identify existing or additional sources of finance to cover these operational costs to maximize the proportion of ERPA Payments that are delivered to Beneficiaries. However, if operational costs, or an equivalent, are included in the Benefit Sharing Arrangements, the details of these should be defined in the Benefit Sharing Plan and it should be clear what these include, including the overall proportion of the ERPA Payments or actual value.

Non-Carbon Benefits

Non-Carbon Benefits are not part of Benefit Sharing and, therefore, are not required to be implemented as part of any Benefit Sharing Plan.[21] Non-Carbon Benefits can include improvements to livelihood opportunities, governance, and environmental services, amongst others, and are therefore important to the overall ER Program's success. Non-Carbon Benefits should be well understood as part of the broader context of benefits that each ER Program may provide to stakeholders and Benefits resulting from ERPA Payments should be designed to complement these to maximize the potential for the ER Program's impact and sustainability.

Program Entities may reference Non-Carbon Benefits in Benefit Sharing Plans, especially if they are essential in ensuring stakeholder participation in the ER program. In this case any such reference to Non-Carbon Benefits must be done only in an annex to the Benefit Sharing Plan in order to distinguish them

[21] Under the ERPA, Program Entities are encouraged to report periodically on the achievement of Non-Carbon Benefits and are obligated to report periodically on the achievement of Priority Non-Carbon Benefits, but Program Entities will not be held accountable under the ERPA for the actual achievement of such benefits. However, in the case that Non-Carbon Benefits are included in a Safeguards Action Plan or ESCP, as relevant, for the ER Program, they are required to be generated and reported on.

from Monetary and Non-Monetary Benefits. The following text must be included in the beginning of such annex:

"The following Non-Carbon Benefits are listed in the ER Program Document (ERPD). These Non-Carbon Benefits shall not form part of the Benefit Sharing Plan itself (which is limited to Monetary and Non-Monetary Benefits only) but are listed in this annex for stakeholder information purposes only."

e. Benefit Distribution

The way in which Monetary and Non-Monetary Benefits are shared with Beneficiaries, including both their proportion and the Benefit Distribution Mechanism used, is critical to the ER Program's success because it can create incentives for Beneficiaries to support ER Program implementation and reduce emissions.

Considering the various Beneficiaries included in the Benefit Sharing Plan, Monetary and Non-Monetary Benefits can be shared in different proportions and combinations to incentivize participation in ER Program implementation. For example, some Benefit Sharing Plans specify that: 1) a proportion of such benefits will be distributed equitably to all or a group of Beneficiaries in the ER Program area to ensure all stakeholders see some level of benefits from the ER Program; and/or 2) a proportion of benefits will be distributed according to Beneficiaries' relative performance in reducing emissions. In addition to this, some Benefit Sharing Plans also include provisions to: 1) distribute a set proportion of benefits to stakeholders that have historically been successful in managing their forests and maintaining low levels of emissions and are unlikely to further reduce emissions during the lifetime of the ER Program; and/or distribute a small proportion of benefits to stakeholders who under-perform despite efforts to reduce emissions (e.g., in the case of *force majeure*). Combining these approaches is common in Benefit Sharing Plans and could result in reaching broader groups of Beneficiaries to address underlying drivers of emissions from deforestation, forest degradation and other land uses through incentives to change behaviors.

In addition to describing how benefits will be allocated to each Beneficiary group, some Benefit Sharing Plans also specify how Monetary and Non-Monetary Benefits will be distributed within groups of Beneficiaries. In some cases, such benefits will further be shared amongst Beneficiaries according to their respective performance in ER Program implementation support (which could be determined through proxies or other means). For example, communities may receive benefits in proportion to the land area under which they are implementing activities that support the ER Program and/or other indicators, such as establishment of natural resource management groups. In other cases, the distribution within a group of Beneficiaries is intentionally not based on performance in ER Program implementation support. For example, some Benefit Sharing Plans specify that all communities will receive or have access to Non-Monetary Benefits like a forest training program, improvements to the generation and marketing of non-timber forest products, schools, improvements to infrastructure, etc.

The General Conditions applicable to the ERPAs for ER Programs require that "a significant portion" of Monetary and Non-Monetary Benefits are shared with Beneficiaries, which include, but are not limited to, communities. The determination of the proportion of such benefits that Beneficiaries are expected to receive will be highly context-specific for ER Programs and will be informed by the respective stakeholder consultations.

Lessons learned:
The Benefit Sharing Plan should distinguish between how benefits will flow to Beneficiaries and how funds will flow to different implementing entities. For example, the government may receive a proportion of ERPA Payments to purchase seeds and provide trainings on agroforestry to communities. This is ultimately a Non-Monetary Benefit for communities, but the funds flow to the government for this purpose. These distinctions should be made and the narrative of which benefits are available to 'end-Beneficiaries' like communities, should be clear.

Regardless of the approach taken to allocate benefits to Beneficiary groups, the Benefit Sharing Plan should include rationale for why these proportions or processes have been identified, including through stakeholder consultations.

The Benefit Sharing Plan should include an estimate of the proportion of benefits that will be distributed to each Beneficiary group. If there will be a process for distributing benefits based on performance, and exact calculations of the proportionate breakdown for each Beneficiary group cannot yet be determined, the process for calculating relative performance must be clear (see below) and an ex-ante estimate of how much will go to each Beneficiary group should be included (e.g., "based on current data, it is likely that communities will receive X%").

The process for calculating performance, including the data that is the basis of this, equations, and reporting and decision-making processes, should be clear in the Benefit Sharing Plan. Oftentimes, ER Programs aim to calculate the performance of Beneficiaries in ERs (e.g., how many ERs a community generated vs. another community or a private sector concession, etc.). This approach is not often feasible below a certain geographic scale given levels of uncertainty in calculating ERs at these levels, though some ER Programs are able to take this approach. Alternative approaches can be taken to calculate a Beneficiary's relative performance in supporting the ER Program that can inform benefit allocations, including:

- A different data point could be used to estimate relative performance. For example, deforestation rates may be measured relatively accurately and could be compared to calculate the relative performance of Beneficiaries; and/or
- Entirely different (or a combination of) indicators could be used to determine 'performance'. For example, the development of a green growth plan, the establishment of a formal and representative forest management or climate change body, the successful implementation of activities, etc. A 'scorecard' or weighting of these indicators could be developed, and performance could be calculated based on the implementation of measures on the scorecard by Beneficiary groups. This calculation could be combined with deforestation rates or other calculations of ERs/proxies.

It should also be considered whether performance calculations inadvertently exclude relevant stakeholders, particularly those that have historically maintained low emissions levels. For example, if all benefits to communities are based on performance, does this unintentionally exclude communities that have protected their forests, contribute to the ER Program, but are unlikely to significantly reduce emissions further?

The Benefit Distribution Mechanism (the system(s) or channel(s) through which Monetary and Non-Monetary Benefits are distributed) identified for the ER Program in the Benefit Sharing Plan can also help support ER Program implementation through the timeliness of sharing of benefits and the credibility, trust, financial soundness, and acceptability of the Benefit Sharing process. When developing Benefit Sharing Plans, Program Entities should review existing Benefit Distribution Mechanisms in the country or jurisdiction, including their legal and institutional frameworks. 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. This process is particularly valuable because such existing mechanisms may be used for Benefit Sharing under the ER Program and/or illuminate lessons that may be incorporated in the ER Program's Benefit Sharing Plan. Existing funds and channels can be used to reach Beneficiaries at the national, subnational, or local levels, and depending on their proven success, may build trust and transparency for the Benefit Sharing process. Establishing new Benefit Distribution Mechanisms can require significant time and resources and it may be more efficient and effective to use existing mechanisms and address any capacity, structural, or technical gaps, if feasible.

Benefit Sharing Plans should include information on Benefit Distribution Mechanisms at all relevant levels (national, subnational, local). Program Entities are encouraged to consider the most effective and low-cost way to reach Beneficiaries. Tools, like the PROFOR Options Assessment Framework[22], may be useful to Program Entities when identifying the potential use of such mechanisms. Consideration should also be given to the timeline for benefit distribution to Beneficiaries given results will be paid for ex-post and the flow of Monetary and Non-Monetary Benefits through the Benefit Distribution Mechanism may take additional time.

An example of one type of Benefit Distribution Mechanism included in some Benefit Sharing Plans is a fund that will support the implementation of proposals submitted by Beneficiaries. In this case, Beneficiaries submit applications for cash (Monetary) or in-kind (Non-Monetary) support for sustainable land use activities or community development projects. Information on defined application criteria, applicant eligibility requirements, and eligible and/or ineligible activities for these processes are included in the Benefit Sharing Plans for these ER Programs. In some cases, these funds can leverage Monetary or Non-Monetary Benefits received by specific Beneficiaries (e.g., private sector, communities, etc.) in the form of revolving funds, where Beneficiaries use these benefits as seed capital to draw on for specific needs. In the cases that these revolving funds are limited to benefits for sustainable land use activities or community development projects, this approach may directly incentivize those Beneficiaries that are motivated by this type of support. These types of funds could also be particularly useful for engaging with private sector Beneficiaries to further leverage private investments for sustainable land use; some Benefit Sharing Plans have specified that the private sector must match a specified proportion of Monetary and or Non-Monetary Benefits they receive through this type of mechanism. Where relevant and feasible, Program Entities are encouraged to consider utilizing a similar Benefit Distribution Mechanism to reach certain Beneficiaries, as appropriate.

Regardless of the Benefit Distribution Mechanism identified, Program Entities should consider issues of transparency and governance, which extends to the decision-making bodies involved in Benefit Sharing Plans. For example, some Benefit Sharing Plans identify a multi-stakeholder platform or board that will review proposals for and reports on the use of Monetary and Non-Monetary Benefits at lower levels. It is recommended that Benefit Sharing Plans include information on the selection criteria for these platforms/boards, governance structures, the make-up of stakeholders in these structures (including e.g.,

[22] For more information, please visit BSP's PROFOR tool.

local communities, indigenous peoples, government, CSOs, private sector, etc.) and responsibilities of these platforms or boards.

Benefit Sharing Plans should also specify the planned timelines for the Benefit Sharing process, which takes into account the anticipated timing of ER generation (including when underlying activities are expected to start and end), ER verification, and ERPA Payments (including payments for transferred ERs and any agreed advance payments). Risks to these timelines, as well as potential impediments to the Benefit Sharing process, should be identified to help manage Beneficiaries' expectations.

Lessons learned:
The World Bank conducts financial management assessments on the Benefit Distribution Mechanisms for each ER Program, which highlight key capacity and resource gaps for the mechanism to be able to implement the program's Benefit Sharing Arrangements and meet World Bank and FCPF/BioCF ISFL requirements. Benefit Sharing Plans should include a (brief) reflection on the Benefit Distribution Mechanism's capacity to implement the Benefit Sharing Arrangements and how gaps will be addressed, according to a timeline. In particular, attention should be given to the date by which the Benefit Distribution Mechanism will be fully operational (and evidence of this being the case) and how this timeline corresponds to ERPA Payments – in other words, the mechanism must be fully operational by the first payment, whether that is an upfront advance payment or regular ERPA Payment. In some instances, an intermediate or alternative approach may need to be identified in the Benefit Sharing Plan in the case that the Benefit Distribution Mechanism is not operational in time to receive an ERPA Payment. It is also useful to note that Program Entities will be required to report on the operationalization of the Benefit Distribution Mechanism to the World Bank prior to the first ERPA payment, including through Annex 2 of the ER Monitoring Report.[23]

The Benefit Sharing Plan should clearly and succinctly describe how funds will flow from ERPA Payment to end-Beneficiaries (including which entity/account will receive the ERPA Payments from the World Bank). This process should distinguish when an entity will be providing benefits on behalf of Beneficiaries (see lessons learned on benefits vs. funds flow in the box above). Funds flow diagrams, tables, etc. are encouraged.

f. Management of ER Program Performance Risk

While each ER Program aims to achieve certain results in the form of generated, verified and transferred ERs, there is a risk that ER Programs may under-perform or not perform at all, for example due to unforeseen events and/or ER Program under-performance within the ER Program area. Throughout consultations, anticipated results and corresponding ERPA Payments are typically discussed with stakeholders, which may create expectations among Beneficiaries regarding the amount of Monetary and Non-Monetary Benefits available for Benefit Sharing under an ER Program. Risks of ER Program under-performance or non-performance and efforts to mitigate these risks should be clearly communicated throughout this process.

To manage expectations and plan for unforeseen circumstances, Benefit Sharing Plans should address what will occur in the case of ER Program under-performance or non-performance, including:

[23] Please see the FCPF ER Monitoring Report template and ISFL ER Monitoring Report template for more information and guidance.

- **How Monetary and Non-Monetary Benefits will be shared if results are insufficient to meet needs or expectations.** Benefit Sharing Plans should anticipate cases of shortfalls in results-based ERPA Payments due to ER Program under-performance or non-performance. Specifically, Benefit Sharing Plans should outline the processes that will be undertaken if this occurs (who will be prioritized to receive benefits, how this will impact benefit distribution proportions, etc.).
- **Managing disparities in ER Program performance across Beneficiary groups.** There is a possibility that for a given reporting period, some Beneficiaries may contribute to reduce emissions and others may contribute to increase emissions to the point that the overall ER Program's results are diminished or net-zero. Benefit Sharing Plans should include considerations for managing expectations, particularly for those Beneficiaries that have helped contribute to reduce emissions, and how benefits are planned to be distributed under this scenario. These measures should speak to plans to mitigate ER Program under-performance risk overall.

Some Benefit Sharing Plans include contingency plans to address these circumstances throughout the lifetime of the ER Program, including identifying alternative sources of finance and establishing a buffer reserve from generated ERPA Payments to address potential future ER Program under-performance or non-performance. The majority of Benefit Sharing Plans reviewed to date include a buffer, which reserves a small proportion of ERPA Payments either on the gross ERPA Payments received or after operational and/or fixed costs have been funded. The use of the buffer varies per ER Program but is generally envisioned to be used in cases of *force majeure* and/or ER Program under-performance in a reporting period. In any case, Benefit Sharing Plans should specify the process for the buffer, including how it is established and managed, the circumstances under which it is used, and how benefits are shared from the buffer. Program Entities are encouraged to consider this approach to manage ER Program performance risks and stakeholder expectations.

Lessons learned:

Many Benefit Sharing Plans include 'performance scenarios', describing how benefits will be distributed if ER performance during a reporting period is less than expected (e.g., 50% and 20% performance). Consideration should be given to which Beneficiaries will be prioritized – e.g., will operational costs be covered regardless of performance to ensure continuity of the ER Program? Will communities be prioritized?

As noted above, some Benefit Sharing Plans include 'performance buffers/reserves/set-asides'. These reserves have generally been anticipated to total around 5% of ERPA Payments and can only be activated after the first ERPA Payment (when the first set-aside occurs). They can be distributed in various ways, but regardless, the circumstances and processes by which they will be utilized must be clear in the Benefit Sharing Plan:

- Distribution processes could be the same as what is described in the Benefit Sharing Plan, but distribution of the reserve only occurs when ERs are under-delivered in a reporting period
- Distributions could be made to a subset of Beneficiaries (e.g., a province) that experience *force majeure* events during a reporting period
- Distributions could be prioritized for communities or other Beneficiaries if there is overall under-performance in a reporting period

g. Fiduciary and Administrative Responsibilities and Costs

Information on implementation arrangements for ER Programs are referenced in various program documents, including ERPDs and POMs. It is recommended that information on institutional arrangements relevant to Benefit Sharing, including the following issues, also be summarized in the Benefit Sharing Plan:

- **Ability to reach relevant Beneficiaries and the distribution channels required to do so.** In some cases, Program Entities plan to distribute Monetary and/or Non-Monetary Benefits to communities that cannot be readily reached by existing financial channels. For example, it may not be possible to transfer funding to a district government responsible for further distributing Non-Monetary Benefits. These issues should be identified in Benefit Sharing Plans and the efforts and associated costs for addressing these should be clear.
- **Institution(s) responsible for Benefit Sharing.** The specific institutions responsible for Benefit Sharing should be identified, including those that will receive ERPA Payments and to which institutions ERPA Payments will be distributed (and for what purpose). It should be clear how funds will flow from the institution receiving the ERPA Payments to the final Beneficiaries. The capacities of all identified institutions to receive/distribute, monitor, and report on Benefit Sharing should also be detailed in Benefit Sharing Plans. If there are capacity building measures to be implemented during ER Program implementation, such measures should be identified in a Safeguards Action Plan or ESCP, as relevant.
- **Governance and decision-making for Benefit Sharing.** As stated in section 3.5, Program Entities should consider issues of transparency and governance, which extends to the decision-making bodies involved in the Benefit Sharing process under a Benefit Sharing Plan. For example, some Benefit Sharing Plans identify a multi-stakeholder platform or board that will review proposals for and reports on the use of benefits at lower levels. It is highly recommended that Benefit Sharing Plans include information on the selection criteria for these platforms/boards, governance structures, the make-up of stakeholders in these structures (including e.g., local communities, indigenous peoples, government, CSOs, private sector, etc.), and responsibilities of these platforms or boards.
- **Costs of implementing the Benefit Sharing Plan.** While financing plans request this information,[24] it should be clear that costs include requirements for consultations, communicating elements of the Benefit Sharing Plan and results of its implementation, establishing systems to distribute benefits, financial management procedures from receipt of ERPA Payments to distribution and receipt of Monetary and Non-Monetary Benefits, responding to grievances, and monitoring its implementation (see section 3.8 for more information).
- **Impact of any advance payments on Benefit Sharing.** Subject to ERPA negotiations, Program Entities may request upfront advance payments to financially support ER Program implementation before the first payment for transferred ERs is made (Upfront Advance Payments) or in between payments for transferred ERs (Interim Advance Payments). If this is the case, and the provision of advance payments is agreed during ERPA negotiations, Benefit Sharing Plans must specify how these advance payments will impact the total Monetary and Non-Monetary Benefits available to Beneficiaries given that such advance payments are part of the overall financial

[24] For more information on financing plans, refer to the Guidance Note on the Preparation of Financing Plan of REDD+ and Landscape Emission Reduction Programs.

envelope available to ER Programs and will be deducted from any future payment made for transferred ERs under the ERPA. Therefore, Benefit Sharing Plans should include information on how Benefit Sharing will take such advance payments into account.

> ***Lessons learned:***
> The Benefit Sharing Plan should clearly and succinctly describe (potentially including in a table, bullet point list, and/or diagram) how decision-making, funds flow, and monitoring and reporting processes relevant to Benefit Sharing will be carried out. Distinctions should be made between decision-making, funds flow, and monitoring and reporting, as these processes are typically intertwined, but their details are critical for the successful implementation of Benefit Sharing Arrangements. Descriptions of these processes should include references to roles and responsibilities, any key documentation, meeting, review, and authorization processes. More detailed procedures can be included in the POM, but the Benefit Sharing Plan should give a clear and concise summary of these processes, specific to Benefit Sharing.
>
> At a high-level, it is recommended that a multi-stakeholder, inclusive body should be involved in decision-making for Benefit Sharing. As noted above, some Benefit Sharing Arrangements include a multi-stakeholder platform or board that will review and make recommendations/decisions on Benefit Sharing proposals, allocation calculations and authorizations, and reports on the use of benefits. Involvement of inclusive, non-governmental stakeholders, including representatives of Beneficiaries, at this high-level can increase transparency in Benefit Sharing processes and can empower stakeholders to engage meaningfully in the ER Program.

h. Monitoring and Reporting Provisions

Benefit Sharing Plans include information on monitoring provisions throughout its implementation. While these provisions can take various forms, Program Entities will be required to report on the implementation of their Benefit Sharing Plan in an annex to Interim Progress Reports, if applicable, and ER Monitoring Reports[25] as well as through an annual BSP Implementation Status Report[26] and Third-Party Monitoring of the Benefit Sharing Plan . Benefit Sharing Plans should note these provisions as part of the monitoring approach. Program Entities are also encouraged to consider opportunities for participatory monitoring by Beneficiaries, if relevant.

> ***Lessons learned:***
> The Benefit Sharing Plan should summarize how it will collect information from Beneficiaries and implementing agencies, including to report to the World Bank on financial management and to the FCPF/BioCF ISFL through the ER Monitoring Report, as required in the ERPA. The timing for reporting should be clear in the Benefit Sharing Plan and any discrepancies in timing for collecting information

[25] Please see the FCPF ER Monitoring Report template and ISFL ER Monitoring Report template for more information and guidance.

[26] The first *BSP Implementation Status Report* should be submitted six months after the Program Entity receives the first payment and every year thereafter (as of June 30). The Emission Reduction Monitoring Report (ERMR) can refer to the latest annual BSP Implementation Status Report before a payment is made (where this template will replace Annex 2 of the ERMR). Countries that are still undergoing their first reporting period validation and verification (and, therefore, haven't received a first payment yet) will continue to maintain Annex 2 to report on the **readiness** of the BSP.

from Beneficiaries and reporting it to the FCPF/BioCF ISFL must be addressed. Also, the Benefit Sharing Plan should describe, if relevant, how entities will monitor and make adjustments to Benefit Sharing Arrangements, including if stakeholders violate agreements/contracts or if the Benefit Sharing Plan needs to be updated in the future.

ER Programs must have a FGRM that stakeholders can access throughout the implementation of the ER Program. The same FGRM can also be utilized for feedback on the implementation of the Benefit Sharing Plan. Regardless of the FGRM being utilized in relation to Benefit Sharing, the FGRM should be identified in the Benefit Sharing Plan, including any links to relevant documentation.

As with environmental and social safeguards, the World Bank's role with respect to the Benefit Sharing Plan is to confirm that the agreed safeguards process and the Benefit Sharing Arrangement (as specified in the Benefit Sharing Plan) are functional and effective and not to trouble-shoot or verify that every Monetary and Non-Monetary Benefit was distributed to each and every category of Beneficiaries or that individual activities funded by Monetary and Non-Monetary Benefits (Benefit Sharing Plan activities) have complied with World Bank safeguards. As with the ER Program itself, safeguards will be applied in a manner proportional to the activities proposed.

Third party monitors, as well as self-monitoring and World Bank oversight and FGRM will be used to assess the proper implementation of the Benefit Sharing Plan and application of relevant World Bank social and environmental safeguards to the Benefit Sharing Plan activities. Third party monitoring can take various forms but typically would involve a combination of independent verification of self-reporting data provided by the ER program and annual audits of a sample of ER program activities.[27]

i. Communicating/Disseminating the Benefit Sharing Plan

Benefit Sharing Plans also include information where they will be made publicly available and how they will be shared with relevant stakeholders, including Beneficiaries. Descriptions of this can refer to websites, media coverage, regular meetings, consultations, etc. Considerations should be made for the communications needs of Beneficiaries and how disclosure of Benefit Sharing Plans will address these. 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 Plans are disclosed.

j. Revisions to the Benefit Sharing Plan

Program Entities may identify the need to update the final Benefit Sharing Plan during the implementation of the ER Program, including, for example, when additional beneficiaries have been identified (e.g., due to gaps in the original final Benefit Sharing Plan or changes in the jurisdiction over the lifetime of the ER Program), changes on the flow of funds or institutional arrangements, lessons learned on the effectiveness of the Benefit Sharing Plan have been documented, or extreme events have occurred in the ER Program area (e.g., natural disturbances).

[27] Please refer to the Good Practice Note on Third-Party Monitoring.

The revision to the Benefit Sharing Plan should be consistent with the ER Program Document and should be developed in accordance with the Methodological Framework and in full compliance with applicable World Bank Operational Policies, the International Rules and any relevant domestic laws and regulations.

Any material changes, modifications or updates of the Benefit Sharing Plan (including the exclusion of categories of Beneficiaries or the inclusion of additional categories of Beneficiaries) are subject to the World Bank's prior written consent, and must be reported to the World Bank, including through the ER Monitoring Report and annual BSP implementation status report.

When fundamental aspects of Benefit Sharing are altered, consultations with impacted beneficiaries must occur. Conversely, in cases where minor revisions[28] are made to Benefit Sharing Plans that do not substantively affect the consulted Benefit Sharing Arrangements, further consultations may not be required. All stakeholder consultations and their outcomes should be summarized in the revised Benefit Sharing Plan.

Changes in the Benefit Sharing Plan must be completed before payment for verified Emission Reductions of a specific Reporting Period can be made[29]. In this regard, it is recommended that any changes to the Benefit Sharing Plan concludes before a verification assessment is finalized in order to not delay the payment of Contract ERs.

Process for BSP revision and approval

If a Program Entity identifies the need to make changes in the final Benefit Sharing Plan, those changes must be communicated to the Trustee (through a formal letter or email) and a revised Benefit Sharing Plan with a matrix of changes and justifications also must be provided. The World Bank will analyze the request (and provide comments if deemed necessary), and if, internally approved[30], will send them to the Carbon Fund Participants (CFPs) for their information only[31] (with a 2-week period). Further clarifications from the Program Entity should be provided on the changes made to the BSP, if requested by CFPs. The revised and final BSP should also be endorsed by the Program Entity and published online (including in the FCPF website).

k. Third-Party Monitoring (TPM) of Benefit Sharing Plans

At the end of each Reporting Period under an ERPA, the Program Entity should provide evidence satisfactory to the Trustee that the Benefit Sharing Plan has been implemented in accordance with its terms (including any feedback and grievance redress mechanism set up under any of such documents)[32] as Annexes to the ER Monitoring Report or as a separate BSP implementation status report. Such reporting

[28] Fundamental revisions are changes that affect the Benefit Sharing arrangements, for example, changes on the flow of fund, institutional arrangements or beneficiaries that will receive the benefits. Minor revisions are related to updates on the report, that do not necessarily impact the BSP arrangements.

[29] See Section 5.01 and 6.03 (d) of the ERPA General Conditions.

[30] The BSP revision should be approved by the Task team (and SSI team) and FMT.

[31] The Trustee might also seek CFPs approval of the changes in the BSP, if those are considered substantial. The flexibility provided for the BSP revision approval and submission to CFPs shall be decided on a case-by-case basis by the Trustee and will depend on the requested changes and risks for the ER Program implementation.

[32] FCPF/ISFL General Conditions.

is a requirement after the first ERPA Payment and prior to subsequent ERPA Payments[33], and as part of the review process, the Trustee and Task team assess whether the Program Entity has implemented the Benefit Sharing Plan in accordance with the agreed BSP.

The Trustee reserves the right to initiate a separate monitoring of the implementation of the Benefit Sharing Plan, as applicable, annually after the date of the ERPA, by an independent Third-Party Monitoring (TPM)[34] (see Section 7.01(a) of the ERPAs). The TPM is separate from and additional to the Monitoring and Verification processes for Emission Reductions generated under the ERPAs.

[33] After a first payment is made to an ER Program, the Program Entity should report the implementation of the Benefit Sharing Plan through the “BSP Implementation Status Report”.

[34] More information on the TPM process can also be found at the Technical Note on Third-Party Monitoring for Environmental and Social Risk Management and Benefit Sharing in Emission Reductions Programs.

Document history

Version	Date	Notes
Version 4	November 2024	Revised version published by the FMT. Changes made: • included guidance on revisions made to BSPs (including process and requirements). • included a brief overview of Third-Party Monitoring (TPM) of Benefit Sharing Plans
Version 3	August 2020	Revised version published by the FMT. Changes made: • included lessons learned on BSPs highlighted in text boxes. • Improved some guidance on eligibility criteria for Beneficiaries, BSP design and advantages/challenges, as well as other minor clarifications.
Version 2	July 2019	Revised version published by the FMT. Changes made: • included recommended elements of an advanced draft BSP (not requirements, but lessons learned). • minor clarifications on the review process and language and reporting requirements for BSPs.
Version 1	January 2019	Initial version published by the FMT.