

FAQ about Benefit Sharing

Note 3: Mechanisms for Sharing Benefits.

Two aspects of the scope of benefit sharing will influence the optimal way to transfer benefits:

- (i) Whether the transfer of benefits is from the national level to the local level or at a subnational level
- (ii) Whether the transfer of benefits will be to provide inputs for achieving the objectives of REDD+ or a reward for performance

These categories of benefit sharing are not mutually exclusive and may be implemented simultaneously in a country.

National level benefit sharing mechanisms distribute benefits from a national to subnational or local level. Benefits may either be distributed directly to the end recipient (e.g. community groups) or via a subnational organization (e.g., local government institutions). National level benefit sharing mechanism types are applicable to national approaches to REDD+.

Subnational benefit sharing mechanism distribute benefits from a subnational to local level (e.g., from a provincial government institution to community groups) or between subnational actors (e.g., benefits disbursed from provincial to municipal government). Subnational benefit sharing mechanism types are applicable to subnational or nested approaches.

Performance based arrangements distribute benefits on the condition that the partners receiving the benefits (e.g., community groups) have achieved a predefined, measurable and verifiable standard of performance against a baseline (e.g., have restored or protected X hectares of forest). This mechanism is generally linked to market-based payments.

In **input based arrangements**, beneficiaries agree with the benefit-sharing mechanism management body to carry out specified actions, or refrain from certain actions, in return for up-front monetary or non-monetary inputs. No link is provided between the distribution of benefits and future measurable performance in forest management.

When the scale of a benefit-sharing mechanism is taken into consideration alongside the condition that needs to be met for disbursement of benefits, there are four types of benefit-sharing mechanisms.

- National input-based arrangements
- Subnational input-based arrangements
- National performance based arrangements
- Subnational performance based arrangements

National Input Based Arrangements

National input based benefit sharing mechanisms can support REDD+ programs in the following ways:

- **Providing a useful mechanism to build REDD+ readiness** as both Phase 1 and 2 of REDD+ can involve an upfront distribution of nonmonetary benefits. This is also an important role of subnational input-based benefit sharing mechanisms (see below).
- Being viable in countries with low capacity for monitoring, reporting and verification (MRV).

National Performance Based Arrangements

National performance based benefit sharing mechanisms can support REDD+ programs by:

- **Meeting the requirements for Phases 2 and 3 of REDD+** for which a national-level approach is taken, regardless of whether a nonmarket- or market-based approach is applied. However, an approach that blends an input-based and performance-based benefit-sharing mechanism could also work for Phase 2.
- **Providing an added level of accountability and assurance that benefits disbursed are having the desired effect.** An additional benefit is performance data can add further accuracy to the benefit-sharing mechanism review process, and can help improve the design and workings of the benefit sharing mechanism over time.

Subnational Input Based Arrangements

Subnational input based benefit sharing mechanisms can support REDD+ programs by:

- Being designed to meet different provincial or state-level REDD+ readiness needs.
- Allowing provinces or states to implement demonstration projects to trial concepts and address stakeholder concerns around REDD+: Demonstration projects play an important complementary role for REDD+ policy development. They allow trial runs for REDD+ policies and benefit-sharing arrangements with different stakeholder groups. Lessons learned from these trials can be taken into account before a performance based national or subnational REDD+ system is begun.

Subnational Performance Based Arrangements

Subnational performance based benefit-sharing mechanisms can support REDD+ programs by:

- Linking directly with national performance based benefit sharing mechanisms, allowing the effective implementation of the nested approach to REDD+
- Allowing states and provinces with higher MRV capacity to advance to Phase 3 of REDD+ within the subnational approach to REDD+.

1.1. Lessons from existing benefit sharing arrangements

Below are key lessons from a detailed review of different benefit sharing arrangements found in Brazil, Cameroon, Canada, Ecuador, Mexico, Uganda, and elsewhere.

- A clear legal mandate/framework should underpin benefit sharing arrangements
- Use an appropriate system for allocating benefits to forest rights holders, taking into account the challenges presented by unclear or unrecognised land rights. Where rights are unclear,

the initial transfer of benefits can be linked to an agreement that safeguards against misappropriation and the clarification of rights can be an important benefit

- Using existing benefit transfer channels or institutional arrangements can help keep transaction costs moderate and reduce the need to build a new arrangement
- Where a pre-existing institutional structure does not exist for benefit sharing, a process that involves experts and representatives from key stakeholder groups should be used to design a suitable institutional arrangement
- Having an effective mechanism to safeguard against mismanagement of funds or misappropriation is important to prevent inequitable benefit allocation
- Local government must have sufficient technical forest management, community development and planning capacity to support beneficiaries effectively and resources are made available for the entity providing this support
- In low governance and monitoring capacity environments, the most effective initial benefits may be in capacity building and land tenure assistance, building up to performance based benefits later
- Third party monitoring and audit organization within a benefit sharing mechanism encourages good governance, transparency and better financial controls
- Effective use of partnerships with civil society organizations, NGOs, and extension units regarding communication, capacity building and also to draw on local knowledge and networks can play an important role in the success of benefit sharing mechanisms
- Alignment of the benefit sharing mechanism with national strategy especially poverty alleviation can help galvanize political support. Fitting a benefit sharing arrangement with national economic development plans can assist in scaling up an effective pilot scheme
- To effectively achieve REDD+ objectives, benefits from REDD+ financial resources will need to reach relevant entities involved with research, monitoring and enforcement in addition to the local communities.