

FAQ about Benefit Sharing:

Note 2: Key considerations for Benefit Sharing

1.1. What are sources of money for generating benefits?

In the context of REDD+, benefits can stem from forest rent or incentives associated with investments and activities aimed to reduce emissions and increase carbon stocks.

Funding sources that can assist with generating benefits include: public funds, international carbon fund, international carbon markets, performance and input based international donor funding (including Fast Start), International NGO/private foundation funding.

1.2. What are the reasons for sharing benefits?

Sharing of benefits may be linked to an “action” on behalf of the recipient, or may not require an action at all.

If an action is required the benefit could be linked to the amount of labor or assets that the recipient has committed (e.g., paying government agencies for monitoring implementation, providing communities with 30% of forest rent if they provided 30% of the land under sustainable forest management). The benefits could also be incentives to motivate certain actions (e.g., support for sustainable land use¹ and livelihoods or support for forest governance and institutional development²).

If no action is required, the benefits transferred may be negotiated according to the perceived economic value of the damage or loss to the affected stakeholder or according to a preset benefit sharing model. Theoretically, such benefits (also referred to as compensation) covers opportunity costs, but in reality, is usually a negotiated amount, formalized through an agreement between the forest rights holder and the stakeholder group receiving the compensation

1.3. Who should benefit?

The sustainability of REDD+ initiatives requires an adequate determination of local as well as national beneficiaries. This will be important to prevent conflicts and effectively work within complex situations at the local level. A starting point, however, is that benefit sharing will require engagement with a broad range of stakeholders.

The steps involved include:

¹ For example, individual landowners may be offered incentive payments to restore or protect a forest on their land or offered support to establish fruit tree agro-forestry systems, with a goal of relieving pressure on natural forest resources.

² The immediate objective of this support may be to ensure the smooth and effective function of the program, but the resulting increase in institutional capacity and improved forest governance systems can create an important longterm benefit for forest stakeholders in the future.

- Reviewing the drivers of deforestation as these will help determine which stakeholder groups should be involved and can inform understanding their roles
- Developing a tentative understanding of what “legitimacy” means in a given context. The notion of legitimacy should be tied to identifying people whose claims and use of natural resources should be recognized and addressed, and also people whose incentives need to be changed among the local stakeholders. This would provide a framework for consultations and negotiations with the various stakeholders
- Use a participatory approach to identifying beneficiaries that involves local stakeholders, experts, and government. This approach would include:
 - Assessment of the legal framework and property rights relevant to forest resources
 - Assessment of perceived rights and interests (this would include claims to land and resources that have not be made for some time)
 - Identification of communities and other stakeholders and the benefit they derive from the natural resource
- Distinguish among beneficiaries. Classify the stakeholders and benefits they derive from forests according to the legal basis of their claims. The latter determines the extent to which certain kinds of benefits and compensation may be due by law versus benefits and compensation that need to be negotiated. Potential REDD+ beneficiaries could be classified based on whether the claims are:
 - Property or other legal rights (including those who have customary rights recognized by the national law)
 - Customary claims to such rights which are not recognized by national law
 - Established benefit streams from the resource

1.4. How should benefits be transferred?

Effective transfer of benefits requires clarifying what the benefits are, what responsibilities need to be fulfilled in order for the benefit to be delivered, how they will be delivered, the frequency with which they will be delivered, how responsibilities will be monitored, and any contingencies (e.g., how conflicts will be resolved).

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. A benefit-sharing mechanism can be a combination of any of these four

elements (e.g., national input-based arrangements, subnational input-based arrangements, national performance based arrangements, or subnational performance based arrangements). Each of these support REDD+ programs in different ways (see Note 3).

The optimal way of transferring benefits will also be influenced by whether the benefits are being transferred from state or private entities to individuals, communities or project activities.

The following stakeholders are central to the functioning of a benefit sharing mechanism:

- **Funders:** the individuals or institutions that provide funding to cover benefit sharing mechanism establishment costs; administrative costs; monitoring costs; benefit payments; and funding expansion and replication.
- **Benefit sharing mechanism beneficiaries:** the individuals or organizations that carry out the action or need to be compensated for losses or costs borne.
- **Managers or administrators:** provide fund management services; administer contractual arrangements with beneficiaries; monitor, report and possibly verify benefit sharing mechanism performance (verification may be carried out by independent party); continually improve benefit sharing mechanism governance & operations based on monitoring findings; assess long term impacts of benefit sharing mechanism; and contract out parts of the benefit sharing mechanism management process to external providers where appropriate
- **Implementing agencies:** provide training and capacity building services; operate monitoring systems; assist with mapping & demonstrating community land rights (e.g. through collaborative GIS mapping); capacity building and training; and develop public infrastructure for the benefit of benefit sharing mechanism beneficiaries
- **Independent verifiers:** verify monitoring & reporting findings from fund manager or administrator; and provide potential training and capacity building role for fund manager or administrator should this be required

Four building blocks are central to any benefit sharing mechanism. These include:

- Adequate Government, civil society and private sector institutional capacity
- Appropriate national or subnational legal framework relevant to REDD+
- Strong financial management capacity and experience
- Strong monitoring capacity and experience (especially when implementing performance based approaches)

1.5. What are appropriate benefits?

Appropriate benefits are case specific. It can range from monetary rewards that are equal to an individual or organizations opportunity cost to nonmonetary policy benefits that clarify property rights.³

³ In joint forest management arrangements benefits often include the right to extract fuelwood and non-wood forest products for household consumption, a share of the returns associated with timber sales and preferential employment opportunities. In other co-management arrangements communities may be granted the right to issue licenses to collect

It is important to note that benefits need not be restricted to monetary rewards and can span a range of both service, goods and financial benefits. Also, some benefits may extend beyond the parties involved in the REDD+ initiative⁴.

When it comes to benefits, the questions are how are they determined, what is optimal and what is fair? There are a range of approaches used here that combine assessments of opportunity costs with negotiated approaches and concerns of social justice.

1.6. How can appropriate benefits be determined?

A good process for determining benefits helps reduce risks when proceeding in a context where rights to forestland and forest carbon are uncertain and there are multiple significant and competing claims. Processes for consultation, negotiation, and capacity building at national and subnational levels can help ensure that all necessary parties and their interests are identified, that they agree on their respective rights and responsibilities, and it is possible to ensure that stakeholders have the capacity to perform their agreed obligations.

Elements of a good process for identifying appropriate benefits will need to involve:

- Consultation and participation of stakeholders (building on what was done to identify beneficiaries)
- Analytical work on costs, returns, opportunity costs, institutional constraints, etc.
- Negotiation over benefits and the principles and standards that underpin the agreement
- A capacity assessment to ensure that the key institutions have the needed capacity to make management decisions and enforce them (e.g., in areas such as negotiation, site specific technical areas and knowledge sharing, transparent financial systems, monitoring, legal frameworks, and organizational, management and general business skills).

1.7. How can benefit sharing work when rights are unclear?

A market for trading property rights requires that the rights be clearly defined and not contested by anyone. In the case of forest resources, property rights are rarely clear and secure because national laws regarding these resources are often poorly formulated and enforced. Furthermore, in many countries different systems of law with different origins co-exist (e.g., customary systems, statutory systems, etc.). There also may be interests in forest resources that have no legal basis and are illegal.

Lack of clarity regarding rights and claims can be a medium-term impediment to payments for environmental services, including payments for carbon. Secure tenure through formal legal recognition of local rights to forest, forest land and forest products and rights to shared benefits is important and should be the objective. The challenge, however, is conclusively resolving the issues of legal uncertainty in a satisfactory timeframe.

non-wood forest products as long as they licenses are in compliance with the agreed management plan. In PES schemes, the benefit to a local government office is a share of the payments to cover their operating costs for the scheme.

⁴ For example, it is not possible to exclude external parties from the global benefits associated with reduced emissions of carbon. Similarly, when a REDD+ benefit involves investment in social infrastructure (e.g., village schools or village roads) it is not possible to exclude village members who were not engaged in the REDD+ activities.

There are some short term options that could contribute to the larger goal of secure rights. Two options are to use:

- A 'lower-level' legal instruments that does not require legislative approval, such as a ministerial regulations and instruction (e.g., the use of regulations under the appropriate laws, such as forestry law, to clarify or fill gaps).
- Contracts among the interested and affected parties. In contracts parties can specify their assumptions about ownership and other rights while acknowledging that the assumptions may be corrected by later events and specifying what will happen if those assumptions are wrong. Contracts that clearly identify interests to be recognized, specify which uses may continue and what uses must be foregone, and specify the compensation (whether financial or other) provide a remarkably flexible means for addressing the issues surrounding ownership and rights with identified beneficiaries.