

Linking Benefit Sharing Mechanisms and Land Ownership: The Peruvian case.

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Nature Services Peru is a Peruvian organization working on REDD+ and other Payment for Ecosystem Services in Peru. This paper is part of a group of papers written for the FCPF in December 2012. We chose the Issue for Paper 6: Benefit sharing mechanism and we tried to respond: "Should the Carbon Fund (CF) set best practices or other benchmarks for equitable distribution and the design of benefit sharing mechanisms? Or should it simply require that such mechanisms be in place and be transparently proposed?"

Introduction

Benefit sharing mechanisms in the REDD+ arena must be co-developed¹ in order to achieve environment and social objectives. If a robust mechanism is put in place with a legal framework established, it will incentivize investors and forest owners will have a guarantee of their rights. Moreover, new revenues from REDD+ could spark conflict among forest land owners if a benefit sharing mechanism is lacking.

REDD+ countries until now did not take into account seriously how to share benefits between forest owners and other actors on the carbon credit value chain, resulting on insufficient benefit-sharing arrangements (Davis et al, 2009).

Literature in the REDD+ benefit sharing realm has developed several models taking into account different variables. Just to mention a few, Chandrasekharan Behr et al, 2012 differentiates models by the partnership between the local partner and the external partner; the paper from PwC 2012, sets models depending in 3 variables of each country: the country's approach to REDD+, whether the national REDD+ program is donor funded, based on payment for performance, or linked to the international compliance carbon market and finally by the range and type of recipients that the arrangement has to involve. Costenbader, 2009 expresses the pros and cons of a benefit sharing mechanism in the different REDD accounting schemes from international negotiations: national approach, project based approach or a nested approach.

In Peru in particular, Hajek et al 2011, proposed the model of REDD+ Credit Value, where the main concept is that there is a transfer of rights, in exchange for monetary or non-monetary compensation.

The CF should established different models concerning the distribution and the design of benefit sharing mechanisms. As there is no one size fits all model, a combination of different mechanisms such as national level benefit sharing, sub national benefit sharing, performance based arrangements and input based arrangements², should be take into account. However for each country the design of benefit sharing mechanisms varies. To succeed, the concept of adaptive management should be understood in this situation, where there is a combination of research and

¹ Mechanisms should be co-developed between governments, private sector and civil society.

² FCPF Note 3: Mechanisms for Sharing Benefits

practice (Salafsky et al, 2002). Due to the complexity of benefit sharing mechanisms, researchers and practitioners should be seated at the same table.

Equitable distribution should be a focal point in the implementation of ER Programs. Main actors in REDD+, such as rural and indigenous communities, in our experience, are the ones who have to modify their way of life and this adjustment should be compensated.

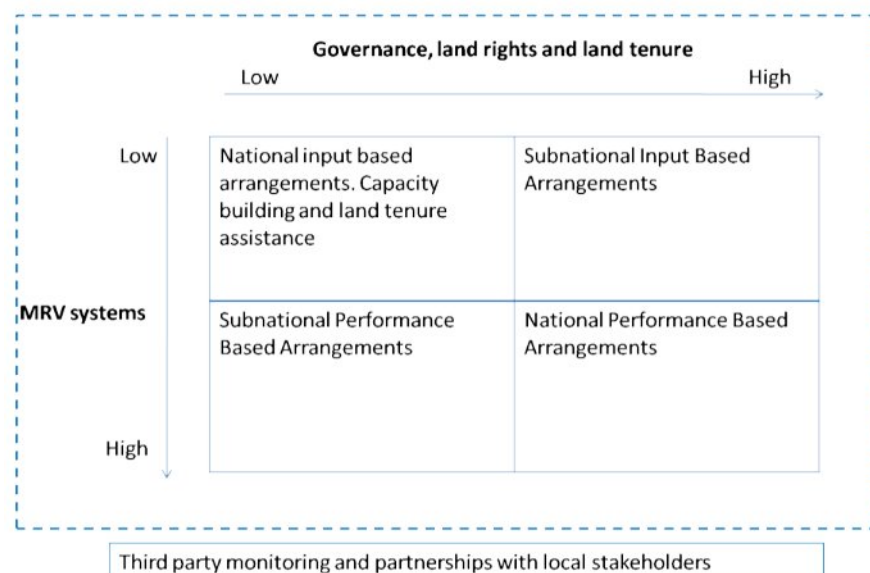
In this short paper we analyze five major benefit sharing mechanisms and we focus on the Peruvian case where we set the major concerns and best practices for each of the different land categories from the Peruvian forest law.

Selecting a benefit sharing mechanism

In April 2012, PwC developed the Options Assessment Framework³ tool, a free and open tool that helps policy makers assess their country's readiness for REDD+ benefit sharing mechanisms. The tool shows which measure governments and other main actors need to take in order to realize a benefit sharing mechanism.

The FCPF mentions four major benefit sharing models, which are explained below. In order to facilitate understanding which model is more adequate for each country, the figure below shows the best option depending on two mayor REDD+ variables: governance, land rights and land tenure in one side and MRV systems on the other side. It is also crucial that during the design and implementation of a benefit sharing mechanism there must be third party monitoring and partnerships with local stakeholders.

Figure 1: Benefit Sharing Mechanisms depending on Governance and MRV systems



Source: the authors, from notes in Background Note on Benefit Sharing for REDD+ regional dialogue, June 2012

Definition of the different mechanisms are below, taken from Background Note on Benefit Sharing for REDD+ regional dialogue, June 2012, FCPF and PROFOR:

³ Access the Options Assessment Framework here: <http://www.profor.info/node/2111>

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+.

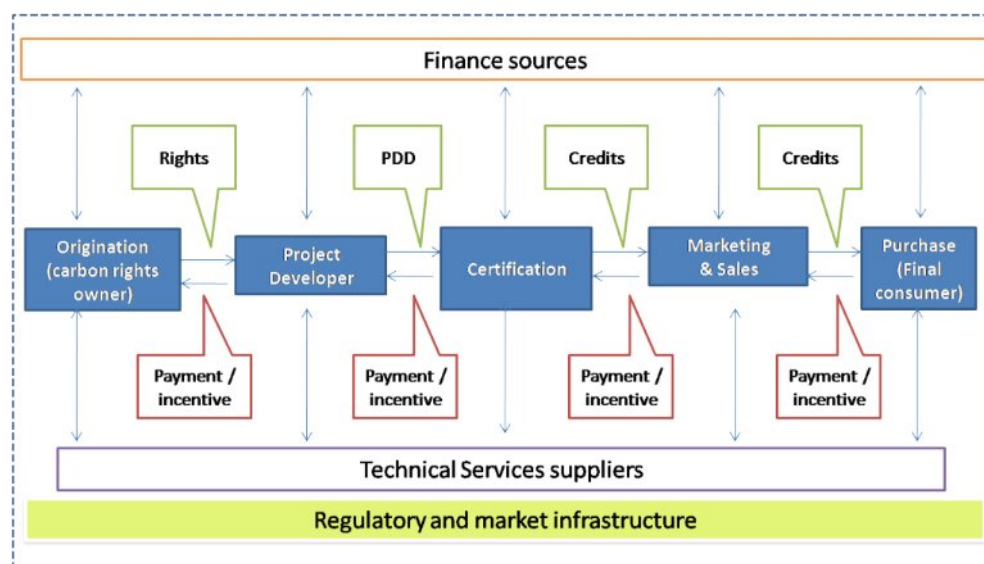
Subnational benefit sharing mechanism distribute benefits from a subnational to local level (e.g., from a provincial government institution to community groups) or between subnational actors (e.g., benefits disbursed from provincial to municipal government). Subnational benefit sharing mechanism types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

In Peru, as we mentioned before, the concept of REDD+ Value Chain establishes that as rights are transferred along the value chain this transfer should be valued at that moment (Hajek et al, 2011). The authors suggest that financing, risk management, advisory and other institutional interventions are services necessary at different points along the chain, rather than specific nodes of the chain at which a change in the value of the credit materializes. The different nodes in the value chain can be seen in Figure 2, below.

Figure 2: Forest Carbon Value Chain



Source: the authors

Another concept that not only applies to Peru but also to other vast countries with different ecosystems is the nested benefit sharing mechanism. Forests, wetlands and other ecosystems provide numerous ecosystem services at a local level, such as pleasant climate, irrigation and drinking water which can be compensated by small-scale benefit sharing mechanisms. Meanwhile, nationally and even globally these ecosystems contribute to fix carbon dioxide in growing forests. Therefore, economic benefits from forest carbon should be shared at a local and national level (Hajek et al 2012).

Ownership of land and benefit sharing: the Peruvian case

Taking into account the type of land title to design a benefit sharing mechanism is a good starting point for Peru. There have been early initiatives in REDD+ specially in the Madre de Dios region majorly in private owned lands. Also, Peru is one of the first REDD+ countries working towards establishing a jurisdictional or nested approach in their national policy. At the moment the government is reviewing the roadmap ('Hoja de Ruta') to establish the best option for forest people, landowners and other stakeholders engaging in REDD+.

A nested approach, in theory, will permit revenues to go directly to both, projects, regional and national level reduction strategies if there is a harmonized accounting system in both levels. The nested approach allows private and public funds revenues for REDD+ initiatives, encouraging a host of actors from private companies who want to offset their emissions in the voluntary market to national government carbon reduction goals. However, it has hurdles too, such as harmonizing both project and national level projects and high MRV costs (Costenbader, 2009).

Forest legislation in Peru continues in a 40 year construction process. According to the Peruvian Society for Environmental Law (SPDA), a Peruvian environmental NGO, government has awarded custody and/or land use title in 40 million hectares of forest land, therefore still pending granting rights on approximately 32 million hectares in the country.

For each type of land ownership we will look at key issues to implement benefit sharing mechanisms and best practices set by good examples. Each essential part of the value chain will co-produce⁴ with the different actors involved the design of the appropriate and equitable benefit sharing mechanism. Peru has a total forest extension of 72,006,083 hectares, 20% of this area are protected areas. In the table below we summarized key findings to implement benefit sharing mechanisms in the Peruvian Amazon. We also set key examples to take into account while developing a public or private owned REDD+ project.

⁴ Ramirez, 1999

Table 1: Type of forest ownership, key issues and best practices in Peru

Type of land rights	Hectares ⁵	Who has carbon rights?	Key issues	Best practices
Land with no rights established	17,207,202	Nobody	Forest law development. Institution capacity.	Contracts among the interested and affected Parties with flexible tools so parties can adapt. (Bruce, 2012)
Protected Areas	15,902,086	National government, regional government or private landowner	Limited number of entities may be eligible to own carbon stocks. I.e. native communities or NGO interested in environmental protection (Rosenbaum et al, 2004)	Cordillera Azul National Park REDD Project. In 2008, the Peruvian Government has granted a 20-year administration contract to the Peruvian NGO Centro de Conservación, Investigación y Manejo de Áreas Naturales Cordillera Azul (CIMA Cordillera Azul).
Native Communities with land title	13,062,585	Native Communities	Fund development to share benefits for the community.	ACCA – Regional REDD+ Policies and Models working with rural communities in the Amazon Andes of Peru. Compensation Fund Development in 3 communities.
Timber and non timber concessions	8,623,341	Private concessionaires	Mechanisms already established by national policies and legislation or requirements in voluntary standards (Chandrasekharan Behr et al, 2012)	MADERACRE Concession (Cardoso & Wong Groups). Credits developed together with GREENOX and certified by VCS and CCBA.
Reforestation concessions	135,221	Private landowner or company	Mechanisms already established by national policies and legislation or requirements in voluntary standards (Chandrasekharan Behr et al, 2012)	BAM: REDD through sustainable forest management Concessions for reforestation. 3 lines of action: build a processing plant (increase added value), FSC Certification and a surveillance system.

Conclusions

To select a benefit sharing mechanism, countries should look at available tools such as the PwC Options Assessment Framework and assess all the different mechanisms. In this paper we also describe the concept of REDD+ Value Chain rising the concept of benefit sharing mechanism. In the Peruvian case we have seen that the type of land title is not an issue to develop benefit sharing mechanisms. Private owners succeed in implementing international standards that will assure that benefits are shared evenly. In public lands, NGO's can manage forests if they show interest in environmental protection, and therefore take care of the benefit sharing mechanism. However, this is not enough. With growing number of REDD+ projects and national ER strategies, national and subnational governments should also be aware of the benefit sharing mechanisms taking place in their jurisdiction increasing surveillance. The more eyes, the better we see.

⁵ SPDA – Programa Forestal, 2011

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