

TFD Review



Country Options for REDD+ Benefit- Sharing

Insights from TFD's
Multi-Stakeholder
Dialogue Initiative

The Forests Dialogue

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TFDReview

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The purpose of this *TFD Review* is to inform stakeholders about the Initiatives sponsored by TFD. For more information on topics covered in this publication, visit our website at www.theforestsdialogue.org.

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Contents

Acronyms and abbreviations	4
Introduction	5
International dialogues on REDD+ benefit-sharing	6
International context	8
Viet Nam	10
Ghana	11
Peru	13
Mexico	15
Key insights: the differing approaches to REDD+ benefit-sharing	17
1. How should the multiple benefits of REDD+ be defined and used to incentivize stakeholders to engage in REDD+?	17
Case study 1: Constructing multiple benefits in Ghana	21
2. How can the costs of REDD+ be identified and reduced?	21
Case study 2: Leveraging existing programs with REDD+: Mexico's integration of conservation and development	22
Case study 3: Viet Nam's experiences in bridging existing PFES program and REDD+	24
3. How can the concepts and perspectives of REDD+ benefit-sharing best be communicated among stakeholder groups?	26
Box 1: Multistakeholder dialogue platforms to promote understanding and coordination of multiple benefits	27
4. How can benefit-sharing be optimized according to the principles of efficiency, effectiveness and equity?	28
Box 2: Definitions of equity	29
Box 3: Addressing gender equity in Mexico	30
5. How should beneficiaries be identified when rights are unclear? On what basis can benefits be shared?	31
Case study 4: Conservation agreements as a REDD+ benefit-sharing mechanism in the Alto Mayo Protected Forest	32
6. How can the active engagement of the private sector be obtained in generating and sharing benefits?	35
Case study 5: Ejidos in Mexico, and the Chicza social enterprise	36
Case study 6: Private-sector innovation in negotiating benefits with communities in Ghana	37
7. How can national programs be designed to accommodate different local contexts?	38
Case Study 7: Designing REDD+ benefit sharing mechanism that accommodate different local contexts-the case of Mexico	40
Conclusion	44

Acronyms and Abbreviations

BMUB	German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety
BPAM	Alto Mayo Protected Forest (Peru)
CI	Conservation International
COP	Conference of the Parties
ENAREDD+	Mexico's national strategy on REDD+
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Program
ILCF	Investing in locally controlled forestry
IUCN	International Union for Conservation of Nature
NGO	Non-governmental organization
PES	Payments for ecosystem services
PFES	Payments for forest ecosystem services (Viet Nam)
PROFOR	Program on Forests
REDD	Reductions in emissions from deforestation and forest degradation
REDD+	Reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks
TFD	The Forests Dialogue
3Es	Effective, Efficient and Equitable
UNFCCC	United Nations Framework Convention on Climate Change
UN-REDD Programme	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
US\$	United States dollar(s)

Introduction

The series of international dialogues on REDD+ benefit-sharing¹ (2013–2014) was organized by The Forests Dialogue (TFD) and the International Union for Conservation of Nature (IUCN), with the financial support of the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB). The aims of the benefit-sharing dialogues were to develop an understanding of the state of REDD+ benefit-sharing in key REDD+ countries and to identify the way forward for designing and implementing benefit-sharing systems more broadly. The initiative engaged around 250 key stakeholders from 25 countries.

The initiative examined how best to design and implement REDD+ incentive schemes to deliver tangible benefits to the poor and vulnerable. TFD led the initiative, with IUCN providing financial and technical support through its REDD+ benefit-sharing project (which is funded by BMUB). REDD+ countries and the international community are facing a range of challenges regarding the design and implementation of successful climate-change mitigation strategies. This initiative aimed, therefore, to:

- ➔ contribute practical and nationally and internationally policy-relevant knowledge around the design of pro-poor benefit-sharing schemes, building on the experiences of various countries and partners; and
- ➔ create a “community of practice” among locally based, well-connected practitioners for the sharing of experiences.

This review provides an overview of the initiative’s multi-stakeholder process and the key learning obtained from it. The handbook *Country Options for REDD+ Benefit-sharing* (available at the TFD website¹) serves as a summary of this report.

International Dialogues on REDD+ Benefit-Sharing



Milagre Nuvunga

The series of dialogues on REDD+ benefit-sharing began with a scoping dialogue organized by IUCN and TFD in collaboration with the Program on Forests (PROFOR) in March 2013 to identify key issues and challenges in the design of REDD+ benefit-sharing systems. The scoping dialogue² identified the following seven needs in the design of REDD+ benefit-sharing mechanisms:

1. Defining and using the multiple benefits of REDD+ to incentivize stakeholders to engage in REDD+.
2. Identifying and reducing the costs of REDD+.
3. Communicating the concepts and perspectives of REDD+ benefit-sharing among stakeholder groups.
4. Optimizing benefit-sharing according to the principles of efficiency, effectiveness and equity.
5. Identifying beneficiaries when rights are unclear—clarifying the basis on which benefits can be shared.
6. Obtaining the active engagement of the private sector in generating and sharing benefits.
7. Designing national programs to accommodate different local contexts.

Four REDD+ countries were selected to offer insights on these needs. A field dialogue format was used in each country, in which participants visited projects on the ground to gain an understanding of the linkages between policies and practices. The four field dialogues were convened as follows:

- ➔ field dialogue 1 in Lam Dong, Viet Nam, on 24–27 September 2013;
- ➔ field dialogue 2 in Ghana on 2–5 December 2013;
- ➔ field dialogue 3 in Lima and San Martin, Peru, on 24–28 February 2014; and
- ➔ field dialogue 4 on the Yucatan Peninsula, Mexico, on 2–5 June 2014 (Figure 1).

Each dialogue focused on specific benefit-sharing issues in the context of the host country; these contexts are explored in the following sections (in the order in which the dialogues were convened) and summarized in Table 1. The participation data for each field dialogue is shown in Figure 1.

TABLE 1. OVERVIEW OF THE CONTEXTS IN THE FOUR COUNTRIES INVOLVED IN FIELD DIALOGUES ON REDD+ BENEFIT-SHARING

	Viet Nam 45% forest cover	Ghana 21% forest cover	Peru 53% forest cover	Mexico 33% forest cover
Deforestation and degradation drivers	Agriculture; unsustainable logging; infrastructure development; fire	Agriculture; logging; live-stock; fuelwood and charcoal production; mining	In-migration from the Andes; agriculture; illegal mining and logging; infrastructure development	Conversion to agricultural, urban and industrial uses
“Engine” for REDD+	Central government; funding from UN-REDD Programme and Forest Carbon Partnership Facility (FCPF)	Civil-society organizations; funding from FCPF, UN-REDD Programme and FIP; Indigenous REDD+ proposals	Civil-society organizations; funding from FCPF, UN-REDD Programme and FIP; Indigenous REDD+ proposals	Central government; funding from FCPF; notable subnational engagement
REDD+ country context	UN-REDD Programme phase 2; experience with incentives for good forest management; payments for forest ecosystem services scheme; beneficiaries clear	Seven REDD+ pilot programs; complex land tenure; lack of clarity on carbon rights; limited discussions on non-monetary benefits	Nested approach; 30 projects relevant to REDD+ under preparation; social conflicts over land rights	Nested/jurisdictional approaches; experience in multiple benefits and collective rights; landscape approaches; safeguards

FIGURE 1. FIELD DIALOGUES ON REDD+ BENEFIT-SHARING, 2013–2014



International Context

Forests play an important role in stabilizing the global climate, and greenhouse-gas emissions caused by deforestation are roughly equivalent to those caused by the transport sector. Nevertheless, it took until 2007—at the 13th session of the Conference of the Parties (COP 13) to the United Nations Framework Convention on Climate Change (UNFCCC) held in Bali, Indonesia—before reductions from forest-related emissions were proposed as part of international negotiations. The programs launched at COP 13 to acknowledge the importance of forests (particularly tropical forests) in combating climate change was called REDD (“reductions in emissions from deforestation and forest degradation”). REDD later became REDD+ when the role of the sustainable management of forests in carbon sequestration was elevated to a goal within the UNFCCC framework (hence the “plus” in REDD+).

REDD+ focuses on developing a carbon-based mechanism at the international level to achieve greenhouse-gas emission reductions. It was conceptualized around a “pay for result” principle, wherein an international carbon market or fund would pay countries for their carbon



Grung Re community member explains forest protection strategies

performance, as measured against nationally determined baselines. The results-based payment aspect distinguishes REDD+ from more traditional official development assistance grants and soft-loan formats. At the same time, REDD+ differs in scale from traditional “payments for environmental services” (PES) schemes because it seeks to monetize services at the global level—that is, the climate-change mitigation services of carbon sequestration and avoided emissions.

Since the inclusion of REDD at COP 13, there has been a relative decrease in emphasis on the specific carbon mechanisms associated with reducing emissions from deforestation and degradation and a relative increase in the emphasis on non-carbon benefits, especially poverty reduction.³ This shift is partly because an international carbon market with prices adequate to incentivize behavioral changes on the ground is yet to materialize. At the same time, from the field perspective, it is increasingly recognized that more basic governance functions and livelihood opportunities must be in place as a precondition and strategy to enable increments in avoided deforestation or additional enhancements in carbon stocks, and to guarantee permanence. This has led to greater interest in the design of pro-poor REDD+ benefit-sharing schemes.

REDD+ countries have been encouraged to design and implement benefit-sharing mechanisms as part of their national REDD+ strategies. Different approaches have emerged in different country contexts based on past and ongoing experiences, and the field dialogues captured the lessons learned in four REDD+-engaged countries.



George Akwah

National Contexts



Community leader explains his perspective on benefit-sharing

VIET NAM

In the last 20 years, Viet Nam's central government has piloted various national programs that provide forest users and managers with incentives to improve forest management and increase forest cover. The Five Million Hectare Reforestation Program (also known as Program 661), which was launched in 1997, introduced the idea of forest protection contracts, the funding for which came from the government budget. This approach was followed up in Program 135. Later, the government piloted and then replicated payments for forest ecosystem services (PFES), which involves collecting fees from water users and tourist service providers to support forest conservation in and around watersheds. The PFES program has been making payments to households since 2009. In conjunction with these programs, Viet Nam has undertaken forest-tenure reforms aimed at decentralizing forest-user rights.

The two main factors in choosing Viet Nam for a field dialogue were as follows:

1. Viet Nam was the first country to enter phase II of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD Programme), under which the country received financing to begin implementing its National REDD+ Action Program in six provinces.
2. The government has been promoting the country's PFES program as a potential mechanism for distributing payments from REDD+ (in which REDD+ payments would be seen as a subset of PFES). The PFES program could generate lessons to inform the design of benefit-sharing mechanisms under REDD+.

The TFD field dialogue took place in Lam Dong, a mountainous province in Viet Nam's central highlands with around 571,000 hectares of forestland (60% of land cover in the province) and high biodiversity. The major driver of deforestation in the province is the expansion of agriculture, particularly the establishment of coffee and rubber plantations.

The devolution of rights to forest users has been slow, with state actors controlling more than 95% of the provincial forest area, while local communities hold only 1.5%. Local communities are permitted to collect non-timber forest products in state-owned forests by entering into forest protection contracts, which can be renewed annually.

Dialogue participants visited four communes in Lam Ha and Di Linh districts, where they met with communities and government representatives to learn lessons from the implementation of the PFES program, the application of other forest management activities/mechanisms, and how REDD+ benefit-sharing might best be designed by building on those systems and incorporating lessons learned. The participants visited an area where the forest is managed by a state forest enterprise, which then contracts selected poorer households to do forest patrolling and share in PFES payments. An ethnic community (Indigenous group) was also visited: in this case, the community has been contracted to manage 500 hectares of forest and receives its PFES payments directly from the provincial government. The community has decided to split the payments equally among all its households.

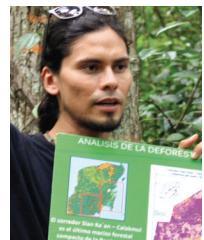
One of the main themes emerging from this dialogue was the ability of PFES payments to set the stage for future REDD+ payments. Challenges that need to be addressed include ensuring that payments are equitable and backed by well-developed monitoring, reporting and verification system(s) to ensure the application of REDD+, and making clear the connection between forest management and the resulting payments.

GHANA

Forest and wildlife reserves cover more than 16% of Ghana, but forests have been in decline there for many years and particularly since the 1970s. Many forest reserves are degraded, and off-reserve stocks are being depleted rapidly. The major drivers of deforestation and forest degradation are commercial agriculture; subsistence agriculture undertaken by an increasing number of rural farmers; commercial log-



Grung Re community member carrying non-timber forest product



Ejido de Felipe Carrillo
Puerto community
member explains
deforestation trends

ging; livestock production and management; fuelwood and charcoal production; and mining. Natural resource rights are complex, with five types of land ownership recognized. More than 90% of land in Ghana is controlled under a traditional tenure system in which local chiefs act as the land (and natural resource) trustees on behalf of communities. Nevertheless, the state has the right to appropriate land for national purposes (e.g., in the case of forest reserves), in principle in return for compensation or the provision of other benefits, as per the country's laws.

Ghana has taken a “learning by doing” approach to its REDD+ activities, mainly supported by the Forest Carbon Partnership Facility (FCPF) and the Forest Investment Program (FIP). Based on the country’s Readiness Preparation Proposal, the FCPF granted Ghana US\$3.4 million in March 2010 and the FIP approved US\$1 million in October 2012. A portion of these funds has been dedicated to support seven pilot projects in Ghana on the design and ground-level implementation of REDD+. The decision to convene a TFD field dialogue in Ghana was influenced by the country’s complex natural resource and land-rights system, its active involvement in the FCPF and the FIP, and the lessons learned in various pilot activities.

Dialogue participants visited two sites in Ghana’s Central Region to learn about benefit-sharing in the Kakum National Park and the sharing of multiple benefits at Portal Limited, a privately owned REDD+ pilot site. The major themes surfacing in this dialogue were: the need to ensure equitable, transparent, effective and efficient benefit-sharing arrangements in the context of complex land-rights and tenure scenarios and community management; and the need to pursue benefits beyond cash. Another theme was the importance of actively engaging the private sector by recognizing its diversity, its need to be profitable, and the potential for public-private partnerships through the use of risk reduction (e.g., through improved law enforcement and tenure security) as an incentive for engagement.

PERU

In Peru, national protected areas contain close to 16 million hectares of forest. Legislation on the management of national protected areas allows the direct participation of nonprofit organizations in the management of these areas through an administrative contracting process with the national government. The same law permits the development of PES activities, including REDD+. Immense tracts of forest remain untitled, however, and substantial numbers of people who live in and depend on these forests are without rights to them.⁴ Additionally, deforestation and forest degradation are fueled by the migration of settlers into forested areas; such settlers mostly lack titles to the lands they occupy and do not have permits to live on the lands they occupy, and Peruvian law does not recognize them as rightsholders.

Peru has adopted a nested approach to REDD+ that accommodates activities and incentives for reducing emissions at various levels. A number of pilot initiatives are taking place at the landscape or jurisdictional level, which generate experiences and lessons that the government intends to build on in formulating a national strategy. About 30 projects are underway that are directly or indirectly related to the REDD+ preparation process; they are funded variously by international cooperation agencies, national institutions, the private sector and non-governmental organizations (NGOs). Of these 30 projects, 19 are specific REDD+ projects, six of which have already validated their descriptions and verified their emission reductions using various social and environmental standards.⁵

Indigenous Peoples comprise an estimated 31–45% of the Peruvian population. Two Indigenous rights’ organizations, the Interethnic Association for the Development of the Peruvian Amazon (*Asociación Interétnica de Desarrollo de la Selva Peruana*) and the Native Federation of the Madre de Dios River and Tributaries (*Federación Nativa del Río Madre de Dios y Afluentes*), have initiated “Amazon Indigenous REDD+” through the Indigenous Organizations’ Coordinator for the Amazon

Basin (*Coordinadora de las Organizaciones Indígenas de la Cuenca Amazónica*). The proposed projects will give priority to the conservation and management of forests and Indigenous territories and foster the equitable participation of Indigenous Peoples in benefit-sharing.

Peru's new Forest Law (No. 29763) establishes that concession-holders and Indigenous and farmer communities that have titled lands or use rights also have rights to the benefits derived from PES. Moreover, the Law on Payments for Ecosystem Services (No. 30215) (2014) stipulates that landowners, Indigenous communities, forest concession-holders and other landholders have carbon rights.⁶

The diversity of experiences at the project level, the active engagement of Indigenous Peoples, and the opportunity to contribute to discourses on how to link project experiences with jurisdictional approaches made it important that Peru was part of the REDD+ benefit-sharing field dialogues. In addition, Peru has been a member of the FCPF since 2008 and is developing a national strategy on forests and climate change with the objective of reducing land-based greenhouse-gas emissions under UNFCCC rules.

The Peruvian government's National Forest Conservation for Climate-change Mitigation Program includes the demarcation of land-use rights for Indigenous and rural communities. The program aims to conserve 54 million hectares of tropical forests and reduce the nation's net deforestation rate to zero by 2021. One of its main instruments is "direct conditional transfers" to participating native communities of US\$3.80 per hectare of forest under conservation per year, which seeks to advance the implementation of concrete actions to reduce emissions; it sets a good example for and can be complementary to REDD+.⁷ The National Forest Conservation for Climate-change Mitigation Program should be seen as an institutional framework for coordination between sectors and levels to address the processes of deforestation and forest degradation. It is currently the REDD+ focal point responsible for the design and implementation of FIP, the execution of the Readiness

Preparation Proposal, the design of the National Forest and Climate Change Strategy, and the implementation of the Carbon Fund project. Its challenges include the need for an organizational redesign and the expansion of its mandate to operate in all national forests. To be able to implement REDD+, the Program will require, among other things, a national committee of intersectoral and multilevel bodies.

Dialogue participants visited two Conservation International (CI) projects: one working with the Shampuyacu Native Community and the other working in the Alto Mayo Protected Forest (BPAM). After the visits, participants spent two days discussing their main observations and lessons learned, and they came to the following key conclusions: different actors perceive benefits differently; capacity building is, in itself, a REDD+ benefit; and, while NGOs, the private sector and the government see REDD+ primarily as a way of improving forest governance, forest communities see it primarily as an opportunity for improving their livelihoods.

MEXICO

With a history of robust institutional arrangements and strong legal frameworks for the management of collective property, Mexico's strategy is to position REDD+ within a broader sustainable rural development framework and as a key path to low-carbon economic growth. Mexico's REDD+ strategy is expected to unfold in detail at a subnational level – with national guidance and a strong focus at the local level. Discussions on REDD+ benefit-sharing have been ongoing among key stakeholders since 2012. These various factors contributed to the decision to include Mexico as a location for a field dialogue.

ENAREDD+, which was developed largely through a participatory process that began in 2010, provides general guidance on how benefit-sharing might be designed. It involves linking climate-change mitigation strategies with different types of land use (i.e., it is not focused solely on forestlands) and promoting a low-emissions rural development model.



Community members and participants dialogue in the field



Participants walk to lunch in Ejido Noh Bec

The strategy envisions transparent, equitable and fair benefit-sharing schemes for the transfer of resources at the local level.⁸

At the subnational level, priority areas for early actions are located in the states of Chiapas, Jalisco and on the Yucatan Peninsula (which encompasses three states—Campeche, Quintana Roo and Yucatan). The REDD+ Early Actions are institutionally coordinated efforts at the subnational level (regional and local) aimed at addressing the causes of forest and forest carbon loss through a variety of public policy instruments that create economic and social development opportunities for communities. These REDD+ early action areas represent areas that provide an opportunity for testing specific actions in the field and promoting sustainable rural development through the development. Community-managed forest (through land grants) comprises 80% of total forest cover in Mexico, divided between communes (known as *ejidos*) and Indigenous communities.⁹ The Mexican government has committed resources for capacity building at the local level and to continuing public programs that create enabling conditions for REDD+. Payments received for reduced emissions would be channeled to local rightsholders—that is, landowners who are members of *ejidos*.¹⁰

In the first two days of the field dialogue, participants discussed with local stakeholders the lessons learned in the integrated conservation and development approaches used on the Yucatan Peninsula. Participants visited the Chicza gum cooperative, *Ejido Noh Bec* and *Ejido de Felipe Carrillo Puerto*. At the heart of Mexico's REDD+ strategy is an integrated approach to public land-use policies, which aims to go beyond the forest estate to promote a broader sustainable development vision for Mexico while strengthening the community management of forests and biodiversity conservation. One of the unique contributions of the Mexico field dialogue was the value of explicitly integrating gender considerations into the REDD+ benefit-sharing strategy.

Key Insights

THE DIFFERING APPROACHES TO REDD+ BENEFIT-SHARING

There is no one-size-fits-all benefit-sharing system for REDD+ because different policy contexts, socioeconomic dynamics and tenure systems require different solutions. The four REDD+ countries involved in the field dialogues have each tested and used a variety of approaches, offering valuable insights for addressing the key issues in REDD+ benefit-sharing. In this section, the seven needs identified in the scoping dialogue are used to explore the various approaches, illustrated with case studies.

1. DEFINING AND USING THE MULTIPLE BENEFITS OF REDD+ TO INCENTIVIZE STAKEHOLDERS TO ENGAGE IN REDD+

Different stakeholders have different perceptions of what constitutes “multiple benefits”. For example, the term may be understood as referring to carbon and non-carbon benefits, cash and non-cash benefits, or direct and indirect benefits. Within these categories are further nuances—perceptions differ widely, for example, on what constitutes cash benefits.¹¹ Not unexpectedly, different stakeholders usually want different benefits: local communities are likely to be concerned primarily with tangible livelihood benefits, while international efforts are focusing on a system of rewards tied specifically to emission reductions. Despite differing perceptions of benefits, all stakeholders engaged in the field dialogues valued benefits beyond emission reductions and beyond cash payments for those emission reductions.

The multiplicity of benefits is important because although carbon sequestration and carbon emission avoidance are the core goals of REDD+, additional incentives are needed if REDD+ is to be relevant more broadly. Multiple benefits allow the alignment of incentives within and across scales, sectors, landscapes and rights regimes.¹² Such an alignment helps ensure coordination among diverse stakeholders and generates greater leverage for transformational opportunities by linking REDD+ to broader development agendas. This is likely to also improve long-term compliance with REDD+ activities among beneficiaries.



Ejido de Felipe Carrillo
Puerto community
member explains
ecotourism project

The topic of multiple benefits featured prominently in all the field dialogues. The term “multiple benefits” was used to refer to a basket of benefits that contains carbon and non-carbon and cash and non-cash benefits that are generated and shared over time (while not preferring any particular benefit type).¹³ The UN-REDD Programme and others use the term “multiple benefits” to convey similar concepts.

Different stakeholders have different expectations about the timeline on which benefits will be received. Local communities tend to expect returns in both the short and long terms, while most actors in the private and public sectors expect that the income they receive in the medium-to-long term will justify the risks they take. In some cases, private-sector actors see REDD+ as a means for improving land management, which ultimately translates into sustainable revenue streams (e.g., through sustainable production practices). The incentive structure should be such that it helps advance sustainable land management over time.

All four field dialogues revealed essential lessons on the use of multiple benefits in REDD+. Among the most important of these were the following:

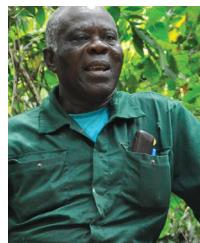
- ➔ *Identify the bundle of benefits that can be used to incentivize stakeholders:* multi-stakeholder platforms can be leveraged to engage local stakeholders in open discussions on the types of benefits that can incentivize positive land-use changes in differing local contexts. In Mexico, local implementing agencies propose investment plans to multi-stakeholder committees at the state level, who evaluate the plans to determine funding by the federal government. Investment plans can be a good vehicle for identifying the benefits that are most suitable for local stakeholders.
- ➔ *Leverage multiple benefits and emphasize non-cash benefits at subnational levels:* not all REDD+ investments will translate into cash-based payments at the subnational level. For example, investments by national governments to improve forest gover-

nance or capacity building for communities will deliver broad societal benefits but may not deliver cash benefits to the sellers of ecosystem services. It is important, therefore, to manage expectations at the subnational level and to emphasize non-cash benefits—such as increased land-use rights and improved access to markets and credit—that REDD+ can deliver.

- ➔ *Combine and link short-term and long-term benefits:* livelihood activities that produce early benefits (e.g., agroforestry) can be combined with long-term benefits (e.g., carbon income) to maintain local stakeholder engagement. NGOs and governments can help in educating local stakeholders where needed on the long-term, non-cash benefits that sustainably managed forests can deliver, such as water purification and climate regulation. In some cases, local stakeholders are very knowledgeable of those long-term benefits of forests, and REDD+ can support their traditional knowledge and provide tools for protecting forests.
- ➔ *Identify and map multiple benefits within different land uses:* REDD+ benefits can be leveraged to incentivize the adoption



Participant discussion in a tree nursery at Portal Limited



Community chief comments on collaboration with Portal Limited

of sustainable land-use practices (case study 1). Different land uses (e.g., production forests, protection forests, intensive agriculture and mosaic landscapes) may require different incentives, which will depend on the local environmental, economic and social context and are likely to change over time. For example, a production-forest company may require benefits in the form of up-front investment support to help overcome the cost of introducing sustainable forest management.

- ➔ *Integrate REDD+ into national sustainable development agendas:* on its own, REDD+ will not be sufficient to overcome all the challenges countries face in moving to a climate-smart sustainable development path. REDD+ should be integrated into national development strategies and used to leverage other programs and resources to deliver multiple benefits and incentivize climate-smart land-use practices.
- ➔ *Capacity building can serve as a long-term benefit:* all stakeholders can benefit from capacity building as part of REDD+. This was noted, for example, by participants in the Ghana field dialogue, who also highlighted the importance of building technical capacity in sustainable resource management, the delivery of ecosystem services, and self-determination and self-organization. Building the technical, financial, administrative and managerial capacities of all stakeholder groups, especially those who live near and depend on forests, will be a key determinant in the equitable and efficient delivery of the multiple benefits of REDD+. Capacity building for marginalized stakeholder groups (e.g., women and Indigenous communities) can enable them to negotiate for and defend their benefits and to build resource-management systems and organizations suited to their needs. Capacity building is also an incentive for local stakeholders to invest in upgrading their own skills and to participate in REDD+.

CASE STUDY 1

Constructing multiple benefits in Ghana

In Ghana's Portal Limited project, diversified income streams (including potential carbon income) ensure the sustainability of the project. Multiple trees and crops have been planted on the land, including indigenous tree species (mahogany, ofram, wawa, edinam and niangon), bamboo, high-value herbs (cardamom, vanilla, nutmeg and black pepper) and essential oils (ylang ylang, patchouli, jasmine and geranium). Citronella and lemon grass are also being cultivated as mosquito repellents. An area has been set aside for an ecotourism village, which will involve the construction of tree houses, birdwatching hides and apiaries.

This mosaic landscape model supports biodiversity conservation and seeks to provide income streams from a wide variety of crops and trees. The differing flowering and maturation periods of the various crops, for example, help create a relatively constant flow of income. In addition, a focus on primary products is complemented by other economic activities, such as beekeeping and ecotourism, which further diversify income streams. Community members are also informed about the long-term benefits of the project, including through emission reductions, and about the many ecosystem services such diverse landscape can generate. The short-term benefits and incentives are designed to also ensure the delivery of long-term benefits; for example, bamboo charcoal will ultimately replace fuelwood, a local deforestation driver. The potential income from carbon payments is only part of a basket of benefits generated by the project.

2. IDENTIFYING AND REDUCING THE COSTS OF REDD+

A key design consideration in REDD+ benefit-sharing is cost. Costs can be classified in many ways and are incurred at different stages of REDD+ implementation. For example, implementation costs are the direct costs of setting up a REDD+ system (such as providing an appropriate policy framework, land titling and access to credit) and the cost of operating the system. The opportunity cost—that is, the cost of opportunities foregone—should also be considered.¹⁴

All four of the host countries have made efforts to minimize the implementation costs of REDD+ by leveraging existing programs and

CASE STUDY 2

Viet Nam's experiences in bridging the existing PFES program and REDD+

In Lam Dong province, 202 251 hectares of forest are allocated to and covered by payments for forest ecosystem services (PFES), with an average allocation of 20–30 hectares per household. About 80% (6 328) of the 7 997 households that have entered into PFES contracts are from ethnic minority groups, and the payment rate is largely dependent on the number of PFES users and providers per household in a given watershed area. The government sets the rates paid to households and prioritizes the poorest households (a variation of the “standard” pay-for-performance model because Viet Nam’s PFES scheme has a pro-poor focus). Thus, the payments made to a household are based on the total area of land owned or managed by that household, combined with other poverty-related criteria. The payments may also be made directly to communities, which decide on the payment levels to households, or to state forest enterprises, which may subcontract to poor households. Historically, forest protection contracts were US\$3 per hectare and households were allocated 30 hectares to protect; therefore they received annual payments of about US\$90. PFES payments are more variable, and they are higher in some regions of the country than others, depending on the ratio of suppliers to demanders of ecosystem services.

Under the PFES scheme, the Viet Nam government has proposed the “K-factor” as a way of promoting equity by weighting payments based on land area with variables that reflect forest type (e.g., protection forest and production forest), forest origin

governance structures. Viet Nam, for example, intends to use its existing PFES scheme to distribute monetary benefits to local communities (case study 2). Mexico is integrating REDD+ into existing rural development programs (case study 3) and will distribute financing for investment plans through existing subsidy and non-subsidy programs.

It is important, however, to highlight the differences between REDD+ benefit-sharing approaches, which may produce non-cash benefits, and existing national programs that are only designed for distributing cash benefits. In Viet Nam, for example, PFES provides valuable lessons for REDD+ but does not cover non-cash benefits.

(e.g., natural and planted), forest quality, and the level of difficulty in managing a given area. The lack of data and a robust monitoring system makes the application of the K-factor difficult at the provincial level, however. Trials on its use show that many local communities prefer equal rather than differentiated payments. Building on the K-factor formula, an “R-factor” has been proposed for REDD+ payments as a way of capturing social and environmental benefits. Implementing this R-factor is likely to be even more challenging than the K-factor, however, because it may be difficult for local stakeholders to understand and monitor.

Key observations by field dialogue participants in Viet Nam include the following:

- ➔ Strong awareness of the PFES scheme has set the stage for the introduction of REDD+ but has also raised expectations of REDD+.
- ➔ Limited monitoring and verification means there are only limited linkages between payments and performance under the PFES scheme, which also poses challenges for REDD+ implementation.
- ➔ Payment coefficients to differentiate payments (e.g., the R-factor) are technically appropriate but present challenges to implement on the ground.
- ➔ The existing top-down PFES approach delivers payments efficiently, but REDD+ performance-based payments would likely see increased community “ownership”.
- ➔ Community forestry can be harnessed to create a participatory approach to REDD+ if coupled with intensive capacity building.



Transporting timber near Moyobamba, Peru

Different stakeholders at different levels bear different costs in REDD+. It is important to understand which costs (monetary and non-monetary) are borne by whom in order to estimate the net benefits that will accrue to different stakeholders. High implementation costs can be an inhibiting factor in sharing the benefits of REDD+. In Mexico, the federal government has agreed to bear the costs of REDD+ at the results-based payment stage, while local stakeholders will receive all the benefits. This advances Mexico’s approach beyond that of other countries, where heated debates are ongoing on whether government (which bears the cost of implementation) should retain monetary benefits from REDD+.



Dialogue organizers
Adewale Adeleke and
Xiaoting Hou

CASE STUDY 3

Leveraging existing programs with REDD+: Mexico's integration of conservation and development

The use of an integrated conservation and development approach at the landscape level can improve livelihoods in local communities while delivering environmental benefits, including carbon benefits. The approach adopted by Mexico focuses on livelihood improvements with the aim of motivating local stakeholders to manage natural resources sustainably.

In the REDD+ pilots on the Yucatan Peninsula, the National Commission for Knowledge and Use of Biodiversity (Comisión Nacional para el Conocimiento y Uso de la Biodiversidad) and the National Forestry Commission (Comisión Nacional Forestal) are supporting communities in land-use planning, conservation, sustainable forest management, agroforestry and silvopastoral management. They promote multipurpose uses of forests, including ecotourism, with the aim of diversifying and improving the incomes of local producers and communities while ensuring the conservation of forests and their biodiversity. The approach on the Yucatan Peninsula also assists community producers and enterprises in engaging with certification schemes (e.g., the Forest Stewardship Council and Fair Trade), with a view to increasing their access to better-paying markets. Carbon payments are being discussed as an additional benefit that landowners would receive if they manage their lands sustainably and remain committed to the implementation of the goals of national (and subnational) REDD+ programs. This integrated development approach was taken as a way of encouraging the adoption of carbon-enhancing forest management strategies while minimizing people's expectations of large carbon-related payouts from governments or industrialized countries.

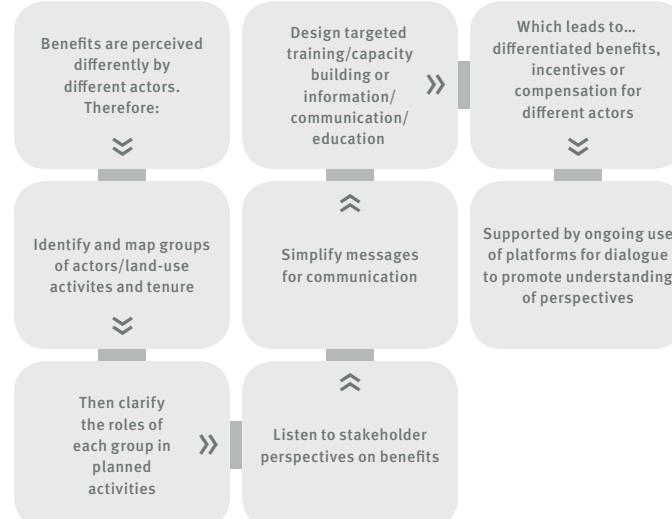
When seeking to reduce the costs of REDD+ by using an existing mechanism, it is important to consider how existing frameworks will influence stakeholder perceptions of REDD+, especially in terms of benefits. Dialogue participants considered that several methods could be used to reduce the costs of REDD+ while increasing awareness and understanding of it:

- ➔ Engage communities from the beginning, with a view to prioritizing activities and benefits.
- ➔ Invest in alternative livelihoods and capacity building for communities to create more sustained benefits.

TABLE 2. PERCEPTIONS OF REDD+ BENEFITS, BY STAKEHOLDER GROUP

	Indigenous People/Community	Government	Private Sector
Cash benefits	Income from protecting natural resources: fees, royalties and gate proceeds; income derived from the use of natural resources: non-timber forest products, timber, etc.; access to credit; salaries from jobs	Taxes on income (from timber, tourism, non-timber forest products and agriculture); penalties; rent on land; royalties; donor grants	Capacity building; rural infrastructure; tax breaks; access to finance/markets (including carbon and rural markets); reduced risk—guaranteed off-take; diversified cash flow; access to insurance, etc.; employment; higher-quality products; multiplier effect
Either cash or non-cash benefits	Provision of alternative livelihoods	Capacity building; livelihoods; biodiversity	Technical support (e.g., silvicultural knowhow); provision of alternative livelihoods; carbon neutrality; research and development; reduction in illegal activities; fair trade and transparency; ecosystem services
Non-cash benefits	Capacity building; infrastructure; ecosystem services; biodiversity (existence value); access to resources for subsistence; cultural values; supply of inputs (seeds, fertilizers); access to information	Better education for people; medicinal/nutritional values; improved forest governance; forest security/improved agricultural productivity; ecosystem services; biodiversity (existence value); cultural value	Nested approach; 30 projects relevant to REDD+ under preparation; social conflicts over land rights

- ➔ Focus activities on desired results, such as creating enabling conditions for preventing deforestation and forest degradation.
- ➔ Define the minimum scale of REDD+ projects at which they are cost-efficient.

FIGURE 2. ROADMAP FOR COMMUNICATION IN REDD+ BENEFIT-SHARING

Summarized based on dialogue discussions.

3. COMMUNICATING THE CONCEPTS AND PERSPECTIVES OF REDD+ BENEFIT-SHARING AMONG STAKEHOLDER GROUPS

The definition of REDD+ benefits is central to communication on REDD+ benefit-sharing. Incentive structures must be aligned with the interests of relevant stakeholders and clearly articulated and understood. Differentiated benefits, incentives and compensation structures are required because different stakeholders have different perceptions of REDD+ benefits. To further complicate matters, terms used in the REDD+ benefit-sharing context may have different meanings to different stakeholders based on their previous encounters with such terms in non-REDD+ contexts. For example, when discussing the benefits of REDD+ during field dialogues, some stakeholders mainly referred to non-monetary benefits, while others spoke largely in monetary terms (Table 2). The scale at which REDD+ is being implemented may also be confusing: REDD+ projects may use certain terms differently to the way

in which they are used in jurisdictional REDD+. It is even more difficult to deliver clear and consistent messages on benefit-sharing to stakeholders who are less involved in discussions.¹⁵

To ensure effective communication among stakeholders, differences in perception must be recognized. It is even more important, however, to understand that all stakeholders desire multiple benefits from REDD+. Based on the four dialogues, we propose a model for communication (illustrated in Figure 2) that accommodates the multiple perceptions of REDD+ benefits among stakeholder groups and provides a process to facilitate consensus building on benefit-sharing systems.

BOX 1

Multi-stakeholder dialogue platforms to promote understanding and coordination of multiple benefits

Multi-stakeholder platforms are critical for ensuring that the perspectives of all actors are understood in any forest or land-management initiative. For example, national forest forums in Ghana serve as platforms whereby local communities, governments at all levels and traditional authorities can discuss issues related to community resource management areas, changes in policy, and policy implementation. These platforms were also used as part of consultations on the country's Readiness Preparation Proposal and the development of the Emission Reduction Program Idea Note. They have been in place since about 2001—before the REDD+ era—which has helped ensure their effectiveness in communicating about REDD+ and the benefits it can provide.

Other examples of multi-stakeholder platforms are Peru's Indigenous and regional REDD+ roundtables. The goal of these is to bring the interests of Indigenous Peoples, local communities and regional stakeholders to the national stage, thereby helping in understanding how different groups define benefits.

Multistakeholder platforms can provide space for the participation of all the various stakeholders in REDD+, and they can also act as a coordination mechanism for generating and sharing technical information and decision-making among the various levels.



Young forest guard

Multi-stakeholder platforms are crucial for communicating concepts and perspectives related to REDD+ benefit-sharing. Ghana and Peru both have longstanding platforms that can be used to promote understanding of the multiple benefits of REDD+ (Box 1).

4. OPTIMIZING BENEFIT-SHARING ACCORDING TO THE PRINCIPLES OF EFFICIENCY, EFFECTIVENESS AND EQUITY

While it is broadly accepted that REDD+ benefit-sharing should be effective, efficient and equitable (the “3Es”), tradeoffs among these three principles is inevitable in practice. Optimal outcomes of REDD+ benefit-sharing are unlikely to maximize any one of the 3E principles.

An equitable approach that ensures efficiency and effectiveness in the long term

Early in the field dialogue series, stakeholders' views differed on how optimal 3E outcomes could be achieved. Some argued for a temporal approach that emphasizes different principles (i.e. equity, efficiency or efficacy) in different phases of REDD+, while others argued for the primacy of *equity*—that is, that an equitable approach is a prerequisite for ensuring efficiency and efficacy.¹⁷ Experiences in all four countries demonstrate that making equity a priority at the beginning of the process is vital for ensuring efficiency and effectiveness in the long term. The inclusion of the poor, women, Indigenous Peoples and other marginalized groups as beneficiaries of REDD+ is often discussed as an equity issue and a key factor or condition for effectiveness and efficiency. The equitable sharing of REDD+ benefits is seen as crucial for the legitimacy of REDD+ processes and can help reduce social risks, which in turn will make REDD+ more efficient and effective. Pro-poor and inclusive approaches towards REDD+, therefore, are not only “a good thing to do” but also essential for achieving optimal outcomes. While this assertion is supported by experience, there remains a need for robust data on how pro-poor arrangements and the inclusion of women and Indigenous communities contribute to the efficiency and effectiveness of REDD+ in different national and local contexts.

BOX 2

Definitions of equity

The term “equitable distribution of benefits” does not necessarily mean “pro-poor”.

At least three concepts of equity might be applicable in REDD+:

1. Equity in the sense of: benefits go to those who merit or earn the benefits (i.e. those who reduce emissions or increase removals of greenhouse gases from the atmosphere). This is essentially a performance- or output-based model: the benefits are proportional to the actual savings in carbon; hence, the majority of benefits go to those communities (and possibly those individuals within communities) who deliver positive carbon benefits.
2. Equity in the sense of: benefits go to those who have rights to them. This tends to tie benefits to those who have rights over the resources used to reduce emissions in REDD+.
3. Equity in the sense of responding to social needs, which in the context of REDD+ is usually seen as the “pro-poor” approach. In REDD+ there are two main options for this:
 - i) Ensuring that (at least some of the) REDD+ activities promoted by the program are directed specifically at reducing and reversing the deforestation and forest degradation processes in which poorer communities or individuals are involved, and perhaps giving priority to those activities.
 - ii) Promoting REDD+ activities that deal with deforestation and degradation across a geographical area, regardless of who is complicit in this degradation, ensuring that there are rules regarding the distribution of the resulting financial benefits such that poorer communities and poorer people within the communities also receive a share (thus decoupling payment from performance, at least to some extent).

Equity has different meanings in different contexts. In their background paper for the field dialogue in Mexico, Arturo Balderas Torres and Margaret Skutsch discussed three interpretations of equity (Box 2).

BOX 3. ADDRESSING GENDER EQUITY IN MEXICO

NATIONAL LEVEL	SUBNATIONAL LEVEL	MONITORING / IMPLEMENTATION
Gender advocacy for legal framework reform	Mainstreaming gender into national guidelines for state-level REDD+ strategies	Gender considerations in National Safeguards System (INMUJERES)
Mainstreaming gender into national REDD+ consultation strategy	Supporting state-level CTCs to include gender in developing REDD+ strategies	Gender sensitive indicators for REDD+SES initiative (Yucatan Peninsula)
Including gender considerations in benefit-sharing mechanism recommendations	Creating a subnational platform of gender and climate change built on existing networks	Participation of women in REDD+SES standards committee
Consider gender within the Emission Reduction Program of the Carbon Fund		Gender sensitive socioeconomic indicators for measuring policy impacts

Recognizing these differences and the importance of equity, the field dialogues focused on procedural equity—the processes that can be put in place to ensure equity based on local contexts. Some of the options discussed were: grievance mechanisms established locally to mitigate conflicts and ensure collaborative actions among different stakeholders; ways of achieving transparency, given its importance for equitable processes; and the critical role of gender equity, including a road map for addressing gender equity in Mexico (Box 3).

Participants also suggested two strategies that could ensure equitable benefit-sharing and contribute to poverty alleviation:

1. Livelihood-enhancing interventions that generate income *and* achieve climate-change mitigation objectives with the aim of generating diverse and sustainable benefit streams.
2. *Locally controlled/managed forests oriented towards economic and business models:* “investing in locally controlled forestry” (ILCF)¹⁹ offers a rights-based, decentralized model for REDD+ benefit-sharing in which rightsholders decide their own benefit-sharing mechanisms in accordance with national guidelines. Case studies in most of the field-dialogue countries demonstrate that locally controlled or managed forests have the potential

to generate sustainable benefits and achieve REDD+ goals. A number of recent studies show that community-managed forests worldwide are achieving high-quality conservation and livelihood outcomes (See case study 3 for an example from Mexico).

5. IDENTIFYING BENEFICIARIES WHEN RIGHTS ARE UNCLEAR—CLARIFYING THE BASIS ON WHICH BENEFITS CAN BE SHARED

REDD+ was designed originally to achieve a single, defined outcome—reduced greenhouse-gas emissions—and, ideally, REDD+ benefits should be shared on the basis of performance against this defined outcome. But as the scope of REDD+ widens—with the inclusion of non-carbon benefits and its application to broader low-carbon development options and strategies—the basis for sharing benefits, and who is entitled to those benefits, have become increasingly unclear. Two foci of the field dialogues were: 1) how to identify beneficiaries when rights are unclear; and 2) how to balance output-based and input-based reward systems in REDD+ benefit-sharing design. In other words, what is the best way to incentivize the participatory engagement needed (inputs) to achieve permanent greenhouse-gas emission reductions (outputs)?

Identifying beneficiaries

Some participants argued that legitimate benefit-sharing systems must be rooted in clear legal frameworks of rights and responsibilities. Secure rights over land and other resources can be used as a benefit or incentive for REDD+ because secure rights can help generate other benefits that can be maintained in the long term (e.g., income from the sustainable production of non-timber forest products). But many participants also recognized that establishing such rights on a national scale is not straightforward: it requires time and strong political will to counter vested interests and change business-as-usual practices. Participants pointed out that immediate-term options existed that could contribute to the longer-term objective of secure rights, such as the use of contracts and the promulgation of government regulations to improve the implementation of existing laws. The use of contracts can help bridge the gap between the present need for engagement and a future circumstance in



Viet Nam landscape

CASE STUDY 4**Conservation agreements as a REDD+ benefit-sharing mechanism in the Alto Mayo Protected Forest**

The 182,000-hectare Alto Mayo Protected Forest (BPAM) is part of Peru's National System of Government Protected Natural Areas. It is of high value for biodiversity conservation and watershed protection, and forests cover about 85% (154 000 hectares) of the total area. Despite the designation of BPAM as a protected area, it has one of the highest rates of deforestation of any protected area in Peru due to insufficient funding for its management, the construction of a national highway through the forest in 1975, and the continued high level of internal migration in Peru. The threat to the forest has increased in the past decade as the highway has become connected to other regional mega-development projects and as high coffee prices have spurred further in-migration.

In response to these issues, Conservation International (CI)-Peru began in 2008 to work with various actors, including local communities and government entities, with the aim of conferring an economic value on ecosystem services through the development of a REDD+ project. CI's strategy involves developing incentive-based conservation agreements, the goal of which is to provide incentives for local communities to conserve their environments. CI, which has implemented 51 of these initiatives in 14 countries since 2005, acts as a broker between communities and potential funders such as governments, bilateral agencies, private-sector companies and foundations. Before initiating a conservation agreement, CI sets the stage by meeting with local non-governmental organizations, government agencies and private-sector partners. During multi-day training, participants learn the history of conservation agreements, review case studies, and brainstorm on how conservation agreements might work in their countries. In a review of the conservation agreements program, Niesten et al. (2008) found that, "Conservation incentive agreements can be tailored to many different circumstances with respect to ecological settings, legal systems, social and cultural contexts, and economic drivers of threats to natural habitat."²¹ Conservation agreements are voluntary and follow a methodology that comprises the following steps:

1. A feasibility study to determine if conditions are favorable in terms of achieving conservation goals and the willingness of the communities or individual farmers to participate; this is also when socioeconomic and biodiversity baselines are established.

2. An engagement phase to develop and build the relationship with the community or farmers.
3. A negotiation phase in which benefits and compromises are jointly established by all parties involved.
4. An implementation phase that includes the distribution of benefits and implementation of conservation measures.
5. A monitoring phase to assess the outcomes of the agreements in terms of both conservation and socioeconomic outcomes compared with the baselines.

If outcomes are met, agreements are renewed on a yearly basis in an iterative process. Agreements are negotiated between the implementer and the communities involved. They specify various components, such as: the required "conservation" activities; the type of compensation (cash or otherwise); monitoring and evaluation; and grievance mechanisms. In the Peru case, settlers have pledged not to clear forest in the BPAM in return for agricultural training, inputs and technical assistance and other benefits, such as family vegetable gardens, animal-rearing enclosures, fruit orchards, native tree nurseries, improved cook stoves, medical supplies and educational materials.

The funding generated by the BPAM REDD+ project has been used to establish conservation agreements between the main BPAM office and around 700 coffee-producing settler families living in the BPAM. These agreements seek to increase the productivity and sustainability of the coffee plantations with the goal of increasing family incomes and thereby reducing the need to deforest new areas for coffee plantations. The settlers are being trained in organic and shade-grown coffee production and assisted in replacing existing plantations with low-impact, sustainable agroforestry and integrated farm management systems. Settlers are also provided with post-harvest equipment and technical assistance to improve the quality of coffee and marketing support through coffee-grower associations. At the end of 2012, the Peru REDD+ Project was validated using the Verified Carbon Standard and the Climate, Community and Biodiversity standards. Between 2008 and 2012, the project generated more than 2.5 million tonnes of emission reductions. It is the world's first REDD+ project in an existing protected area.



Women of the Shampuyacu community educate participants about local fruits

which rights are codified in law. Contracts can also provide a legal basis for benefit-sharing arrangements among stakeholders, referenced to either national legal systems or customary systems.

Under REDD+ it is important to align the contract period with the time required to deliver reduced emissions from deforestation and forest degradation. CI's use of incentive-based conservation agreements provides an important example (case study 4).

The basis for sharing benefits

Many REDD+ countries are interested in receiving cash payments from donors to support their national activities on REDD+. To receive such payments, countries will be evaluated on their performance in reducing emissions from deforestation and forest degradation. At the subnational level, however, both performance-based and input-based approaches can be used to share cash and non-cash benefits to incentivize positive land-use change. A national government can set frameworks, employ safeguards, and provide a menu of options for sharing benefits, but the types of benefits shared and the basis on which such sharing takes place must be tailored to local circumstances. Each of the eligible land-use activities in REDD+ may require its own set of incentives and thus its own mechanisms for providing those incentives.

Traditional and customary laws can be helpful in the design of benefit-sharing mechanisms.²⁰ For example, some communities may prefer an equal share of benefits among all participating households instead of differentiated payments based on performance because it avoids conflict among community members. Different phases of REDD+ also call for different bases for benefit-sharing: at early stages of REDD+, benefits are shared mostly based on inputs (e.g., field dialogue participants in Viet Nam observed the input-based model operating at the subnational level), while performance-based payments may become more relevant at later stages. Benefits shared in the early stages of REDD+ can be designed to create lasting impacts and to incentivize sustainable land-use behavior that will lead to further emission reductions.

Mexico's investment plans

In Mexico, participants observed an input-based approach in which an investment fund covered upfront costs. Approved investment plans will receive up-front financing from the federal government derived from current subsidy programs; these initial funds will not be recovered through carbon results-based finance and are part of the Mexican government's budgetary allocation for activities in the forest sector. After one to three years of implementation, the carbon benefits will be estimated (i.e. reported and verified) and credits "sold" to the FCPF's Carbon Fund. The money raised will be used to finance the non-subsidy activities specified in the plan for subsequent years. Institutional arrangements will be made between regional and local levels of government, while implementing agencies and relevant stakeholders will decide how to share the benefits at subnational levels, considering the collective effort required. Benefit-sharing schemes will help in the implementation of high-priority activities, as identified by local stakeholders (communities and ejidos). It is important that action plans and local benefit-sharing schemes stemming from the Emission Reduction Program Idea Note consider the guidance notes on gender-sensitive REDD+ to identify gender-based risks or unequal benefits during preparation activities and the implementation of safeguards. Support will be prioritized beyond carbon to activities that maximize the number of co-benefits.²²



Participants enter Ejido de Felipe Carrillo Puerto forest

6. OBTAINING THE ACTIVE ENGAGEMENT OF THE PRIVATE SECTOR IN GENERATING AND SHARING BENEFITS

REDD+ was envisioned as a way of leveraging new investments to reduce deforestation and degradation. Investments from the private sector will play a crucial role in achieving that vision.

The field dialogues revealed various types of private-sector actors that range considerably in form and scale. They include smallholders and entrepreneurs (e.g., case study 1); small and medium-sized enterprises and cooperatives (case study 4); "impact investors"²³ (who are willing to accept higher financial risks if coupled with positive social outcomes);



Community members and participants dialogue in the field

CASE STUDY 5

Ejidos in Mexico, and the Chicza social enterprise

In Mexico, field dialogue participants learned that capacity building over a sustained period has enabled local communities to manage benefits collectively and sustainably. It took more than 20 years for the various *ejidos* visited by participants to develop the strong collective organizational structures they currently enjoy, and a similar length of time was needed before the *ejidos* could manage the profits from their local businesses strategically. *Ejidos* can be defined as communal land systems in which some community members possess specific land parcels. The success of the visited *ejidos* was built on the following enabling conditions: participatory decision-making processes; high levels of transparency around transactions; effective conflict-resolution mechanisms; the integration of women in decision-making mechanisms and opportunities for female leadership; the community-based management of enterprises; and adding value to the products (e.g., foods) of *ejido* smallholders through vertical supply-chain integration. The example of Chicza demonstrates that these enabling conditions ultimately create opportunities for larger benefits to be shared among the local people involved in harvesting and post-harvest value adding.

Chicza is a social enterprise with 46 cooperatives operating in the states of Campeche and Quintana Roo on the Yucatan Peninsula. Chicza's mission is to support the sustainable harvesting of chicle gum for commercial production while promoting social welfare (including pensions) and conserving forest ecosystems. Chicza aims to eliminate supply-chain middlemen and to consolidate the value chain and integrate it with other livelihood activities. This includes using technology to produce high-value products, such as chewing gum. By joining Chicza, cooperatives receive support in areas ranging from accounting to commercial promotion. Although Chicza is already a stand-alone enterprise, engaging with REDD+ could help it expand and to assist other cooperatives and communities in adopting sustainable forest management practices. For Chicza, REDD+ could be an "add-on" to existing income streams.

philanthropic or corporate social responsibility investors (case study 5); and other various commodity producers and land users.

Different types of private-sector actors have different entry points for engaging in REDD+. One key entry point is for a company to examine its existing product or ecosystem-service supply chain and determine

CASE STUDY 6

Private-sector innovation in negotiating benefits with communities in Ghana

Portal Limited, a privately owned company, is developing a REDD+ model for its 85 hectares of land by adopting a mosaic forest landscape restoration approach. The project involves a diversity of land uses aimed at meeting the needs of a growing population while protecting biodiversity and natural habitats. Since its inception twelve years ago, Portal Limited has planted 20 000 Cedrela and indigenous trees; 4 000 black pepper vines with a projected output of 10–12 tonnes per year and revenue of US\$40 000 annually (at today's prices); 8 000 ylang ylang trees, 6 500 of which are flowering, with a projected income of US\$320 000 per year from sales (or US\$1 200 000 if processed into oil); and 4 500 Heliconia flowers, a gender-based initiative to engage women living nearby. A 2008 assessment indicated that Portal Limited had the potential to sequester 21 000 tonnes of carbon annually (although this would need to be scaled up to 30 000 hectares of land to be viable in the voluntary carbon market).

Field dialogue participants made the following key observations:

- ➔ Diversified income streams (including the potential for future income from carbon credit sales) ensure the sustainability of the project.
- ➔ Active engagement with chiefs and communities helps reduce conflicts and create benefits for all, despite ongoing challenges related to land and resource tenure.
- ➔ Activities are designed to create benefits based on performance and to address the drivers of deforestation and degradation.
- ➔ The active involvement of women ensures more equitable benefit-sharing within communities.

The main lesson learned from this case study was that, to succeed, private enterprises must obtain the extensive involvement of local communities. Specifically, they need to move beyond telling local people what a project will be and toward approaches in which local people help create project goals and methods.

whether and where REDD+ interventions would add value to the supply chain. Benefit-sharing then becomes a matter of deciding how and where benefits should be distributed along the supply chain (e.g., through value-added products, wages, compensation or participation payments). The Mexico field dialogue provided an example of how REDD+ could be integrated into existing value chains (case study 5).

Public-private partnerships are another avenue for private-sector engagement in benefit-sharing. The Disney Corporation, through CI, contributed to the BPAM public-private partnership in Peru by: promoting innovative financing mechanisms; identifying financing sources and directing them to REDD+ projects and programs; building capacities for the administrative and financial management of REDD+ projects and programs; identifying REDD+ beneficiaries and directing funds according to the responsibilities of each; and establishing alliances with Indigenous and farmer communities for financing REDD+ projects and programs, including through the identification of new business opportunities.

The private sector can also use REDD+ as a tool for income diversification. In Ghana, Portal Limited began as a timber business and later diversified its income to improve short-term cash flow and engage local communities. When REDD+ emerged, the entrepreneur who started Portal Limited seized the opportunity to explore whether he could use REDD+ as a way of generating additional income and investment (case study 6).

7. DESIGNING NATIONAL PROGRAMS TO ACCOMMODATE DIFFERENT LOCAL CONTEXTS

A decentralized decision-making process for REDD+ benefit-sharing can help maintain the legitimacy of REDD+ and lead to solutions suitable for a given local context. The four field dialogues shed light on the key elements for the design of such decentralized decision-making processes.

Recognize the differences and linkages between project-level and national-level approaches

Valuable lessons can be learned from project-level experiences to inform national policies on REDD+ benefit-sharing. Project-level approaches cannot always be applied directly at the national level, however, and some national-level approaches may not be feasible for projects. It is important to know which approaches are applicable at which levels,

including the range of benefits that can be leveraged and the issues that need to be addressed at each level. For example, governments at the national level can invest in securing tenure and land-use rights for local communities as benefits of REDD+, while projects need to work within the current tenure context. While “free, prior and informed consent” may be achievable at a project scale, considerable challenges exist when seeking to secure it at the provincial or national level. Projects can design horizontal benefit-sharing at the household level, depending on the local situation, but it may be inappropriate for national policies to mandate household-level arrangements.

Experiences in Mexico and Viet Nam also show how benefit-sharing can be designed such that international payments for REDD+ will flow to national governments based on the volume of emissions reduced or carbon sequestered. In this case, the carbon rights may remain with government and benefits distributed to lower levels (e.g., communities) on the basis of criteria and indicators other than carbon.

Different investors may be interested in approaches at different levels: for example, donor agencies may be more interested in national-level approaches and private-sector actors may be more interested in projects. To leverage different sources of funding, governments will need to understand the approaches taken at different levels and to design national approaches that can accommodate project-level activities.

Design a framework at the national level to guide the participatory design and implementation of benefit-sharing suitable for differing subnational contexts

At the national level, it is important to first set clear societal goals and priorities (e.g., poverty reduction) to guide national REDD+ programs so they deliver emission reductions from deforestation and forest degradation and contribute to the achievement of those societal goals. In countries where clear sustainable development goals already exist, REDD+ can be integrated into and linked with those goals and the programs



Grung Re community members transporting materials

CASE STUDY 7**Designing a REDD+ benefit-sharing mechanism that accommodates different local contexts—the case of Mexico**

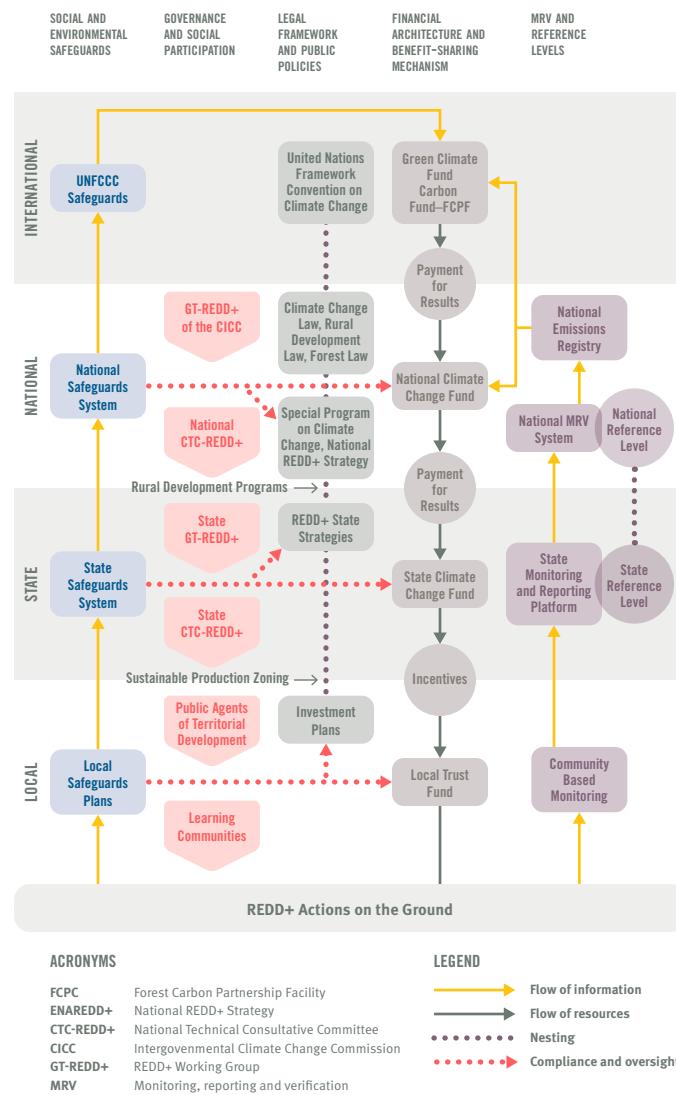
Prepared by: Leticia Gutierrez Lorandi, The Nature Conservancy, Mexico

Mexico's federal government will create a national fund to receive payments from international sources for the national-level reduction of emissions from deforestation and forest degradation. The federal government will manage this results-based finance through a national climate fund and distribute payments to the REDD+ early-action states based on results measured in tonnes of emission reductions at the state level. Cost-effectiveness may also be a criterion in determining which states receive funding from the federal government. The benefits distributed by states to the local level could be either monetary or non-monetary and will be allocated based on the efforts made to: address the drivers of deforestation and forest degradation; reduce barriers to sustainable natural resource management; and support sustainable rural development. These incentives will be based on the activities submitted in an investment plan. Local stakeholders can develop their own investment plans specifying how they intend to reduce deforestation and forest degradation. Multi-stakeholder committees will be formed at the state level to select investment plans based on state REDD+ strategies, guided by the federal government. Safeguards will guide the development and implementation of investment plans, government policies and benefit-sharing. Figure 3 shows the structure of this proposed approach.

Note: this vision for benefit-sharing in Mexico was developed through national dialogues conducted by The Nature Conservancy with the National Forestry Commission and the Mexican Civil Council for Sustainable Development. The vision is reflected in Mexico's Emission Reduction Programme Idea Note submitted to the Forest Carbon Partnership Facility.

aimed at achieving them. In Mexico, for example, REDD+ has been integrated into existing sustainable rural development and landscape management schemes.

Guided by national frameworks, the details of REDD+ benefit-sharing can be shaped through participatory processes at subnational levels. Different subnational units (e.g., states or provinces) will have differing

FIGURE 3. STRUCTURE OF MEXICO'S PROPOSED APPROACH TO REDD+



Community members at Portal Limited

BOX 4**Proposed preconditions and general principles for investment plans in Mexico***Preconditions*

- ➔ Analyze land-use dynamics and identify drivers of deforestation and forest degradation to set the foundation for evidence-based plans.
- ➔ Engage stakeholders from different land-use sectors, especially those identified as drivers of deforestation and forest degradation.
- ➔ Demonstrate the institutional capacity to implement investment plans.

General principles

- ➔ Harmonize policies, subsidies and investments among the various land uses to optimize incentives for low-carbon development.
- ➔ Engage those who have land rights and those who work the land.
- ➔ Demonstrate financial viability: e.g., how initial funding can generate sustainable incomes for rural people and leverage private investments (among other things, assess potential markets, locally and internationally).
- ➔ Ensure the full and effective participation of Indigenous and rural communities in the design of investment plans.
- ➔ Design mechanisms to ensure environmental and social safeguards.
- ➔ Include plans for building on existing structures and experiences.
- ➔ Uphold the principle of free, prior and informed consent and establish criteria and processes to guarantee it.
- ➔ Include conflict-resolution mechanisms.
- ➔ Ensure transparency in the management of public resources.
- ➔ Establish plans for how benefits will be shared when results-based payments are received.

Field dialogue participants noted that different levels of flexibility will be given to local implementing agencies in designing investment plans through the various stages of REDD+. In the early stages (until 2017), detailed rules of operation will apply with the aim of optimizing the upfront investment of domestic resources. Greater flexibility may be available when the activities transition towards results-based payments with a view to accommodating the various locally adopted mechanisms for delivering emission reductions. Flexibility could increase even further as activities mature and begin to function and generate incomes on their own.

local priorities, and the level of engagement in REDD+ will therefore differ. Case study 7 shows the mechanism developed in Mexico to allow local implementing agencies to design the details of local REDD+ benefit-sharing through investment plans, under the guidance of the federal government.

Field dialogue participants discussed the principles and guidelines needed at the federal level to guide subnational approaches and ensure consistency and accountability. In Viet Nam, participants proposed the following key elements that should be considered at the subnational level: customary laws; drivers of deforestation in the region; and existing communal systems and forest management schemes. In Mexico, participants engaged in in-depth discussions on the preconditions for establishing investment plans and the general principles to which investment plans should adhere (Box 4).

Ensure transparency and free access to information

Transparency and free access to information were highlighted in all field dialogues as critical for ensuring the legitimacy of national programs. National frameworks and subnational action plans for benefit-sharing should be made available publicly and feedback and grievance mechanisms should be put into place to encourage inputs from local stakeholders. Civil-society actors can also help in monitoring the implementation of programs and in revising action plans over time.

Governments should systematically and periodically review and make available the experiences gained in subnational pilot activities (e.g., Viet Nam's six pilot provinces in the UN-REDD Programme's phase 2). Such experiences can help generate a menu of options from which governments and other stakeholders at subnational levels can choose and adapt the most appropriate approaches to suit their local situations.

Conclusion

In all countries in which the field dialogues were conducted—Ghana, Mexico, Peru and Viet Nam—the central issues for benefit-sharing were two-fold: 1) rural development; and 2) the engagement of forest-dependent Indigenous Peoples and local communities—especially women in those communities.

Designing REDD+ benefit-sharing mechanisms to take into consideration the needs of forest-dependent communities is both a moral obligation and a precondition for success in each of the four dialogue countries, and this is likely to also be the case in all countries interested in REDD+. The challenge and value adding comes from designing systems that allow REDD+ performance-based payments to leverage transformative change, thereby creating enabling conditions for diversified income streams through the sustainable, productive use of forests.

Many of the key problems that have emerged in discussions on REDD+ benefit-sharing mechanisms reflect entrenched problems in broader conservation and natural resource management. Although REDD+ is



Participants learn about Ejido de Felipe Carrillo Puerto carbon counting

not a panacea, involving forest-dependent communities in the design of benefit-sharing mechanisms with their needs firmly in mind has a strong chance of moving land use towards sustainability, thereby reducing deforestation and forest degradation while improving socioeconomic conditions. At the current stage of REDD+ implementation, with few performance-based payments under jurisdictional approaches, discussions are often limited to either broader discussions of benefit-sharing itself or to lessons extracted from other sectors and initiatives on payments for ecosystem services, which may not be performance-based.

As observed over the two-year dialogue process, where local capacity is strong, national governments can enable local stakeholders to design their own approaches to REDD+ benefit-sharing mechanisms. Most critically, this begins with identifying the specific beneficiaries while providing general policy guidance to ensure national or subnational consistency. Where local capacity is weak, capacity building could be perceived as an interim benefit of REDD+ processes if it empowers local communities, women and Indigenous Peoples to play a greater and sustained role in decision-making through multi-stakeholder forums. Ultimately, such forms will help ensure the longer-term societal outcomes of increasing rural incomes while ensuring permanence in emission reductions.

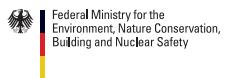


Tree nursery at Aguas Verdes

Endnotes

- ¹ REDD+ is usually defined as “reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks”.
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- ¹⁴ Hou (2013), as cited above.
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- ¹⁶ Buss et al. (2013), as cited above.
- ¹⁷ Burneo et al. (2014), as cited above.
- ¹⁸ This text is modified from: di Gregorio, M., Brockhaus, M., Cronin, T., Muharrom, E., Santoso, L., Mardiah, S. & Büdenbender, M. 2013. Equity and REDD+ in the media: a comparative analysis of policy discourses. *Ecology and Society* 18(2): 580–594, as presented in: Balderas Torres & Skutsch (2014), as cited above.
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- ²³ Elson (2012), as cited above.

Acknowledgements



In addition to the 250 individuals that took part in this initiative, TFD especially thanks the following organizations and individuals for their vision, support, and guidance in making this initiative a success:



Sponsors and partners: BMU, IUCN, PROFOR, RECOFTC, VNFOREST, CI, AIDER, CONAFOR, CONABIO



Co-chairs and advising team: Chris Buss; Diji Chandrasekharan-Behr; Doris Cordero; Elijah Yaw Danso; Gustavo Suarez de Freitas; James Griffiths; Jeannette Gurung; Chris Knight; James Mayers; Sergio Humberto Graf Montero; Tan Quang Nguyen; Isilda Nhantumbo; Milagre Nuvunga; Ghan Shaym Pandey; Cuong Manh Pham; Hugo Che Piu; Claudio Schneider; Rosa Maria Vidal; Dominic Walubengo; Patrick Wylie

Drafters and reviewers: George Neba Akwah; Chris Buss; Elijah Yaw Danso; Caitlin Doughty; Adrian Enright; Xiaoting Hou; Uta Jungermann; Leticia Gutierrez Lorandi; Peter Riggs; Martha Rosas; Kathleen Rutherford; Claudio Schneider; Iwan Wibisono; Paula Williams; Patrick Wylie

Editor: Alastair Sarre

Designer: Alberto Cristancho

Suggested citation: The Forests Dialogue (2014) Country Options for REDD+ Benefit Sharing. The Forests Dialogue, New Haven, CT, USA

TFD is an autonomous unincorporated organization. TFD's Secretariat is hosted by Yale University.

The Forests Dialogue (TFD), formed in 1999, is an outgrowth of dialogues and activities that began separately under the auspices of the World Business Council for Sustainable Development, The World Bank, the International Institute for Environment and Development, and the World Resources Institute. These initiatives converged to create TFD when these leaders agreed that there needed to be a unique, civil society driven, on-going, international multi-stakeholder dialogue forum to address important global forestry issues. TFD's mission and purpose is to bring key leaders together to build relationships based on trust, commitment and understanding and through them, generate substantive discussion on key issues related to achieving sustainable forest management around the world. TFD's dialogues serve as a platform to share aspirations and learning and to seek ways to take collaborative action on the highest priority forest conservation and management issues.

TFD is developing and conducting international multi-stakeholder dialogues on the following issues:

- ➔ Forest Certification
- ➔ Illegal Logging and Forest Governance
- ➔ Intensive Managed Planted Forests
- ➔ Forests and Biodiversity Conservation
- ➔ Forests and Climate Change
- ➔ Forests and Poverty Reduction
- ➔ Investing in Locally-Controlled Forestry
- ➔ Free, Prior and Informed Consent
- ➔ Food, Fuel, Fiber and Forests
- ➔ Understanding Deforestation Free
- ➔ Genetically Modified Trees

There are currently 24 members of the TFD Steering Committee. The Committee is responsible for the governance and oversight of TFD's activities. It includes representatives from private landowners, the forest products industry, NGOs, retailers, aid organizations, unions, and academia.

TFD is funded by a mix of core and dialogue-based funding. It is supported by a Secretariat housed at Yale University's School of Forestry and Environmental Studies in the United States.

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