



Approaches to benefit sharing

A preliminary comparative analysis of 13 REDD+ countries

Pham T.T., Grace Wong, M. Brockhaus, L.N. Dung, J.S. Tjajadi,
L. Loft, C. Luttrell and S. Assembe Mvondo



Outline

- Background
- Regulatory frameworks + discourses influencing REDD+ BDM
- 3Es assessment for common approaches/Options for BDM
- Example of BSMs: PFES in Vietnam
- Conclusions



Global comparative analysis

Pham, T.T. et al. (2013)



- Reviewed existing benefit sharing mechanisms (BSMs) in REDD+ and forest management

- Evaluated BSMs for their potential 3E (effectiveness, efficiency and equity) outcomes, and risks



Regulatory frameworks and legal provisions

BS tend to build upon existing models or practices in-country (+: reduce transaction costs and receive political support BUT --: depend on the accountability, transparency and financial management capacity of the state – which are rather weak in most of the countries

- **Carbon rights and carbon tenure are in their infancy and have no legal framework and guidance → unclear who will be eligible to receive REDD+ payments**
- **A common acceptance of the general principles of effectiveness and efficiency of REDD+. BUT different emphasis on equity.**



BDS Equity discourses

1

Discourse 1:
Those with legal rights

4

Discourse 2:
To low emitting forest steward

2

Discourse 4:
To those who incurring the costs

3

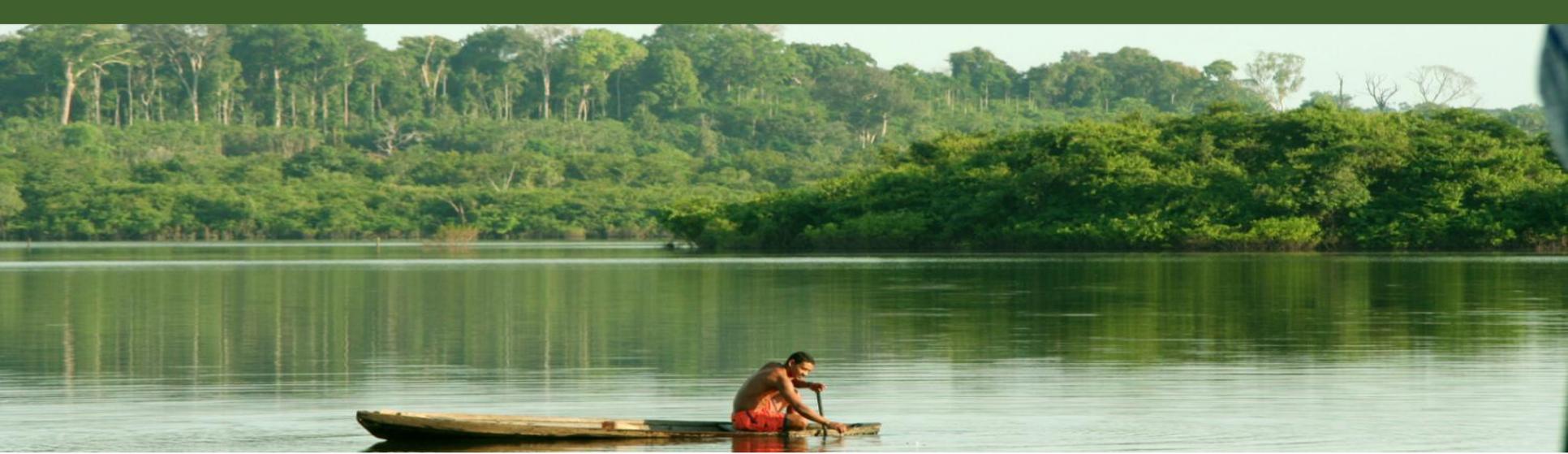
Discourse 3:
To effective facilitators of implementation



The rights of indigenous groups or other users that have a record of responsible forest management ??? -> create a perverse incentive for high-emitting behaviour ???



Luttrell et al. 2012



Negotiating choices: legitimacy of the process

- Clarify objectives of national REDD+ implementation before designing BSMs
- Clarity on objectives help to define who 'should' benefit
- Requires a legitimate decision-making process and institutions



Common BSM approaches

- **Market-based instruments:** PES (national-level mechanisms in Brazil and Vietnam; projects implemented in almost all countries, most notably in Latin America), CDM/CERs
- **Community forestry systems:** Mixed success in most countries, Nepal and Tanzania are best known
- **Fund-based approaches:**
 - Independent: FUNBIO (Brazil), PROFONANPE (Peru)
 - Managed by State: Amazon Fund (Brazil), Reforestation Fund (Indonesia), FONABOSQUE (Bolivia)
 - Within State budget: Donor aid (Nepal, Mozambique, Vietnam)
- **Forest concessions:** All countries, except Tanzania



	Market-based instruments (e.g. PES)	Collaborative forest management	Fund-based models	Forest concession revenue-sharing
Effectiveness	<ul style="list-style-type: none"> • Well-defined legal framework and likely to be well enforced • Poor performance-based measurement • Weak monitoring of environmental and social impacts 			
Efficiency	<ul style="list-style-type: none"> • Better performance than traditional programmes • Potential for domestic financial sustainability • High transaction costs due to large number of buyers and financial management requirement 			
Equity	<ul style="list-style-type: none"> • National PES programmes also used to address poverty reduction goals, with mixed results • Elite capture problem • Payments can be very low • Depend on local definition of equity 			

	Market-based instruments (e.g. PES)	Collaborative forest management	Fund-based models	Forest concession revenue-sharing
Effectiveness	<ul style="list-style-type: none"> Well-defined legal framework and likely to be well enforced Poor performance-based measurement Weak monitoring of environmental and social impacts 	<ul style="list-style-type: none"> Sustainable implementation with commitment and project ownership of communities and households 		
Efficiency	<ul style="list-style-type: none"> Better performance than traditional programmes Potential for domestic financial sustainability High transaction costs due to large number of buyers and financial management requirement 	<ul style="list-style-type: none"> Higher efficiency through increased community control and poverty reduction of people living near forests High transaction costs due to large numbers of community members 		
Equity	<ul style="list-style-type: none"> National PES programmes also used to address poverty reduction goals, with mixed results Elite capture problem Payments can be very low 	<ul style="list-style-type: none"> Difficult to achieve equitable distribution, State retains largest share of revenues Legal framework does not recognize customary or community rights Elite capture problem 		

	Market-based instruments (e.g. PES)	Collaborative forest management	Fund-based models	Forest concession revenue-sharing
Effectiveness	<ul style="list-style-type: none"> Well-defined legal framework and likely to be well enforced Poor performance-based measurement Weak monitoring of environmental and social impacts 	<ul style="list-style-type: none"> Sustainable implementation with commitment and project ownership of communities and households 	<ul style="list-style-type: none"> Independent funds: easy to attract funding, leakage depends on mandate, weak in sector coordination Funds within state: require strict conditions for additionality, strong for sector coordination and controlling leakage 	
Efficiency	<ul style="list-style-type: none"> Better performance than traditional programmes Potential for domestic financial sustainability High transaction costs due to large number of buyers and financial management requirement 	<ul style="list-style-type: none"> Higher efficiency through increased community control and poverty reduction of people living near forests High transaction costs due to large numbers of community members 	<ul style="list-style-type: none"> Independent funds: lower transaction costs Funds within state: low costs only if there is well-functioning administrative structure Competitiveness increases as REDD+ grows in volume 	
Equity	<ul style="list-style-type: none"> National PES programmes also used to address poverty reduction goals, with mixed results Elite capture problem Payments can be very low 	<ul style="list-style-type: none"> Difficult to achieve equitable distribution, State retains largest share of revenues Legal framework does not recognize customary or community rights Elite capture problem 	<ul style="list-style-type: none"> Independent funds: can provide direct local compensation, transparent, potential to capture co-benefits Funds within state: risk of being used to balance state budgets Elite capture problem 	

	Market-based instruments (e.g. PES)	Collaborative forest management	Fund-based models	Forest concession revenue-sharing
Effectiveness	<ul style="list-style-type: none"> Well-defined legal framework and likely to be well enforced Poor performance-based measurement Weak monitoring of environmental and social impacts 	<ul style="list-style-type: none"> Sustainable implementation with commitment and project ownership of communities and households 	<ul style="list-style-type: none"> Independent funds: easy to attract funding, leakage depends on mandate, weak in sector coordination Funds within state: require strict conditions for additionality, strong for sector coordination and controlling leakage 	<ul style="list-style-type: none"> 'Easy' option to distribute benefits from state-owned forest land Simple forestry fee and fixed revenue sharing arrangements Potential over- or under-payments, given differences in opportunity costs
Efficiency	<ul style="list-style-type: none"> Better performance than traditional programmes Potential for domestic financial sustainability High transaction costs due to large number of buyers and financial management requirement 	<ul style="list-style-type: none"> Higher efficiency through increased community control and poverty reduction of people living near forests High transaction costs due to large numbers of community members 	<ul style="list-style-type: none"> Independent funds: lower transaction costs Funds within state: low costs only if there is well-functioning administrative structure Competitiveness increases as REDD+ grows in volume 	<ul style="list-style-type: none"> If land tenure is not an issue, transaction costs can be low and large amounts of carbon sequestered efficiently Quick scale-up potential
Equity	<ul style="list-style-type: none"> National PES programmes also used to address poverty reduction goals, with mixed results Elite capture problem Payments can be very low 	<ul style="list-style-type: none"> Difficult to achieve equitable distribution, State retains largest share of revenues Legal framework does not recognize customary or community rights Elite capture problem 	<ul style="list-style-type: none"> Independent funds: can provide direct local compensation, transparent, potential to capture co-benefits Funds within state: risk of being used to balance state budgets Elite capture problem 	<ul style="list-style-type: none"> Favours large-scale commercial actors Disadvantages local-level Excludes local and marginalized people in decision-making process, leading to poor compliance by communities Elite capture problem

PFES: Financial flows and payment distribution



- Identification of ES sellers is challenging
- **Collection of funds –**
 - Government mandated - **OK**
 - Local negotiation – **Difficult** (Willingness to pay varies with size of company)
- **40% of funding collected not distributed**
- Lack of grievance handling system

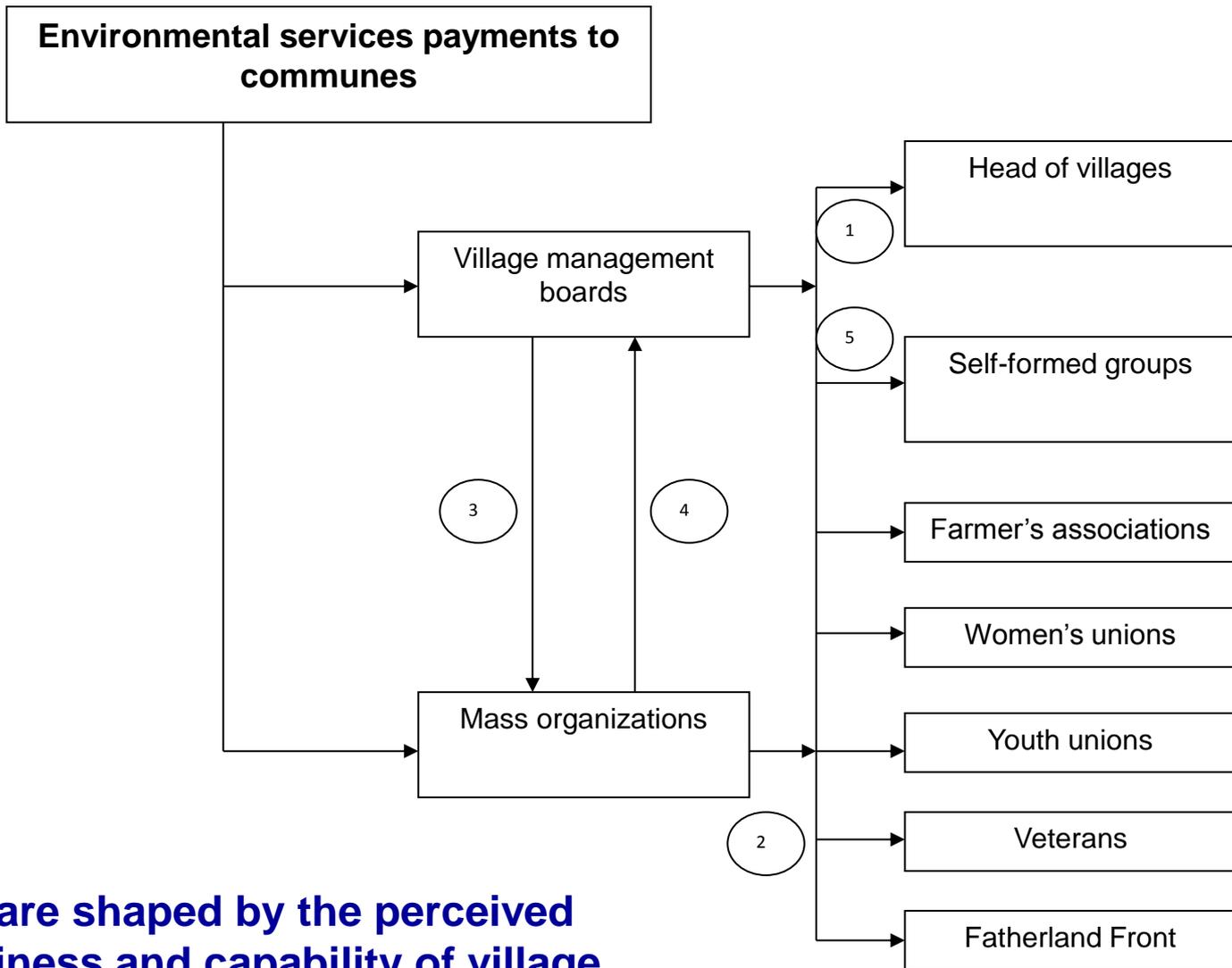


Economic and Social impacts of PFES



- Opportunity cost tradeoffs not clearly displayed
- **Mixed impacts**
- Some adverse affect has been seen
- **Lack of clarity on how to spend funding, especially on community level**

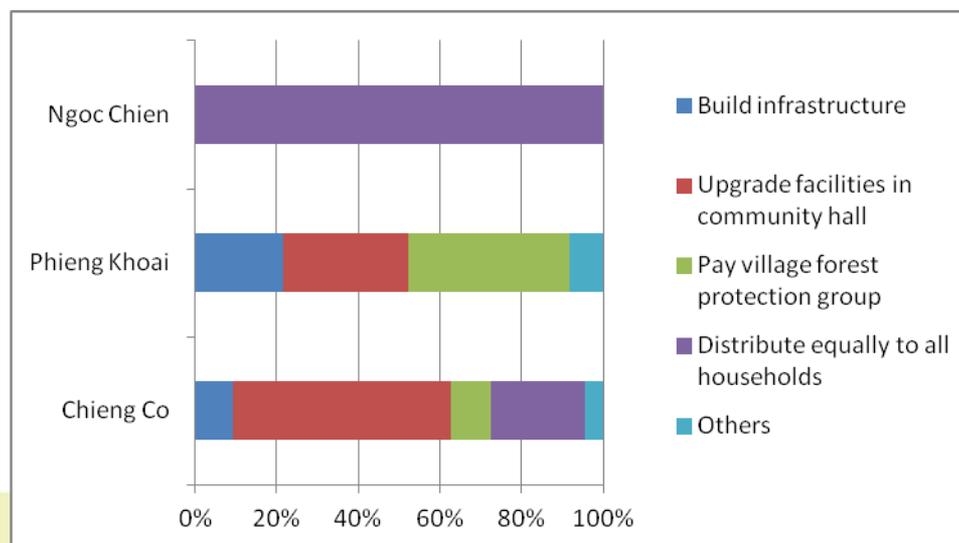
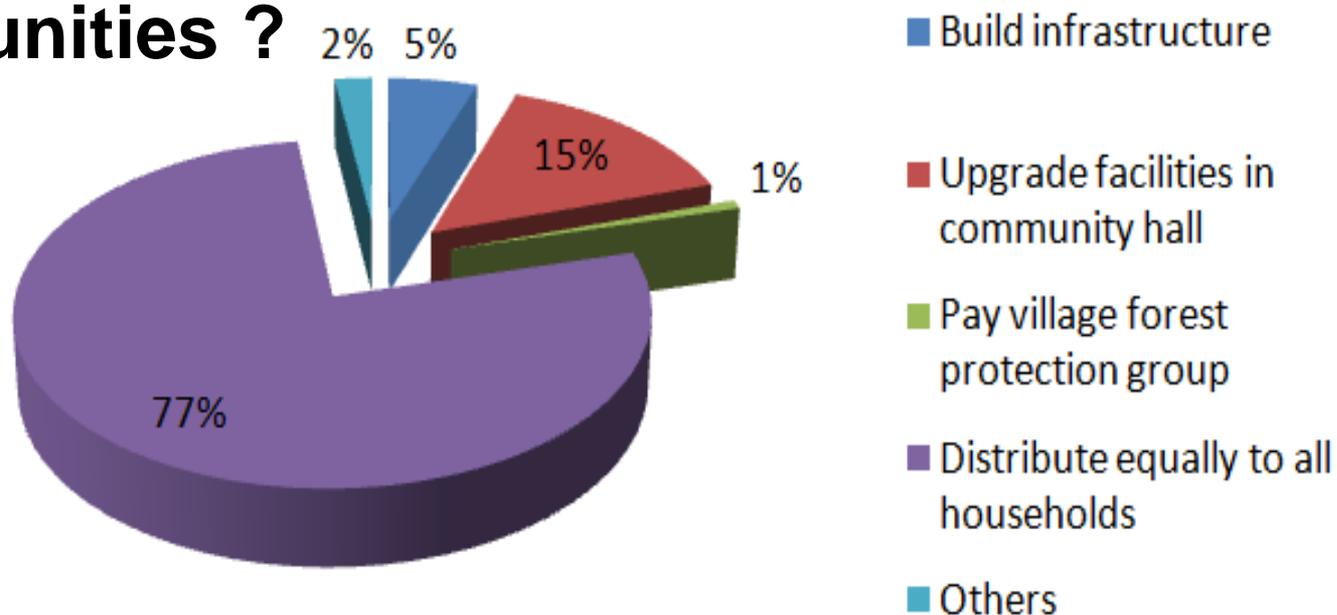




Decisions are shaped by the perceived trustworthiness and capability of village authorities + by local definitions of “equity”



How PFES revenues are currently used by communities ?



SON LA



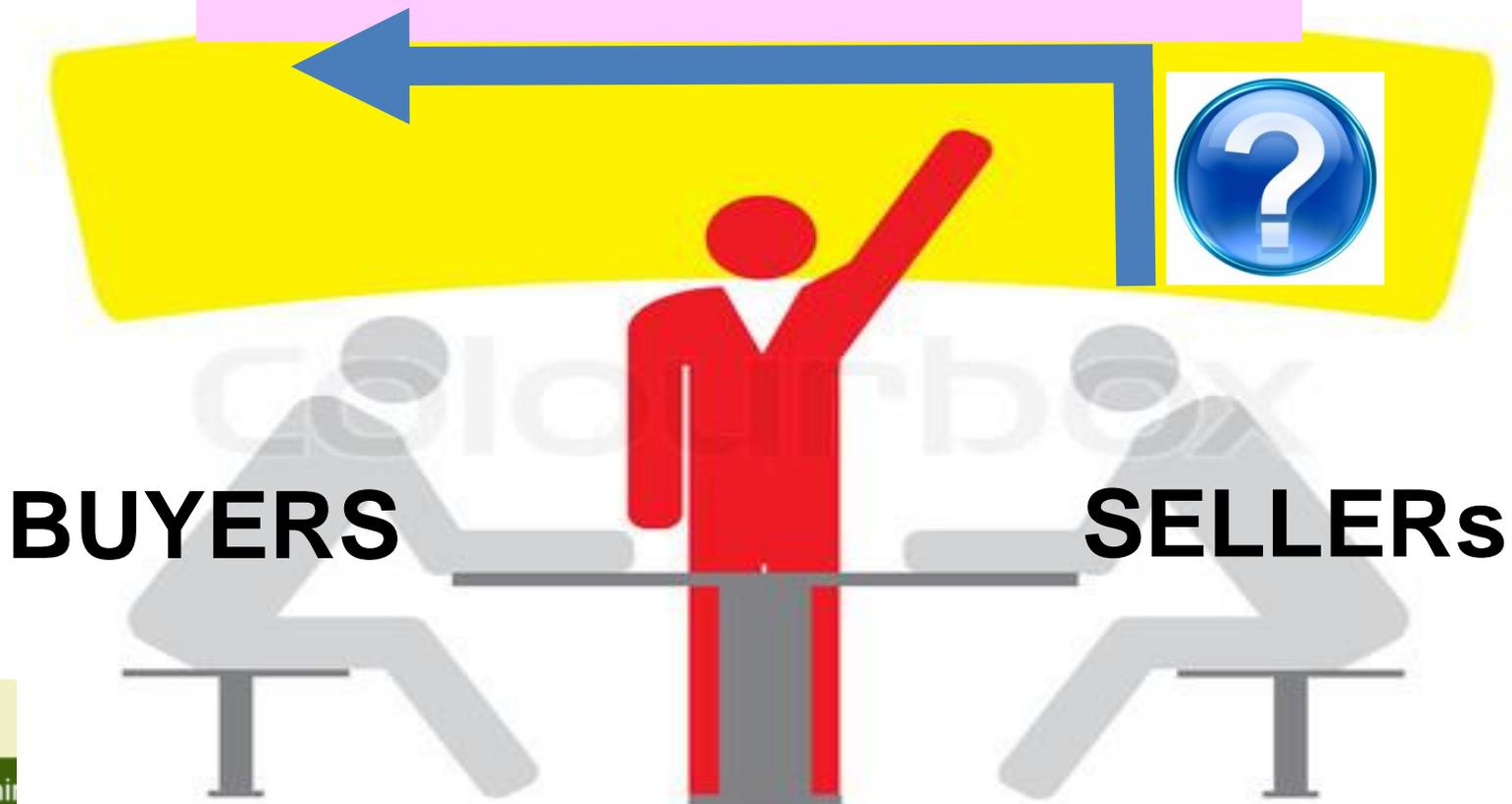
Distribution mechanism	Effectiveness	Efficiency	Equity
Payments made to forest protection groups	Provides incentives for regular patrols, thus reducing illegal logging and forest fires	Low level of payment cannot compete with high opportunity costs of corn production	Few villagers (less than 10%) can benefit, with most benefits captured by village heads and their relatives
Distribute revenue equally among all households in the village	Reduces elite capture by village management boards The high opportunity cost of corn production vs. low payment levels → do not motivate people to protect forests	Each household only receives a small amount of money: 90% of respondents claimed that they received only US\$1/year	In principle, all villagers can benefit. However, payment is not based on performance.



Equity in PFES

WHAT MECHANISM ?

- Payments based on what criteria ? (?)
- Pros and cons of $K=1$
- Absent of grievance handling system ?
- Excluded from decision making and M&E ?





CONCLUSIONS

- No '**one size fits all**'
- Identification of beneficiaries and transparent debate around who should benefits should come **before** benefits
- **Mix** of benefits and instruments
- **Dialogue** with actors and coordination all levels are critical





The legitimacy and acceptance of REDD+ depend on:

- clear objectives, procedural equity and an inclusive process
- a rigorous analysis of the options for benefit sharing to assess their possible effects on both beneficiaries and climate mitigation efforts



THANK YOU!!!!



For further information:

Pham, T.T., Brockhaus, M., Wong, G., Dung, L.N., Tjajadi, J.S., Loft, L., Luttrell C. and Assembe Mvondo, S. (2013) *Approaches to benefit sharing: A preliminary comparative analysis of 13 REDD+ countries*. Working Paper 108. CIFOR, Bogor, Indonesia .

<http://www.cifor.org/online-library/browse/view-publication/publication/4102.html>



NORWEGIAN MINISTRY OF THE ENVIRONMENT
NORWEGIAN MINISTRY OF FOREIGN AFFAIRS



Australian Government

AusAID



CIFOR