



# THE FORESTS DIALOGUE

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## Scoping Dialogue on REDD+ Benefit Sharing Co-chairs' Summary Report

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### INTRODUCTION

The Forests Dialogue (TFD) convened a scoping dialogue on REDD+ Benefit Sharing hosted by the World Bank on 23-24 March 2013. The dialogue engaged 40 experts (Annex 1) representing a wide spectrum of stakeholder groups including government, non-governmental organizations, Indigenous Peoples, community members, inter-governmental organizations and research institutes. These participants brought to the dialogue a diverse set of expertise and perspectives in REDD+ policy design and implementation at sub-national, national and international levels.

TFD's Benefit Sharing initiative is conducted in partnership with International Union for Conservation of Nature's (IUCN) through the project titled REDD+ Benefits: Facilitating countries and communities in the design of pro-poor REDD+ benefit sharing schemes funded by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) – International Climate Initiative (ICI) and the Danish International Development Agency (DANIDA). The dialogue is the first scoping exercise under this TFD initiative, which aims to:

- ➔ Develop an understanding of the current state of REDD+ Benefit Sharing in several key countries and to identify the challenges of designing & implementing those mechanisms more broadly;
- ➔ Build a "community of practice" among locally-rooted, well-connected REDD+ practitioners to share experiences and develop practical tools that support effective, efficient and equitable benefit sharing for REDD+;
- ➔ Promote appropriate economic, policy and institutional arrangements at the local, national and international levels to facilitate equitable and efficient delivery of REDD+ Benefit Sharing mechanisms.

This report summarizes the discussions from the dialogue including current key issues and questions that warrant further discussions among stakeholders. Dialogue agenda, presentations and group discussion summaries can be found on TFD's website.

### KEY ISSUES FOR REDD+ BENEFIT SHARING

Since its inception, REDD+ has evolved with a shift in focus and broadening of its scope. It is within this changing and dynamic space that the participants discussed the topic of benefit sharing. These discussions highlighted the key conceptual issues that underlie the different discourses on REDD+ Benefit Sharing, whilst also shedding light on applied issues critical to the successful implementation of REDD+.



Iwan Wibisono

## Conceptual issues

### **An unclear future of REDD+ has led to different perceptions on how REDD+ benefit sharing should be designed:**

The broadening of REDD+ objectives, changing global economic conditions and the unclear future of a global carbon market for REDD+ has resulted in a wide range of views among different stakeholders regarding the direction REDD+ should take in moving forward. Since the inclusion of REDD+ in the climate change mitigation strategy at COP 13 in 2007, there is a relative decrease in the emphasis on climate protection through emission reductions and a relative increase in the emphasis on non-carbon benefits, especially poverty reduction.<sup>1</sup>



Cecile Njebet

Some stakeholders believe that REDD+ will be able to leverage significant and sustainable new financial flows to developing countries mainly through payment for carbon and that fast-start REDD+ investments should focus on enabling conditions for emission reductions while safeguarding against social and environmental risks. Other stakeholders believe that there will not be sufficient or sustainable financial flows from payment for carbon and that REDD+ should be linked with development agenda to leverage other income streams; thus fast-start REDD+ investments should focus on no-regrets building blocks for green development and poverty alleviation with emission reduction as a “co-benefit”. But it remains elusive as to how REDD+ can be different from other existing development assistance programs and how to leverage additional funding if it is decoupled from performance-based payment for emission reductions. REDD+ may be able to bring transformational changes to the political economy of land use practices and deliver on both development and emission reduction. However a few stakeholder groups caution against “overloading” REDD+ with too many objectives while there are insufficient resources to support an integrated approach that can bring about the requisite paradigm shifts. There is a clear need for prioritization among different objectives.



Dialogue participants during the plenary session

These divergent expectations of REDD+ have resulted in different interpretations on what constitutes effective, efficient and equitable benefit sharing for REDD+. For example, views differ on how performance-based payment can be applied for REDD+ with multiple-objectives and how to weigh the levels of delivery on different objectives when evaluating overall performance.



Co-chair Chris Buss

### **Uncertainty of REDD+ framework has created sequencing problem for REDD+ benefit sharing design:**

Some stakeholders question whether it is the right timing to discuss REDD+ benefit sharing when many other elements about a global REDD+ mechanism itself are still unknown (e.g. whether REDD+ will be market-linked or not; how MRV will be conducted at international, national and sub-national levels). But other stakeholders argue that these uncertainties offer opportunities to shape the future of REDD+. Discussions on the key issues for REDD+ benefit sharing point to the importance of informing decisions around some critical components for the design and implementation of REDD+ in general (e.g. stakeholder engagements; performance-based MRV). Discussions on REDD+ benefit sharing also provide a window to engage some of the under-engaged stakeholders including private sector and government officials outside of forest sector by mapping the potential incentives for those stakeholders to participate in REDD+.



P. Emmanuel Munyeneh

## Applied Issues

### **Identifying and working with beneficiaries when rights are unclear:**

Ideally, benefits should be distributed to those with legal claims or rights (whether statutory or customary) to those benefits. But in most REDD+ countries, there is a lack of clarity regarding rights and claims. Many small-scale forest users do not possess formal rights to land and/or forest products. Moreover, it is still unclear how carbon rights will be linked to land and forest ownership in national legislations.

### **Using multiple benefits to incentivize stakeholders at different levels and in different phases of REDD+:**

A variety of monetary and non-monetary benefits is relevant to different stakeholders and can be used to align stakeholders' different interests with the long-term goal of REDD+. It is important to understand what benefits will be appropriate for whom. But mapping suitable benefits against different stakeholders is complex given that stakeholders' interests are distinct at different levels and may also change over time. Key issues to consider include that:

- Benefits could be designed to provide incentives for collaborative actions rather than maximizing individual gains;
- Carbon benefits could be viewed as part of a whole basket of benefits that can be utilized;
- Different benefits (including rights) could be sequenced across different phases of REDD+ so they are linked with the country's progress on REDD+ and keep stakeholders engaged. In the immediate term, there may not be enough financial resources associated with REDD+ to redistribute among all stakeholders (either as monetary or non-monetary benefits);
- It is important to manage expectations and provide adequate benefits/incentives that can keep stakeholder motivated and engaged;
- Power dynamics among beneficiaries and within beneficiaries groups can inform the type of benefits shared and how benefits can be shared. For example, in situations where elite capture is prominent, it will be important to examine whether monetary benefits would reach desired stakeholders.

### **Understanding the costs of REDD+:**

Two main types of costs need to be considered within REDD+ strategies: opportunity costs and implementation and transaction costs.<sup>1</sup>

While the transaction and implementation costs can be more readily estimated from similar forest-related activities or when they actually occur, a number of issues need to be taken into consideration when utilizing opportunity costs in the political, social and economic contexts in REDD+ countries. For example, opportunity costs may be inadequate in terms of understanding what payments are needed to slow and halt deforestation and degradation when it requires taking away political power and access to illegitimate incomes from current decision-makers. It is also inappropriate to only use opportunity costs as basis for payments when livelihood changes associated with REDD+ activities would have significant psychological, spiritual or emotional impacts on local communities.

Different stakeholders at different levels bear different costs of REDD+. It is important to understand what costs (monetary and non-monetary) are born by whom in order to correctly estimate the net- benefits stakeholders will be able to accrue. In some instances, the costs for one stakeholder group can be the benefits received by another. It is important to link cost analysis with benefit analysis to understand how to put the right incentives in place for different stakeholders.



Co-chair Ghan Shyam Pandey

### **Ensuring legitimacy of decision-making institutions and process:**

*Given the diversity of stakeholders and their views, the legitimacy of the decision-making institutions and processes is crucial for the design and implementation of REDD+ benefit sharing. Participants made the following suggestions on how decisions can be made around this complex issue:*

*Bottom-up decision-making with international guidance on process:* local opportunity costs and benefit preferences are especially relevant in delivering the right size and type of REDD+ benefits. Consequently, specific rules on benefit sharing should be decided at sub-national or lower level. At the international level, guidance can be given on what processes each country should go through to design and implement REDD+ benefit sharing. For example, clear guidance on participatory processes for decision-making around benefit sharing including key elements that define a legitimate participatory process; clear guidance on when and at which scale Free, Prior and Informed Consent (FPIC) should be applied when making decisions on benefit sharing.

*Identifying or establishing Grievance mechanisms:* legitimate and effective grievance mechanisms are crucial for REDD+ benefit sharing to resolve disputes among stakeholders and penalize those who violate rules. In some countries, existing mechanisms may already exist and can be utilized for disputes related to REDD+.

*Capacity building for local stakeholders to participate, negotiate and make collective decisions:* decisions on REDD+ benefit sharing should be based on compromises and negotiations among stakeholders in order to achieve an optimal outcome for all. To enable a bottom-up approach, local stakeholders will need to be trained to both actively engage and negotiate. Stakeholders also need to be respectful of others concerns at the negotiation table and be willing to make compromises and participate in collaborative actions. Capacity building can be provided to local stakeholder groups on decision-making and on technical issues related to REDD+ and climate change in order for them to self-organize and nominate representatives who can negotiate with other groups and convey their decisions to higher levels. Establishing context appropriate platforms for dialogue to come to agreement on key issues was also viewed as important.



Percy Summers speaking during plenary



Discussion during a break out session

### **Facilitating cross-level and cross-sector linkages in the design of REDD+ benefit sharing:**

Participants emphasized the importance to involve stakeholders outside of the forest sector especially those who are the main drivers of deforestation (e.g. agriculture sector, mining sector, infrastructure development). It is also vital to put into place mechanisms that facilitate learning between project-level experiences and policy design at national and international levels.

Identifying and cultivating strong leadership supported by civil society efforts in different sectors and at different levels may help build linkages across sectors and between sub-national, national and international levels.

### **KEY QUESTIONS TO BE FURTHER ADDRESSED**

Under those key issues identified, discussions among participants also highlighted some specific questions that warrant more discussions in future dialogues.



Xiaoting Hou



Haman Unusa

## Conceptual Questions

### **How to communicate concepts and perspectives related to REDD+ benefit sharing among different stakeholder groups?**

The same terminologies frequently used for REDD+ benefit sharing discussions can have different meanings for different stakeholders. This largely is a result of the changing scope of REDD+ and the uncertainty around its future. For example, equity for some means equal opportunities for all stakeholders; where for others it means those who perform better should benefit more, or, for private sector mainly, the residual value in a business that is available to leverage further investment. Some stakeholders (e.g. ministry of finance, private sectors) are likely to assume that benefits derived from REDD+ equate monetary gains, while others emphasize the non-monetary benefits of REDD+.

Even experts on REDD+ benefit sharing may end up talking past each other due to the different ideologies behind the same concepts. For example, when discussing benefits of REDD+, some mainly refer to non-carbon benefits while others largely think in monetary terms; or the scale at which REDD+ is being implemented confuses approach and application of terminologies –specific projects may apply different terminologies as compared to jurisdictional implementation of REDD+ strategies. It is even more difficult to deliver clear and consistent messages on benefit sharing to stakeholders who are not as involved in the discussions.

### **How to optimize benefit sharing based on the principles of efficiency, effectiveness and equity?**

Trade-offs among the principles of efficiency, effectiveness and equity is inevitable in practice. The design of REDD+ benefit sharing seeks an optimal solution where the final outcome is likely not to include the maximization of any one principle. Stakeholders' views differ on how such an optimization can be achieved.

*A temporal approach that emphasizes different principles in different phases:* Some argue that, in the three different phases of REDD+, different priorities will be given among the three principles. For example, in the early phases of REDD+ readiness and implementation, efforts can be focused on activities that generate benefits in an effective and efficient way. It was suggested by some participants that once benefits begin to be generated sustainably, priority can then be given to equitable sharing of benefits. Others caution against giving a lower priority to equity in the early phases of REDD+, arguing this may create obstacles to give higher priority of equity later in the game if some stakeholders are excluded from the decision making process at the beginning. Furthermore, not making equitable sharing a priority at the beginning of the process could impede the sustainable generation of benefits as an equitable approach that could be vital in ensuring efficiency and effectiveness in the long term (as discussed below) .

*An equitable approach that ensures efficiency and effectiveness in the long term:* Inclusion of the poor, women and other marginalized groups as beneficiaries of REDD+ are often discussed as an equity issue that requires compromises in the effectiveness and efficiency. But equitable sharing of REDD+ benefits is actually crucial for the legitimacy of REDD+ processes and can contribute to reducing social risks, which in turn will make REDD+ more efficient and effective in the long run. There is a need to highlight that pro-poor and inclusive approaches towards REDD+ are not only “a good thing to do” but also “a must” in achieving the optimal outcomes of REDD+ in the long term. Evidence should be built around how pro-poor arrangements, and the inclusion of women, IPs and communities can contribute to the efficiency and effectiveness of REDD+ in different country and local contexts.



Agustin Silvani

## Applied Questions

### **What can be done in the immediate term to identify and work with beneficiaries when rights are unclear?**

Some argue that legitimate benefit sharing systems have to be rooted in clear legal framework of rights and responsibilities. Secure rights over land and other resources can be used as a benefit or incentive for REDD+. Secure rights can help generate other benefits that can be sustained in the long term, e.g., income from non-timber forest products. But many also recognize that establishing these rights on a national scale is not straightforward: it requires time and strong political will to counter vested interests and change business-as-usual. Participants pointed out that some immediate-term options could contribute to the long-term objective of secure rights: for example, contracts and promulgation by government of a regulation under an existing law. Future in-country dialogues can help explore tools and actions necessary to identify and work with beneficiaries given the land and resource rights in the dialogue country.



Linda Rosengren

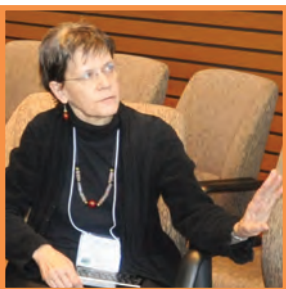
### **On what basis can benefits be shared?**

*REDD+ was originally designed to achieve a single, defined impact of reduced emissions. Ideally, REDD+ benefits should be shared based on the performance against this defined impact. But as the scope of REDD+ broadens with the inclusion of non-carbon benefits and low carbon development options, questions remain on:* How to link performance-based payment with non-carbon benefits? How to measure broader performance within the broadening scope of REDD+? How to avoid the risk of repeating past mistakes associated with development assistance? The discussions at the scoping dialogue also revealed a diverse range of views on the following questions:



Yaw Kwakye

*How to measure performance in the early phases of REDD+?* Past discussions on REDD+ performance indicators have mainly focused on reduced emissions. But as most countries will remain in the first two phases of REDD+ in the near future, good performance indicators and measurement other than emission reduction are urgently needed to ensure accountability and to keep REDD+ national programs on track. It remains unclear what those performance indicators can be and how they can be differentiated yet coherently linked at sub-national, national and international levels.



Paula Williams

*On what basis can low-emission forest stewards be rewarded?* If REDD+ only rewards high-emission stakeholders, it may marginalize sustainable forest users while creating perverse incentives for low-emission forest stewards to abandon their sustainable practices. But challenges also remain how to reward low-emission forest stewards if benefits are shared based on performance and additionality. One suggestion is that, in some cases, forest stewards can be employed to improve the enforcement of law against direct drivers of deforestations that are associated with higher emissions.

### **How to reduce the costs of REDD+?**

The costs for one stakeholder group can be the benefits received by another. In practice, it is not possible to minimize the costs for all but optimal solutions can be found through negotiations and compromises among stakeholders. It is important to understand the limitations of using opportunity cost indicators in managing the costs of REDD+, e.g., the difficulties in estimating opportunity costs where market is not well functioning and there is a lack of information.



Group during plenary discussion

A commonly suggested way to reduce costs is to utilize existing mechanisms to implement REDD+ and share REDD+ benefits. But not all existing mechanisms will be readily suitable for REDD+. For example, some benefit sharing mechanisms developed under existing customary or statutory law may in fact exclude the poorest and women. In some countries, local stakeholders may not trust existing governance structures to deliver equitable share of benefits. Moreover, in some cases, where existing incentive systems already exist, the additional benefits that REDD+ can bring may be harder to define. Feasibility studies can be done to analyze how existing mechanisms can be utilized for REDD+ and identify where new mechanisms need to be designed.

### **How to design national programs that accommodate different local context?**

A bottom-up decision making process is suggested to maintain the legitimacy of REDD+ benefit-sharing. But the question remains on how a national program can be designed to accommodate such a bottom-up process given the diversity of local context? How to balance flexibility and consistency in national policies? Some participants argue that this is a common issue in devolution of natural resource management and there are existing mechanisms to learn from in many countries.

In a bottom-up approach, national programs need to avoid leaving too much room for manipulation at sub-national level while keeping space for adjustments based on local contexts and changes over time as countries moving through different phases of REDD+. It is a delicate balance to maintain between flexibility and consistency of the system. Some suggest that national programs can provide a menu of options for sub-national decision-making bodies to choose from hence providing consistency overall while allowing flexibilities. Flexibility and consistency also have to be balanced over time. While acknowledging the importance of learning-by-doing and adaptive system, due process needs to be established for deciding whether important rules on REDD+ benefit sharing can be changed to ensure consistency.

### **How to actively involve private sector?**

The inputs of the various private sectors in the design of REDD+ benefit sharing is important given their financial expertise and their potential roles in REDD+. The various private sector entities have different points of entry in the potential of REDD+ strategies. It will be important to explore how REDD+ can generate additional benefits for different stakeholders through existing supply chains and to identify potential synergies that can be built between businesses and REDD+.

## **CONCLUSIONS AND NEXT STEPS**

REDD+ benefit sharing is complicated and involves a wide spectrum of stakeholder with diverse interests across different levels. It is situated in the global context of REDD+ while trying to address specific national and local contexts. The discussions at the scoping dialogue underlined some of those key issues while recognizing that there are existing studies and concurrent programs globally trying to address this complicated topic.

Building on the scoping dialogue, The Forests Dialogue will continue to build a community of practice on REDD+ Benefit Sharing and zoom in on specific country contexts through in-country field dialogues. The field dialogues will take participants to explore existing projects on Benefit Sharing and learn from specific countries' progresses on designing REDD+ Benefit Sharing mechanisms. While keeping the conceptual issues in mind, the field dialogues will be designed to understand what the specific challenges to design and implement REDD+ Benefit Sharing are at national and sub-national levels and identify ways forward.

The next field dialogue is tentatively scheduled to be convened in Vietnam in September, 2013.



Samuel Nketiah

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Xiaoting Hou (The Forests Dialogue) provided the first draft and coordinated the editing process of this summary.



Group during break out session

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## ANNEX 2: REFERENCE

<sup>1</sup>Hou X. (2013), Background Paper for REDD+ Benefit Sharing DC Scoping Dialogue. The Forests Dialogue, Washington D.C. <http://environment.yale.edu/tfd/uploads/REDD-DC-BS-Background-Paper-Final.pdf>