WWF GUIDE TO BUILDING REDD+ STRATEGIES

Achieving REDD+

BENEFIT SHARING

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Key Messages

- Benefit sharing systems determine the allocation of often scarce resources to different actors. In distributing these benefits, determining the appropriate balance of efficiency, effectiveness and equity will be a critical element in REDD+ decision making.

- Benefit sharing systems should provide effective incentives for actions and build support and legitimacy for REDD+ mechanisms. Incentives can take a variety of forms targeting various geographical regions or sectors. They can be designed to target states, districts, communities, households or businesses. Furthermore, incentives can be financial or non-financial and can be delivered as upfront programmatic investments or as ex-post payments for performance.

- Broad stakeholder participation and consultation will be important in determining the needs of individual actors for benefit sharing systems. Countries and jurisdictions will need to define priorities that will guide the form benefits will take, how they will be accessed, and when they will be available in order to ensure that incentives are meaningful and accessible for beneficiaries.

INTRODUCTION

In this chapter we refer to benefit sharing as the financial and institutional arrangements governing the distribution of REDD+ funding or revenues to key stakeholders to incentivize their contribution to REDD+ outcomes. REDD+ benefit sharing involves directing incentives to specific actors to motivate them to undertake activities that best contribute to REDD+ programme goals

There are numerous types of benefits that can be employed under REDD+ that will have varying importance and utility to different stakeholder groups. Incentives can be created at various levels (e.g. public sector, private sector, household) and in various geographical regions or sectors. Some incentives to achieve REDD+ may take the form of cash payments (e.g. to governments, households or communities) while others will be non-monetary, such as support for sustainable livelihoods or small-scale infrastructure, including improved resource management (e.g. investments in new technology and/or extension in forest-friendly farming or forestry), processing, or marketing (e.g. investment in technology, complementary policies to guarantee prices and/or subsidies for sustainable products).

While benefit sharing systems will vary depending on national and subnational needs and contexts, there are several overarching principles and practices that can inform the design of REDD+ benefit sharing arrangements. Specifically, benefit sharing systems are critical in the design of REDD+ benefit sharing arrangements. These three criteria are:

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- REDD+ activities should deliver quantifiable emission reductions. The **effectiveness** of benefit sharing mechanisms can be determined by the extent to which they create meaningful incentives to contribute toward this goal.
- With limited funding available for REDD+, targeting activities that deliver the most emissions reductions per unit cost, or "bang for the buck" should be an important consideration. The **efficiency** of a REDD+ benefit sharing mechanism can be measured by the amount of emissions reductions (and other benefits) that are achieved per unit cost.
- REDD+ can generate both costs and benefits to a variety of stakeholders, geographies and activities. The design and implementation of REDD+ should consider the **equitable** distribution of these costs and benefits so that certain stakeholders or regions do not bear a disproportionate amount of the costs nor receive a disproportionate amount of the benefits.

REDD+ also has the potential to deliver both carbon and non-carbon (i.e. social and environmental) benefits (see the *Social and Environmental Safeguards* chapter). Benefit sharing mechanisms can choose to allocate a portion of REDD+ revenues toward non-carbon benefits (above and beyond what is required for the adequate compliance with safeguards).

Within the literature, the equitable distribution of REDD+ benefits (as well as costs) is often considered the primary goal of benefit sharing mechanisms (Angelsen et al., 2009). Moreover, the discussions on benefit sharing mechanisms often further target poor and/or marginalized communities (Peskett et al., 2008, Peskett, 2011). In this chapter, we focus more broadly on the design of REDD+ benefit sharing mechanisms at the national and subnational levels to motivate targeted beneficiaries to contribute to REDD+ outcomes. We also explore various approaches to identify beneficiaries, distinguish beneficiary groups and define priorities for benefit sharing within the context of the 3Es.

INTERNATIONAL POLICY CONTEXT

Benefit sharing is often discussed under the context of REDD+ finance within the international policy negotiations. The most significant and developed of these bodies is the United Nations Framework Convention on Climate Change (UNFCCC), which has been discussing REDD+ finance since 2007 at the 13th Conference of the Parties to UNFCCC (COP 13) in Bali. At the international level, several other multilateral and voluntary institutions, notably the Forest Carbon Partnership Facility (FCPF), UN-REDD and REDD+ Social and Environmental Safeguards (SES), have been defining modalities for distributing the benefits of REDD+. The following outlines the international policy legislation that has been developed to date under the UNFCCC as well as these voluntary and multilateral institutions.

COP 16: Cancun, 2010

In 2010, at COP 16 in Cancun, two of the major defining features of REDD+ for benefit sharing were decided. These are related to scale, in that REDD+ will be implemented at the national (subnational) level, and conditionality, that payments should be linked to measurable results (phase 3), namely (a) reducing emissions from deforestation, (b) reducing emissions from forest degradation, (c) conserving forest carbon stocks, (d) managing forests sustainably and (e) enhancing forest carbon stocks.[1]

REDD+ readiness funds (phases 1 and 2) pay for enabling pay for enabling policies and supportive activities necessary to deliver these results, including capacity building for participants, stakeholder engagement, law enforcement, the costs of creating new institutions and rules, developing MRV systems, etc.[2] It is also broadly agreed that investments in REDD+ should also be directed toward a range of social and environmental benefits, including improvements in land tenure, promoting the livelihoods of indigenous peoples and local communities (IPLCs), and enhancing biodiversity conservation.[3]

COP 17: Durban, 2011

In 2011 at COP 17 in Durban, parties began considering whether results-based REDD+ financing should go beyond carbon to include non-carbon benefits. This discussion is still ongoing with a range of views among parties, from those who would see results defined narrowly as the provision of emissions reductions to those who would prefer a more holistic definition of results that includes the multiple benefits of REDD+.

UN-REDD Programme

The UN-REDD Programme is a major multilateral initiative supporting investments in REDD+ strategy development and capacity building. The UN-REDD Programme has developed the Social and Environmental Principles & Criteria as well as the Benefits and Risks Tool (BeRT) to help countries assess whether they have addressed social and environmental safeguards, including specific criteria related to benefit sharing. Because there do not appear to be any requirements or incentives to use this tool, however, it remains unclear how they will be applied by the UN-REDD Programme pilot countries (UN-REDD, 2012).

Forest Carbon Partnership Facility

The Forest Carbon Partnership Facility (FCPF) Carbon Fund has invited REDD+ countries and stakeholders to provide input on the design of methodological guidance for benefit distribution systems for Carbon Fund participants. According to the draft FCPF Emission Reductions Purchase Agreement (ERPA) Term Sheet, the seller (REDD+ country) must develop a Benefit Sharing Plan that explains how it will share "a significant part of the monetary or other benefits" from the Emissions Reduction (ER) Program with relevant stakeholders. Furthermore, the recommendations of the Working Group on the Methodological and Pricing Approach also provided initial guidance on benefit sharing, including that the "ER Program uses clear, effective and transparent benefit-sharing mechanisms with broad community support and support from other relevant stakeholders" and that "the design of the benefit-sharing mechanisms should respect customary rights to land and territories and reflect broad community support, so that REDD+ incentives are used in an effective and equitable manner" (FCPF 2012, Recommendations of the Working Group on the Methodological and Pricing Approach for the Carbon Fund of the FCPF).

Voluntary standards

Several voluntary standards, namely, the REDD+ Social and Environmental Standards (REDD+ SES); Climate, Community and Biodiversity (CCB); and Plan Vivo have developed guidance for REDD+ benefit sharing (see *Social and Environmental Safeguards* chapter). The REDD+ SES has developed principles and criteria for the equitable sharing of benefits as well as land tenure and livelihoods. CCB certification requires that "benefits of the REDD+ programme are shared equitably among all stakeholders and rights holders" (see *www.redd-standards.org*)

NATIONAL AND SUBNATIONAL OPTIONS

Given the wide variety in national and local contexts, it is unrealistic to expect that a single model for benefit sharing mechanisms can be developed. A number of studies have explored design features of REDD+ benefit sharing arrangements, guided by the principles of the 3Es (IUCN, 2009, Myers Madeira et al., 2012, Davis et al., 2012, PROFOR, 2011, Costenbader, 2011). A recent study by the Nature Conservancy (Myers Madeira et al., 2012) identifies several key design parameters for benefit sharing that are likely to be relevant to many REDD+ countries:

- Targeting benefits of the programme and the rationale for benefit sharing as well as clarification of the beneficiaries and conditions under which they can receive benefits;
- Tailoring benefits to create incentives (or compensation) sufficient to motivate desired behaviours from each actor, including decisions about the appropriate form, scale and timing of benefits;
- Timing and frequency of benefits, including whether benefits are delivered based on either actual results or forecasted results, which will depend on the individual costs and risks faced by stakeholders;
- Delivering benefits, including the governance and financial structures that are needed as well as the types of rules and institutions that will underpin them.

The remainder of this chapter will explore these elements in more depth and present design options for each. The topic of benefit sharing is closely linked to other topics such as safeguards, land tenure, non-carbon benefits and grievance mechanisms, including how to ensure transparency and disclosure. These topics are addressed in separate chapters of this publication.

Targeting benefits

For REDD+ to adequately address the drivers of deforestation and forest degradation and to enhance carbon stocks (i.e. effectiveness), REDD+ programmes will need to identify and target the most relevant stakeholders at any given level. These include a potentially huge and diverse population of stakeholders ranging from IPLCs to large-scale agricultural producers.

Targeting REDD+ benefits should take into account a range of factors such as geographic variation of deforestation, local drivers of deforestation, tenure, the difference in the cost of forest protection and potential co-benefits that can be achieved in implementing REDD+ in different regions of the country (e.g. poverty alleviation and biodiversity conservation). Targeting will therefore require strong institutional capacity to collect and manage data on key characteristics related to the potential beneficiaries and activities that should be targeted.

Each country will need to define priorities for benefit sharing under REDD+, because resources are unlikely to be sufficient to cover the full costs associated with changing land-use behaviour. Defining priorities translates into political decisions that will vary country by country. It may be more effective and efficient to deliver benefits in more accessible areas where pressures for deforestation and forest degradation are greatest. Yet an approach based exclusively on effectiveness and efficiency ignores equity considerations. In many countries, population groups in relatively isolated areas have played important historic roles in conserving vast tracks of forests.

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In practical terms, it will be necessary to follow a phased approach, in which certain geographic areas serve as pilots for delivering benefits until they can be provided on a more extensive basis. Given the participatory approach recommended for defining REDD+ policies and programmes, it will be important to define transparent criteria for prioritizing certain geographic areas and/or groups over others, and governments will need to establish firm timetables and targets for expanding benefits to ensure that they eventually reach a large proportion of potential beneficiaries.

Tailoring benefits

There are a variety of ways in which benefits can be tailored under REDD+ to incentivize different stakeholders to change land-use practices over the long term. These can be broadly classified as monetary and non-monetary benefits.

Monetary benefits

Cash payments are relatively simple to disburse and can therefore enhance the efficiency of REDD+ programmes. Direct monetary incentives, however, have been shown to carry adverse risks, such as elite capture, corruption and "crowding out" the intrinsic motivation to do the right thing for society (Blom et al., 2010, Cranford and Mourato, 2011, Myers Madeira et al., 2012). There is also the risk of small-scale cash payments being spent on items that do not contribute to improved welfare or livelihoods. Under certain conditions, however, cash payments can be effective (WWF, forthcoming) such as when:

- Resource dependency is low;
- There is access to cash-based markets;
- There is sufficient capacity/skills for numeracy, saving, investment and entrepreneurship;
- Ownership over land/trees/carbon is clear;
- Long-term funding is guaranteed.

Non-monetary benefits

REDD+ programmes can use non-monetary benefits to motivate or enable changes in behaviour and to provide concrete benefits to stakeholders on the ground. These benefits include livelihood and income opportunities, improved infrastructure and health and educational conditions, tenure and food security, reduced vulnerability to climate change, and empowering individuals and communities to participate in decisions affecting local land use and development. Non-monetary benefits can be transformational to local economies by providing alternatives to business-as-usual land uses, thus contributing to long-term development. They can also be important in establishing the necessary institutional environment for direct monetary payments (Cranford and Mourato, 2011). Care needs to be taken, however, when designing non-monetary benefits to ensure that they are consistent with the conservation objectives being sought through the REDD+ programme; certain livelihood activities could place additional deforestation pressure on the very forests that we are seeking to protect through REDD+.

Non-monetary benefits are likely most appropriate where (WWF, forthcoming):

- Strong and long-term demand exists for sustainable products/services;
- Capacities for saving and investing cash are lacking;
- There is a strong link between the livelihood activity and conservation;
- Markets for products/services are accessible;
- Strong and long-term demand exists for sustainable products/services;
- New sustainable land uses can compete economically with existing uses.

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TARGETING PAYMENTS IN REDD+ PROGRAMME DESIGN

Socio Bosque, Ecuador (sociobosque.ambiente.gob.ec)
Ecuador's *Socio Bosque* is a government-led programme that was launched in 2008 with the dual goals of tackling deforestation and addressing poverty. The program uses two payment schemes that are directed at either families or communities. Spatial targeting of participants is done through a ranking of three criteria: (1) deforestation threat, (2) importance of ecosystem services (e.g. carbon storage, water cycle regulation, biodiversity habitat) and (3) level of poverty. Both payment schemes are based on voluntary conservation agreements lasting 20 years (after which point they are renewable), which are monitored for compliance. Payments are made per hectare on an annual basis to families or communities that have upheld the terms of this agreement, including not converting land, or burning or logging trees.

Payments are adjusted progressively downward according to property size to make the scheme more equitable to small-scale, poorer landholders: properties of 50 hectares receive a payment of US$30 per hectare, the next 50 hectares receive US$20 per hectare, with payments continuing to decline as property sizes increase. To ensure environmental effectiveness, participants are also required to submit investment plans that are monitored alongside conservation agreements. Two years after its launch in late 2008, the programme had reached 60,000 beneficiaries (de Koning et al., 2011).

Fund for Nature Conservation, Mexico (fmcn.org)
Mexico's Fund for Nature Conservation (FMCN) comprises multiple subfunds that focus on different thematic and geographic priorities. FMCN consulted with 400 representatives from 249 key conservation and development organizations in its first year of operation to develop its priorities. FMCN sets specific biodiversity conservation priorities related to national environmental priorities (and in compliance with national programmes) and solicits proposals for projects that target those specific priorities. These strategic priorities are revised annually by FMCN before soliciting a new round of proposals (adapted from Davis and Goers Williams, 2012).

Payments for Environmental Services, Costa Rica
Costa Rica's Payments for Environmental Services (PES) programme uses a simple geographic prioritization process to target benefits. PES is designed to recognize and reward forest owners and users in Costa Rica for providing environmental services, including greenhouse gas mitigation and biodiversity conservation. The implementing agency, Fondo Nacional de Financiamiento Forestal (FONAFIFO), prioritizes counties where there is a social development index lower than 35 per cent and where biodiversity conservation hotspots have been identified. Applicants within these areas are then prioritized for enrolment (Myers Madeira et al., 2012).

Monetary and non-monetary forms of benefit sharing can be complementary, and REDD+ benefit-sharing schemes will likely combine them. For example, Bolsa Floresta is one of the largest Payment for Environmental Services (PES) programmes, reaching more than seven thousand families in 15 state conservation units covering over 10 million hectares in the Brazilian state of Amazonas. Launched in 2007, the programme was designed to improve the quality of life of traditional populations, promote the maintenance of environmental services and reduce deforestation. Participation in the programme is voluntary through a contract committing to zero deforestation in areas of mature forest. The programme has four components:

- One component involves a monthly cash transfer of US$24 to female heads of households.[4]
- Two other components provide indirect social and economic investments (totalling approximately US$173,000 per conservation unit per year) considered priorities by the local communities.
- The final component invests in strengthening local organizations so that they can eventually administer the financing for the previous components (totalling approximately US$16,000 per conservation unit per year).[5]

Tailoring benefits is fundamentally linked to the context in which benefits are being distributed. It is essential that practitioners take sufficient time to understand contextual issues (e.g. social, cultural, institutional, ecological) using thorough and participatory consultations. A good starting point for practitioners is to identify existing or potential barriers to sustainable resource and land use, which will have important implications for the long-term viability of benefit sharing mechanisms. These barriers may include lack of institutional capacity, conflicting cultural values, over-dependency on unsustainable resource use, poor governance and unclear land-use rights (see *Addressing Drivers of Deforestation and Forest Degradation* chapter).

Incentives for REDD+ should also be tailored according to the costs incurred by different stakeholders as well as how stakeholders perceive risk. Ideally, benefits should at a minimum be commensurate to the different costs stakeholders incur during the implementation of REDD+, but given the expected scale of REDD+ payments, this may be challenging in reality. For example, in Costa Rica's PES programme, FONAFIFO uses different standardized contracts to incorporate the different costs associated with different REDD+ related activities. In Brazil, the opportunity costs are reflected in different criteria used by various states to distribute additional tax revenues to municipalities. These criteria frequently include the costs of different conservation activities to the municipality in terms of foregone revenues from development (Pagiola, 2008).

To ensure effectiveness, REDD+ must also align incentives across different scales. In the context of a national REDD+ programme, specific subnational projects may also be able to effectively target benefits to multiple levels by capitalizing on strong local knowledge and relationships. An example of this is provided by the Oddar Meanchey REDD+ pilot in Cambodia, which has tailored incentives to match the interests and roles of stakeholders at various levels, from local forest users to

CASE STUDY

ACRE STATE'S SYSTEM OF INCENTIVES FOR ENVIRONMENTAL SERVICES

Context
Approved in 2010, the Brazilian state of Acre's System of Incentives for Environmental Services (SISA) law is seen as one of the first comprehensive REDD+ laws to cover an entire state. The range of the law's incentive schemes is still under development, but the aim is to distribute benefits among all major segments of the rural population, including small-scale producers, extractivists (harvesters of non-timber forest products), ribeirinhos (traditional riverine communities), indigenous peoples and large-scale producers. This includes a combination of upfront investments in sustainable farming as well as a range of cash and non-cash benefits that are conditional on performance against the management plan.

Expected changes
Acre's SISA law aims to jointly achieve poverty alleviation and environmental conservation through the creation of a legal foundation for valuing a range of environmental services and providing positive incentives to sustainably manage these.

Achievements
Through a nine-year voluntary property certification scheme, small-scale producers agree to maintain their forest estates in return for technical and financial support.

To enter into the scheme, landholders must adopt a management plan that provides the basis for land-use planning. Plans are then monitored for compliance through a combination of satellite and on-the-ground monitoring. The support includes:

- Technical assistance to improve soil fertility as well as training, tools and advice on making efficient use of already deforested land;
- Seeds and seedlings to grow fruit trees, subsistence crops, valuable timber species and "green manure" plants that enrich the soil as they grow and are cut as mulch;
- Small livestock animals such as chickens and sheep to provide food;
- Transport to help farmers get their surplus produce to market;
- An annual cash reward of 500–600 Brazilian reales (approximately US$250–300) in recognition of their part in tackling deforestation

It is still too soon to tell how effective this model is, but preliminary satellite monitoring reveals that families have largely upheld their commitment to not deforest or use fire, and the scheme has been credited with helping reduce the incidence of forest fires during the 2010 drought.

Challenges

- The multiple stakeholder engagement process is time consuming and can take longer than anticipated.
- Monitoring the effectiveness of the scheme is difficult, as it requires monitoring on both a landscape and a property scale.

Lessons learned
Multiple stakeholder engagement leads to more diverse perspectives. While under consideration, the proposal was made public through the state government portal and was sent for review to hundreds of people, including indigenous and rural producers, the representatives of more than 72 domestic and international organizations, and 174 individuals, including 30 indigenous leaders, 50 farmers and 85 technical organizations (EDF, no date). Because diverse stakeholders were a part of the planning process, the final law reflected a more diverse perspective and could more adeptly meet the needs of each of the players.

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TABLE 1: ODDAR MEANCHEY REDD+ PROJECT (ADAPTED FROM MYERS MADEIRA ET AL., 2012)

STAKEHOLDER	RELEVANCE	PROJECT BENEFITS/INCENTIVES
Individuals	Individual members of communities both have land claims and may contribute to deforestation, making them important stakeholders in REDD+.	The project incentivizes individuals by providing employment, bookkeeping and project management training, and other opportunities to generate wealth.
Community groups (e.g. community forest user groups)	Community forest user groups not only have valid land rights but also play a key role in its management.	Benefits include enhanced land tenure security, improved market access and participation in a federation of user groups.
Subnational government agencies (e.g. the Forest Administration [FA])	The FA is both the primary enforcer of forest law and a key partner in implementing aspects of the REDD+ programme.	Benefits include a share of eventual profits from emissions reductions sold on the voluntary market that will support the FA's reforestation and afforestation activities.
National government agencies	The project, as well as the overall evolution of a national REDD+ strategy, depends on the support and involvement of the Royal Government of Cambodia.	The main incentive is a share of eventual profits, similar to the FA share, which would help fund a national-level community forest programme and an expanded national REDD+ program.

the national government agencies (Myers Madeira et al., 2012). Examples of the tailored incentive packages that target different stakeholders are presented in *Table 1*.

Timing and frequency

The timing and frequency of benefits distribution depend on the different costs and risks stakeholders face as well as on the need to incentivize action. Benefits can be provided either up front or upon demonstrated performance, for instance, reduced deforestation or increased forest protection.

Upfront payments

Upfront payments, or payments based on anticipated results, can help facilitate early buy-in from stakeholders and establish enabling conditions needed for a behavioural change. Providing benefits at the beginning of a REDD+ programme can also help address some of the risks and costs faced by poorer and more marginalized stakeholders by providing upfront cash in the face of uncertain future return and security against land claims or land disputes that jeopardize stakeholders' ability to successfully change their behaviour. Because upfront benefits are delivered before performance is guaranteed, the overall pool of incentives tied to performance might become diluted. This presents a risk for financial supporters (e.g. donors, the central government, private investors).

Demonstrated performance payments

While upfront payments are often necessary to cover start-up costs and mitigate risks, especially for vulnerable stakeholder groups, linking payments to performance has been shown to be important to assure behavioural change in conservation programmes (*Kelley, et al., 2012*). Pay-for-performance mechanisms can be implemented at different levels ranging from programmes focused on individual land users to programmes focused on subnational governments. Pay-for-performance programmes focused on individuals offer more precise targeting and more customized tailoring of incentives (*Madeira, et al., 2012*). Linking benefits to performance at this level, however, also imposes higher transaction costs (related to monitoring, enrolling and disbursing for individual grants and contracts), which may limit the scope of these programmes. Programmes that evaluate performance at higher levels (e.g. a subnational government) generally have lower transaction costs, but they require that the agencies supported, who have only indirect control over the desired behavioural change, invest in a tailored set of actions that motivate the stakeholders whose behaviour actually generates performance changes. For example, Brazil's Ecological Tax programme links benefits to performance at the level of individual municipalities, rewarding municipalities for conservation activities. Based on a municipality's ecological rating, the municipality earns financial benefits that flow to public institutions. To continue receiving increased tax revenues under the programme, municipalities must then create incentives for individual landholders, who have direct control over the forest.

To maximize the advantages of both payment approaches, benefit distribution is often two-stage, with some benefits delivered upfront and some delivered based on demonstrated performance. Costa Rica's PES and Mexico's FMCN provide examples of national and project-level approaches that have adopted a two-stage benefit distribution system. Costa Rica's PES delivers a fixed portion of a contract's worth up front depending on the management practice undertaken (20 per cent for forest conservation and 50 per cent for reforestation) (Pagiola, 2008). Subsequent annual payments are made after compliance has been verified by licensed foresters. Mexico's FMCN delivers some funds to grantees up front to support initial activities but delivers subsequent funds partly on the basis of how well grantees perform against established indicators (Porras, I et al, 2012).

Delivering REDD+ finance

The financial arrangements of REDD+ will be shaped by host countries' existing institutional and legal frameworks (e.g. forest tenure regimes), the scope of the programme (RED, REDD, REDD+), and available financing. Benefit sharing mechanisms will therefore encompass a variety of governance structures and instruments needed to both receive and distribute REDD+ finance. Institutional mapping will be necessary in order to develop an understanding of existing systems governing the vertical distribution of REDD+ finance and horizontal distribution of REDD+ benefits and to identify institutional gaps. USAID's Institutional Assessment Tool for Benefit Sharing under REDD+ is designed to provide guidance on navigating the range of potential institutional arrangements for REDD+ benefit sharing and to assess gaps

TABLE 2: KEY FUNCTIONS OF BENEFIT SHARING MECHANISMS (DAVIS AND GOERS WILLIAMS, 2012)

Oversight and strategic decision-making	» Developing rules and guidelines to govern the mechanism » Supervising the mechanism to ensure 3Es » Providing guidance on high-level policy and strategic decisions » Reviewing reports on the mechanism's performance » Providing advice when substantive changes are needed
Management and administration	» Managing REDD+ funds » Ensuring compliance with rules and guidelines » Receiving and verifying claims from potential beneficiaries » Delivering benefits » Preparing reports on operations and performance
Support and extension	» Raising awareness about the programme » Building capacity of potential beneficiaries » Providing technical support to facilitate participation of beneficiaries
Monitoring and reporting	» Monitoring the mechanism with respect to key performance criteria » Preparing regular reports on performance » Identifying and reporting instances of non-compliance or corruption
Conflict resolution	» Resolving conflicts between beneficiaries » Addressing grievances aired by beneficiaries concerning the mechanism

using a common set of principles and criteria that reflect desirable attributes for any REDD+ benefit sharing mechanisms (Davis and Goers Williams, 2012). Key functions of benefit sharing institutions are shown in *Table 2*.

Benefit sharing systems should build off of existing institutions. There are several examples of these types of arrangements from PES, community forestry, community development programmes and social agreements or contracts related to concessions. For example, in Indonesia the National Program for Community Empowerment (PNPM) channels grants between US$120,000 and US$360,000 from the national budget to the subdistrict level on an annual basis (*Davis, et al., 2011*). Villages within a subdistrict compete for funds by engaging in a participatory planning and decision-making process to demonstrate local development needs and priorities. The village government manages awarded funds with a strong emphasis on transparency and broad-based participation of community members, including participation of women and poor households. Most of these grants have been invested in local infrastructure and service provision. Since 2008, a pilot version of the PNPM has been implemented, focusing on investments in sustainable natural resource management, conservation and renewable energy (World Bank, 2011).

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FOREST CARBON TRUST FUND, NEPAL

Adapted from Davis, et al., 2011

The Forest Carbon Trust Fund (FCTF) is a four-year initiative funded by the Norwegian government that provides support to a group of national and regional NGOs to pilot an institutional mechanism for benefit sharing of REDD+ funds from community forest and watershed management initiatives. The project builds upon Nepal's well-established community forestry model and engages with 105 community forest user groups (CFUGs) in the watersheds of Chanarwati (Dolakha district), Ludhikhola (Gorkha district) and Kayerkhola (Chitwan district). The Forest Act of 1993 decentralized rights and management of national forests to empowered district forest offices that transferred those rights and responsibilities to registered CFUGs. In the three watershed areas, operational CFUGs are clustered together to form "REDD+ Watershed Networks".

Payments made to CFUGs are weighted according to a number of factors: 40 per cent of the payment is based on verified reductions in deforestation (against a historical baseline) as well as increases in carbon stocks; 25 per cent of the payment is based on the presence of indigenous peoples and low-caste households (dalits) as registered members of the user group; 15 per cent of the payment is based on the presence of women members in the user group; and 20 per cent of the payment is based on recorded poverty levels in the participating community. The first pilot payment was made to all 105 user groups in 2012, totalling around US$96,000.

CFUGs may use seed grants to fund community forest management activities, livelihood improvement activities, or group-strengthening activities such as capacity-building, awareness-raising and carbon monitoring. They may also decide, through consensus, to give a portion of the seed grant money to the poorest households in their community. Although still in the process of establishing a functional MRV system, the project is developing local capacity to undertake monitoring of carbon stocks, with representation from all major stakeholders. This committee will be responsible for monitoring and reporting on carbon data, payment distribution and payment utilization with respect to the FCTF operational guidelines. An independent verification agency, consisting of a multidisciplinary team of technical experts, will analyze and verify these results. This demonstration project is perhaps one of the most advanced in the world in terms of generating lessons and experiences relating to the governance and management of REDD+ benefit sharing mechanisms. In particular, the project has proposed concrete governance arrangements to ensure that payment distribution is managed in a transparent, accountable and inclusive manner:

- The multi-tiered and multi-stakeholder design of the FCTF institutional structure promotes checks and balances in decision-making.
- The third-party verification and audit committee promotes accountability against project performance objectives and standards.
- The FCTF operational guidelines, including the detailed roles and responsibilities of each institution, are clear and were developed through a participatory process.

Monitoring whether or not REDD+ finance is effective at delivering REDD+ outcomes is an essential component of any benefit distribution system. Key principles of monitoring performance include:

- Performance-linkage
- Additionality
- Equity
- Transparency

Adequately addressing each of these principles implies four key functions of monitoring REDD+ finance: (a) monitoring of changes in emissions; (b) monitoring of REDD+ interventions and actions; (c) monitoring of revenue disbursement; and (d) monitoring of financial transactions (UNREDD, 2010). For more information about monitoring REDD+ performance see the *MMRV chapter*.

WWF VIEWPOINT

WWF is working with governments in forest countries such as Nepal and the Democratic Republic of Congo to design and pilot benefit sharing arrangements. WWF's REDD+ principles and policies, combined with experiences on the ground, offer guidance on the design of benefit sharing mechanisms.

- WWF favours national-level approaches to REDD+, with subnational-level as an interim step. Long-term success for REDD+ programmes depends in large part on government ownership or the effective exercise of the government's authority over policies and activities. Additionally, ownership at the national level will help determine how integrated REDD+ is with a country's overall development strategies and environmental initiatives.
- WWF believes that all relevant stakeholders and rights holders should be able to participate fully and effectively in a REDD+ programme's design and implementation. This implies that stakeholders and rights holders have timely access to appropriate and accurate information to enable good programme governance.
- WWF believes that REDD+ finance should support a transition to low carbon development economies and must therefore taper off over time. REDD+ is ultimately a bridge strategy, providing investment to catalyze a longer-term transition in how forest resources are used. To be successful, a REDD+ programme must be part of an overall package of measures, reinforcing and reinforced by a country's overarching environmental and development strategies.
- WWF believes that REDD+ should contribute to sustainable livelihoods and poverty alleviation for forest-dependent peoples.

FURTHER RESOURCES

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END NOTES

1. See Section C of Decision 1/CP.16 paragraphs 70, 71, 73, 76 and 77.
2. ibid paragraphs 73 and 76.
3. ibid paragraph 72.
4. Based on the December 16, 2012, exchange rate of R$2.09/US$.
5. fas-amazonas.org