Overview of Benefits Sharing Models, Relation to Carbon Tenure and Securing Private Investments

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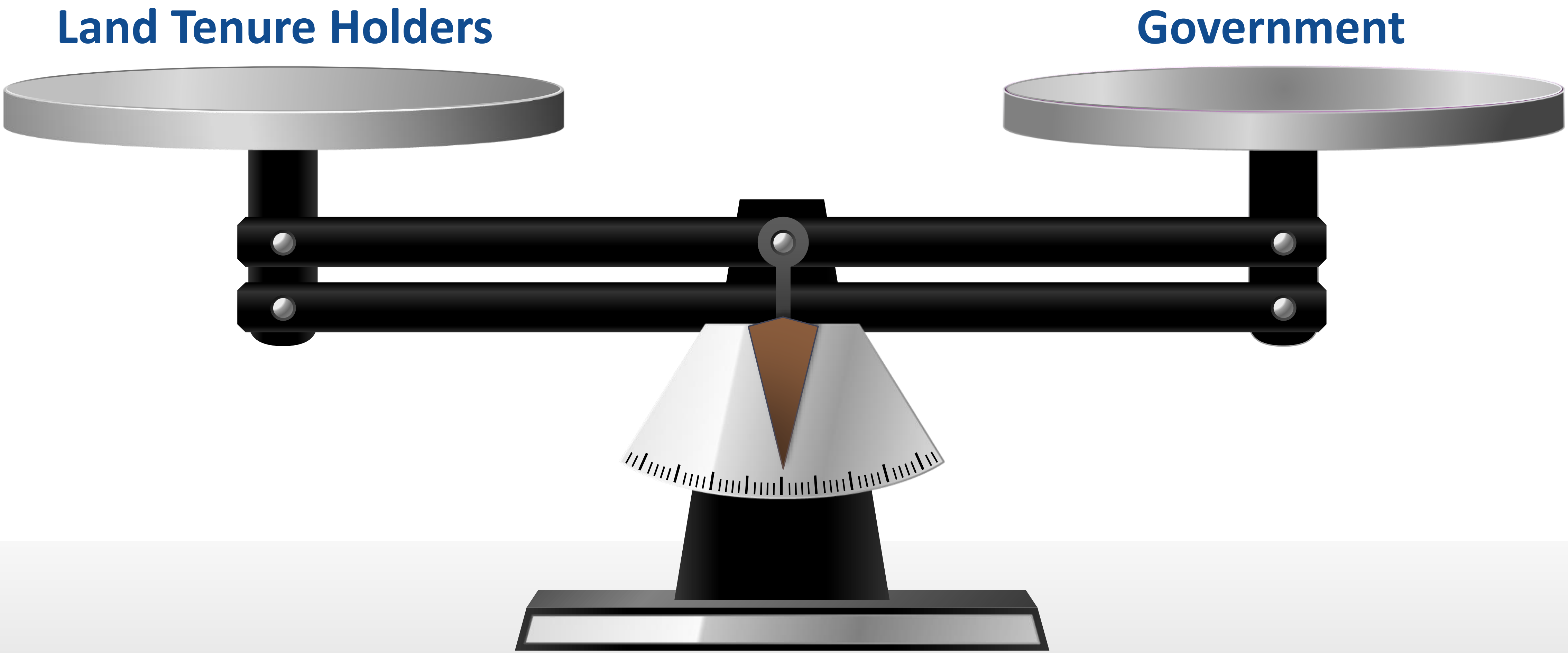
Laws and Rights

- Domestic laws protect land tenure holders
- Carbon tenure laws that do not follow land tenure create high legal risk for countries
- International law protects human rights and creates legal obligations for States to uphold these rights
- UN Conventions

Money

- Revenue from REDD+ programs requires producing results over the Long-term
- Benefits programs that reward the producers revenue (carbon, crops, timber) will prevail
- Private sector will only invest where there is a direct link between the performance of their investment and benefits they receive

Carbon Tenure - Divergent Views and Power Imbalance



Recognizing Rights

- Carbon tenure rights provide rights-holders with the ability to be involved in and to benefit from the design, implementation and economics of REDD+ activities
- Land tenure has been devolved under many legally recognized forms
  - A "bundle" of underlying rights over forest and land resources
  - Tenure-related rights determine who can own, access, use, withdraw, exclude, manage, land, forests, and its resources
  - Conditions under which the rights holder has control and for how long
  - The right to due process and compensation is also included in the bundle of rights

Legal Obligations, UN Framework Convention On Climate Change, and FCPF

- American Convention on Human Rights
- African Charter on Human and Peoples' Rights
- UN Convention and Cancun safeguards
- Carbon Fund Methodological framework
  - ER Program entities must demonstrate that they have the ability to transfer ER title, "while respecting land and resource tenure rights or potential rights-holders
  - If the ability to transfer ER titles is unclear or contested, then the emission reductions proportional to the
  - disputed area will be withheld

Land Tenure and Carbon Tenure are Linked

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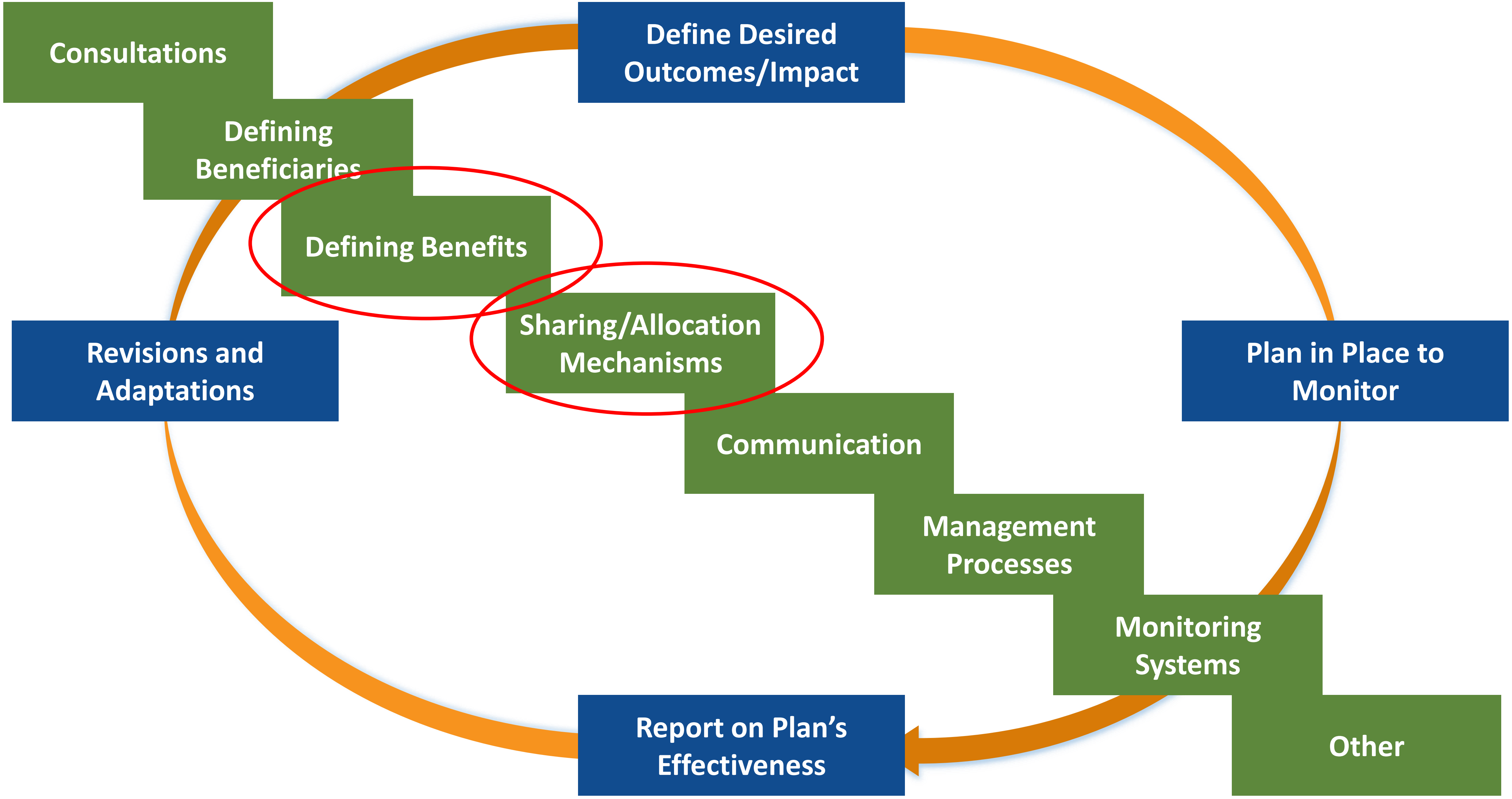
Components of Benefits Plan



Consultations and Stakeholders

Inclusive Participation with Legal Representation

Key Questions to Address When Developing Consultations for Benefits Plans

- Is there a **written plan** for stakeholder consultation for benefit sharing plan development and management?
- Where both **direct and indirect stakeholders** that are impacted by the REDD+ program identified?
- **When** were they involved in the process?
- Were they **segmented** into different groups with targeted consultations?
- How **frequent, at what points in the development and for how long** were they consulted?
- What was the **format** of engagements?
- What was the **process** for capturing, tracking and incorporating feedback?
- Were any **independent standards or good practice guidance** (REDD+ SES, IFC, etc.) applied in the development of the benefits plan?
- Do the stakeholders have **technical and legal representation**?

Stakeholders to Consider

- Those with legal rights related to carbon emissions reductions
- Those who reduce emissions
- Forest stewards
- Those incurring costs
- Those administering the program
- Those financing the implementation
- Other facilitators of REDD+ implementation
- The poor and underrepresented groups

Defining Benefits of REDD+ Programs (examples)

Monetary (generation of financial flows)

\$ tCO_2e

\$ Grants \$

\$ NTPF

Tax Benefits

Non-Monetary

- Secure tenure
- Biodiversity
- Water
- Improved livelihoods
- Efficient governance and monitoring
- Resilience

Scale of Receiving Benefits

- Site
- Sector
- Jurisdiction
- County
- Global

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Know the Size of the "Pie"- Create Comprehensive Cash Flow Model

Capture all Monetary Benefits

Cash Out Flows

- REDD+ Administration
- REDD+ Measures aligned with strategy and ERPD (often organized by sector)
- Other (tax incentives, etc.)

Cash In Flows

- ER Revenue Carbon Fund/ISFL
- ER Revenue Other
- Incremental Income from REDD+ measures (improved yields, lower costs, etc.)
- Grants related and hopefully aligned to implementation of REDD+ administration and measures (FCPF, FIP, Other)

Review Cash Net Cash Flow and Funding Needs

- Program overall
- By REDD+ activity /sector
- By key actors (where possible)

Separate from Cash Flow

- Understand participants marginal opportunity costs

ER PROGRAM CASH FLOW OUT											
REDD+ Program Management Costs											
Staffing Costs											
Office Costs											
Travel for Program Management											
Legal, Accounting and RME Trust/											
Readiness - Key Consultancies											
Stakeholder Engagement											
Safeguards Monitoring											
Grievance and Redress											
Benefits Management											
Emission Reduction MRV											
ER Program Management Reserve											
Central Government Fee/ 5% of E											
Total REDD+ Program Management											
REDD+ Program Measures (Governme											
RIL											
Cacao											
Industrial Palm											
Smallholder Palm											
Green Mining											
Protected Area Management											
Conservation Agriculture											
Total Program Measures											
TOTAL ER PROGRAM CASH FLOW OUT											
ER PROGRAM CASH FLOW IN											
Emission Reductions											
ER Sales Cash In (Carbon Fund)											
ER Sales Cash In (Other Sources)											
TOTAL ER SALES											
RIL											
Cacao											
Industrial Palm											
Smallholder Palm											
TOTAL AG INCREMENTAL REVENUE											
NON-ER CARBON CASH FLOW IN											
FCPF (CNREDD and WB Direct)											
ONUREDD	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NON-ER CASH FLOW IN	**$8,203,129**	**$18,613,958**	**$17,488,958**	**$12,553,155**	**$2,541,326**	**$0**	**$0**	**$0**	**$0**	**$0**	**$59,400,527**
TOTAL PROGRAM CASH FLOW IN	**$13,526,629**	**$18,613,958**	**$26,802,241**	**$12,553,155**	**$21,264,298**	**$0**	**$37,882,918**	**$0**	**$64,968,730**	**$0**	**$195,611,930**
NET PROGRAM CASH FLOW	$5,412,760	($967,847)	($5,407,551)	($6,017,649)	$932,358	($9,478,517)	$14,989,623	($9,399,454)	$40,726,797	($8,390,313)	$22,400,209
CASH BALANCE (CUMULATIVE)	$5,412,760	$4,444,913	($962,637)	($6,980,286)	($6,047,928)	($15,526,444)	($536,821)	($9,936,276)	$30,790,522	$22,400,209	

Benefits Allocation Methods

Avoid Arbitrary Percentage Allocations

Activity or Input-based

- Distribute benefits up front for adoption of targeted practices
- No link is required between the distribution of benefits and measurable performance
- Examples include typical payment for environmental services prog[illegible] QIP in US
- Government takes risk that results are produced

Performance-based

- Distribute/allocate benefits on the condition th[illegible] have achieved a predefined, measurable and verifiable standard of performance against
- Measured ex-post
- Direct link between outcome [illegible]
- May be based on emissi[illegible] ns produced, quality of crops deforestation free, etc.
- Beneficiary (REDD[illegible] ter) takes risk that results are produced

Align Methods wit[illegible] Outcomes and Component of REDD+ Program

- Differen[illegible] s for different beneficiaries and/or sectors can be deployed
- Consider how to include stakeholders impacted by program but not large participants
- Government should take portion / charge fees for administration of program

Form of Distribution for Performance-based

- Direct payments in cash
- Direct payments to purchase pre-defined set goods, services, inputs and technical assistance
- Allocation of emission reduction rights to those who produce them (within national REDD+ rules)

What benefit sharing management processes?

- What types of mechanisms have been defined to support distribution?
- Who manages processes and who oversees this process
- Do the mechanisms cover the spectrum of government managed funds to devolving emissions reductions?
- How are fiscal management and controls handled?
- Are funds ring-fenced or part of government budgets
- Are the mechanisms secured through laws, regulations, and/or contractual agreements?
- Has is carbon tenure considered and secured through each of the mechanisms?
- How do grievance and redress mechanisms specifically support benefits distributions

Communication and Monitoring

How well was the plan communicated to the key stakeholders?

- Is there a communications plan?
- What are the channels of communication?
- Was the plan translated into all local languages and/or dialects?
- Does the plan tailor communication by type of stakeholder?
- What are the requirements for frequency?
- Does the plan meet the good practice criteria for stakeholder engagement?
- How does the plan test for informed consent?

How well is the plan being monitored following implementation?

- Is there a detailed operational procedures manual for RBP-BP management?
- Who has oversight to ensure the plan is administered according to the manual?
- Beyond monitoring whether the plan is being implemented as defined, is there a set of define Outcomes and Impacts that are being monitoring to determine the effectiveness?
- How is the Outcomes and Impacts monitoring conducted?

Benefit Sharing – Key to Unlocking Private Sector

Private Sector Engagement and Investment

- Land tenure holders unlikely to participate in REDD+ activity unless there is clarity on benefits from REDD+
- Private sector investors will not invest in REDD+ unless
  - There is clarity on benefits from REDD+ investments
  - There is the ability to assess operational and financial risk
  - They can see a clear and direct link between the investee and who will produce the return
  - Rights of Indigenous Peoples', local communities', women and marginalized groups have been protected

Technical Requirements for Robust Benefits Sharing

- The FREL has been established taking into account dynamics and typology of DF in spatially explicit manner
- GHG monitoring is spatial explicit and participatory
- Transparency in process and results
- Laws and/or contractual agreements can secure rights to benefits
- Beware of mismatch of income and expense
- Fiscal management should be considered carefully