BENEFIT SHARING AT SCALE:
Good Practices for Results-Based Land Use Programs

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Contents

ABBREVIATIONS

AMPF	Alto Mayo Protected Forest – Peru (Bosque de Protección Alto Mayo)
ANAC	Acre Business Agency – Brazil
CAMPFIRE	Communal Areas Management Program for Indigenous Resources – Zimbabwe
CEVA	Commission of Validation and Monitoring – Brazil
CDSA	Agency for Development of Environmental Services – Brazil
CFUGs	Community Forestry User Groups – Nepal
CGI	Carbon Green Investment – Zimbabwe
CI	Conservation International
ERF	Emissions Reductions Fund – Australia
FAS	Sustainable Amazonas Foundation – Brazil (Fundação Amazonas Sustentável)
FCPF	Forest Carbon Partnership Facility
FONAFIFO	National Forestry Financing Fund – Costa Rica (Fondo Nacional de Financiamiento Forestal)
FPDF	Forest Protection and Development Funds (provincial level) – Vietnam
GIZ	German Agency for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit)
IMC	Institute of Climate Change and Environmental Services Regulation – Brazil
INAB	National Forestry Institute – Guatemala
ISFL	BioCarbon Fund Initiative for Sustainable Forest Landscapes
NGO	nongovernmental organization
PES	payment for ecosystem services
PFES	Payment for Forest Environmental Services – Vietnam
PINFOR	Forestry Incentive Program – Guatemala (Programa de Incentivos Forestales)
PINPEP	Small Landowner Incentive Program – Guatemala (Programa de Incentivos para Pequeños Poseedores)
PSA	Payments for Environmental Services Program – Costa Rica (Pago por Sistemas Ambientales)
REDD+	Reducing emissions from deforestation and forest degradation, the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries
REM	REDD Early Movers Programme
RMU	PT Rimba Makmur Utama – Indonesia
SBP	Socio Bosque Program – Ecuador
SERNANP	National Service of Natural Protected Areas – Peru
SISA	State System of Incentives for Environmental Services – Brazil (Sistema Estadual de Incentivo a Serviços Ambientais)
SRI	Intensive Rice Cultivation System
UNFCCC	United Nations Framework Convention on Climate Change
VNFF	Forest Protection and Development Fund (national level) – Vietnam
VOI	Community management associations – Madagascar (Vondron'Olona Ifotony)
WCS	Wildlife Conservation Society

1. Executive Summary

1.1 Introduction

Land use is a complex topic with real impacts on people's lives and on social, environmental, and economic outcomes.

Land use initiatives that receive payments for verified emission reductions are growing approaches within the land use toolkit. In most cases, these programs are designed not solely for environmental outcomes, but they also aim to generate sustainable development benefits. The activities that are implemented depend greatly on context and on the strategies identified to reduce greenhouse gas emissions—for example, by reducing deforestation and forest degradation, conserving forests, and enhancing carbon stocks.

These complex programs need to provide incentives for further emission reductions and results-based finance to build support and legitimacy among diverse stakeholders and also to respect the rights of landowners and other stakeholders who contributed to the emission reductions. The way that results-based finance is used within a program—and how incentives and benefits flow to stakeholders—is generally referred to as benefit sharing.

For the purposes of this analysis, the following definition of benefit sharing is adopted:

> *Benefit sharing is the intentional transfer of monetary and nonmonetary incentives (goods, services or other benefits) to stakeholders for the generation of environmental results (such as greenhouse gas emission reductions) funded by revenues derived from those results.*

Benefit sharing, in this context, does not refer to benefits that may stem from the design and implementation phases of the program, but specifically to benefits provided to stakeholders during the results-based financing phase of a land use program.

Many factors influence a program's arrangements for sharing benefits and contribute in various ways to synergies and tradeoffs in effectiveness, efficiency, and equity.

This study's objective is to synthesize good practices for benefit sharing in jurisdictional-level, results-based land use programs based on an analysis of large-scale programs and other relevant initiatives that involve benefit sharing focused on forests, land use, natural resources, and/or climate change.

This analysis is designed to support government and program staff in developing and implementing benefit-sharing arrangements for jurisdictional-level results-based land use programs, including under the Forest Carbon Partnership Facility (FCPF) and the BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL). This document provides lessons learned and good practices emerging from the cases analyzed in order to inform programs, depending on their context. This analysis is not intended to provide guidance on how to design and implement benefit-sharing arrangements. The FCPF and the ISFL funds have their own requirements for benefit sharing; they also provide guidance for preparing benefit-sharing;[1] plans that comply with these requirements.[2]

1 The FCPF's Methodological Framework and the ISFL ER Program Requirements, respectively.

2 Note on Benefit Sharing for Emission Reductions Programs Under the FCPF and ISFL.

1.2 Approach

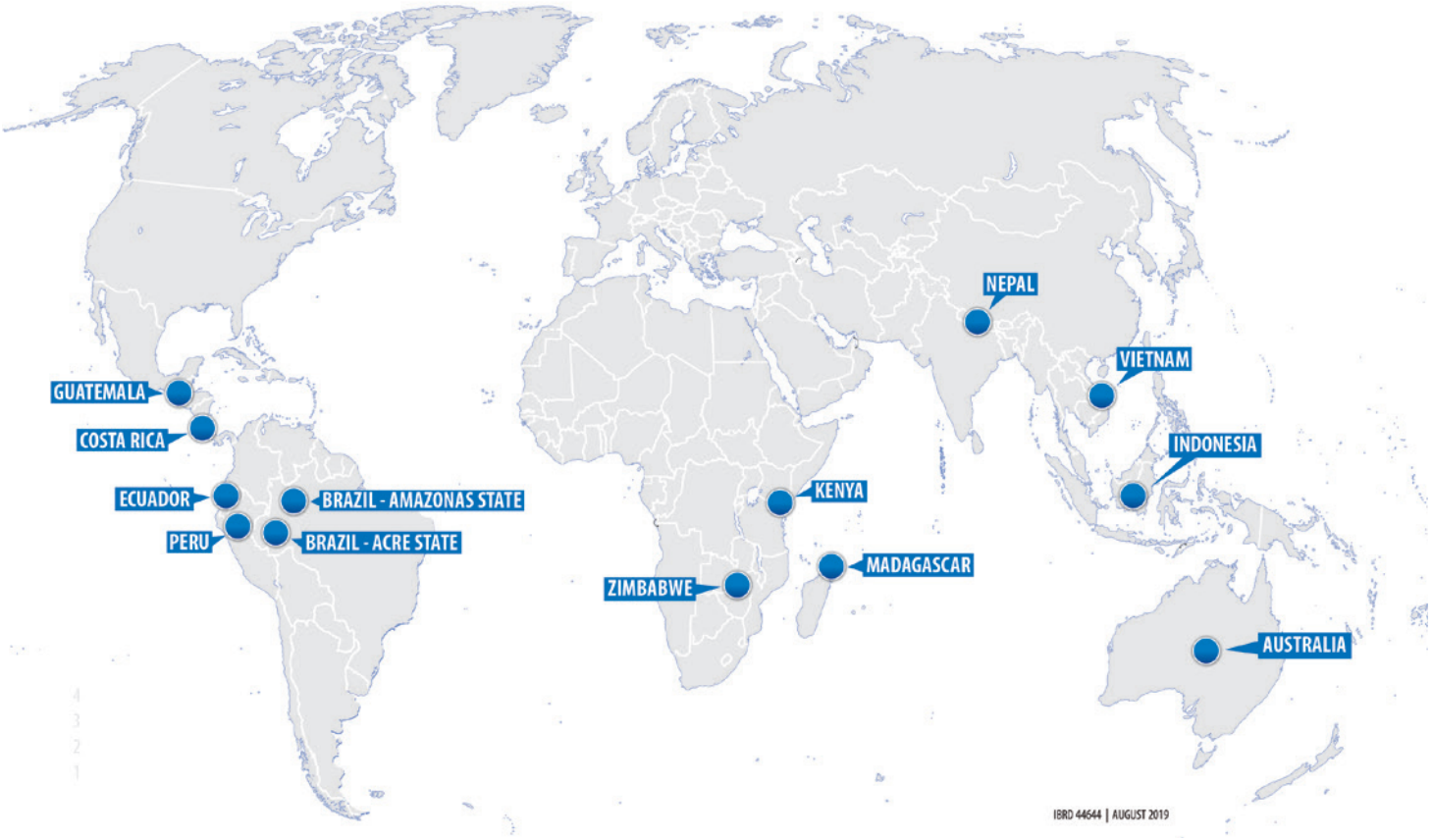
A review of earlier analyses of benefit sharing in forest and land use programs helped identify an initial set of good practices and lessons learned, and supported identification of four key themes around which the case analysis was structured:[3]

- beneficiaries and benefits;
- institutional, financial, and governance arrangements;
- stakeholder participation; and
- monitoring, evaluation, and adaptive management.

A series of cases were identified as relevant to providing lessons learned and good practices related to benefit sharing in large-scale results-based land use programs using the following three criteria: (1) the program employed benefit sharing and/or incentive allocation for a results-based program; (2) the program presented was already working at a large scale or had clear potential to scale up to a jurisdictional level; and (3) the program had been functioning for at least five years.

A long-list of potential cases was generated based on these criteria, author knowledge, and recommendations from participants and observers to the FCPF and the ISFL. While some relevant experience exists in non-natural resource management sectors, such as extractives and infrastructure, a sufficient range of varied cases was found in the forest and land use sector, which were the primary focus of the study.

FIGURE 1.2: Geographic Distribution of Cases; each pin signifies one case



3 Chandrasekharan Behr et al. 2012; Costenbader 2011; Davis, Nogueron, and Javelle 2012; Hite 2015; IUCN 2009; Lee et al. 2018; Peskett 2011; Pham et al. 2013; and World Bank 2009.

The cases were short-listed and ultimately finalized based on an exercise that determined whether sufficient documentation, resources, and access to contacts could be obtained to ensure that lessons could be gleaned and deeper analysis could be conducted through remote desktop research and interviews, given that site visits were not within the scope of this report.

Care was taken to ensure that the cases represent a diversity of geographies, approaches, and contexts in order to generate good practices relevant for a diverse audience. Of the 13 cases analyzed in this study, three are located in Africa, four in Asia/Oceania, and six in Latin America, ranging in size from 200,000 to 16 million hectares. They include an assortment of national programs, subnational jurisdictional programs, and programs not aligned with jurisdictional boundaries.

Literature review and interviews enabled identification of lessons learned; these were then compared, contrasted, and—where appropriate—aggregated to identify good practices. This analysis is not an evaluation of the cases, but rather a study to identify lessons learned and good practices that would be useful in informing the design of benefit-sharing arrangements.

1.3 Lessons Learned and Good Practices

1.3.1 CROSS-CUTTING ISSUES

The review of cases identified a wealth of lessons learned and good practices, which are summarized for each theme in Sections 1.3.2–1.3.4. In addition, the following cross-cutting issues emerged that recur repeatedly in the thematic sections, where they are elaborated in more detail:

- **Dependence on context:** Benefit sharing takes many forms and depends heavily on the context, particularly on the land tenure regime, the legal and institutional frameworks, the drivers and history of land use change, and the political agenda.
- **Tensions related to the purposes of benefit sharing:** Benefit sharing arrangements also depend heavily on the objectives of the program and the sources of finance, and consider that landowners and other actors who produce the goods and services from which results-based finance is derived may arguably have a right to a share in the benefits. Determining what share should go to which beneficiaries is complex and reflects tensions between whether benefits are seen as incentives for future performance and/or rewards for past performance; whether they are based on rights to lands and resources that generate the goods and services and/or on the costs of implementing actions that generate them, including opportunity costs; and whether they include the costs of facilitators and intermediaries, and/or incentives for those who could hinder further results.
- **Importance of good governance:** Several attributes of good governance recurred repeatedly as important issues for benefit sharing:
  - *Participation* – not only for beneficiaries in defining the form of benefits, but also including other stakeholders more broadly in designing, implementing, and evaluating benefit sharing, and in governance processes and decision making;
  - *Transparency* – transparent information on eligibility and conditions for receiving benefits, the finance received and delivered, implementation costs, and how decisions are made and implemented, which provides a basis for building trust, support, agreement, and legitimacy;
  - *Accountability* – through effective and transparent oversight mechanisms that ensure benefit sharing is governed and implemented as agreed;

  - ***Equity and inclusion*** – in the design and implementation of benefit sharing in a manner that is fair, impartial, and inclusive, ensuring nondiscrimination with regard to women and vulnerable and/or marginalized individuals and groups; and
  - ***Effectiveness and efficiency*** – in meeting the agreed objectives for benefit sharing, ensuring that benefits reach beneficiaries in a timely manner while minimizing costs.

- **Trade-offs:** Comparing different cases highlighted the ways that different approaches to benefit sharing in different contexts led to trade-offs between effectiveness, efficiency, and equity.
- **Adaptive management:** Since benefit sharing is complex and involves many competing interests, it is hard to envisage all the ramifications in the design phase. In addition, the context often changes throughout these long-term programs. Every case involved some change to address challenges. Having the capacity to monitor and adapt benefit sharing was seen as critical to success.

1.3.2 BENEFICIARIES AND BENEFITS

All the cases reviewed have primary objectives that are environmental—such as the protection of forests and other ecosystems, the sustainable management of forests, and the enhancement of carbon stocks. In addition, most of the programs also have social objectives, including, for example, improving well-being; reducing poverty; generating employment in rural areas; improving access to social, educational, and health services; and building capacity for sustainable natural resource management and to cope with climate change.

In all cases, the identification of beneficiaries and the types of benefits they receive depends heavily on understanding the key actors and the type of incentives that will be most effective in achieving the overall program's objectives; equity within legal, social, and cultural contexts; and efficiency in meeting the objectives at the least cost. This analysis considers the perceived status of different actors and their different access to power and recognition. For example, some indigenous peoples consider themselves to be rights holders rather than stakeholders, but may have relatively little influence on decision making.

Generally, across the cases, some trade-offs are apparent between:

- Effectiveness and equity – for example, benefit sharing that is designed to be more effective by providing benefits that work as incentives for all the key actors is likely to be more inclusive and potentially more equitable, but can create tensions by channeling some benefits to actors who are not seen as legitimate rights holders (e.g., recent migrants to the area, political elites, or larger landowners).

- Effectiveness and efficiency – for example, benefits based on performance may be more effective but they often need more complex procedures and methodologies that can increase monitoring costs needed to assess conditionality of benefits.

- Efficiency and equity – for example, a simple program with cash payments and straightforward eligibility requirements—for example, linked to land tenure—may exclude vulnerable and marginalized people.

The review of cases helped to identify the following key issues related to beneficiaries and benefits:

- The overriding importance and associated complexities of land and resource tenure in identifying beneficiaries
- The importance of understanding potential barriers to participation, often linked to land and resource tenure
- The possibility of differentiating benefits for different groups for greater effectiveness and inclusion

- The need to understand costs and benefits for different actors to ensure that benefits really are perceived as benefits
- The consideration of whether individual or community benefits are most appropriate
- The consideration of whether monetary or nonmonetary benefits are most appropriate
- The importance of beneficiary participation in defining the benefit package
- How the timing of the delivery of benefits can affect their effectiveness

Based on lessons learned on these topics from the cases, the following good practices were identified:

- ***Identifying beneficiaries:*** Careful analysis should be conducted to identify which actors should receive incentives for behavior change to achieve the objectives of benefit sharing and which should be rewarded because of their rights and contributions to generating the goods and services linked to results-based finance.
- ***Eligibility criteria:*** Although land and resource tenure can provide a clear and legitimate basis for determining the eligibility of beneficiaries, care should be taken to include key actors with overlapping rights and to recognize customary rights.
- ***Barriers to participation:*** Eligibility requirements should not exclude target groups and benefit packages should be sufficiently attractive to encourage participation; special attention should be paid to vulnerable and marginalized groups and existing inequities.
- ***Targeting benefits:*** Allocations, weighting, or quotas can be effective for targeting specific beneficiary groups and for meeting specific objectives.
- ***Differentiated benefits:*** A differentiated approach can be effective, providing different types and/or amounts of benefits to different groups of beneficiaries recognizing their different rights and contributions with respect to the objectives of benefit sharing. This approach should consider monetary and/or nonmonetary and individual and/or community benefits as appropriate, bearing in mind that greater complexity could increase operational and transaction costs for delivery of benefits.
- ***Conditionalities for benefits:*** Specific outcomes can be facilitated by making benefits performance-based, by linking them to clear commitments in a conservation agreement and/or by requiring an investment plan for the use of monetary benefits received. Conditions should be clear, with monitoring to assess compliance and consequences or penalties consistently applied when the conditions are not met.
- ***Participatory identification of benefits:*** Benefits should outweigh opportunity costs and the efforts and inputs needed to participate in the program, so a cost benefit analysis for different stakeholder groups can be helpful. However, this may not be easy, so participatory identification of benefits—enabling the beneficiaries to decide on the benefits they receive—is often the most effective approach.
- ***Monetary benefits:*** Monetary benefits can provide strong incentives by giving beneficiaries decision-making control about how they spend the cash they receive. Monetary benefits can be efficiently delivered where beneficiaries have bank accounts, and they are generally more appropriate where there is clear land tenure and landowners have the capacity to implement activities on their own land.
- ***Nonmonetary benefits:*** Nonmonetary benefits can be targeted to achieve social or environmental objectives but, to be effective, beneficiaries should identify the benefits and have the capacity to benefit from them. Capacity is also needed to deliver nonmonetary benefits, which can be more challenging administratively and logistically.

- ***Individual versus community benefits:*** Although benefits to individual households can be appropriate and effective in some contexts, community benefits can reinforce and reward collective responsibilities and can ensure that all community members—including the vulnerable and marginalized—share in the benefits.
- ***Revenue-generating benefits:*** Benefits in the form of revenue-generating activities are often popular and can help ensure long-term sustainability if there is good market access, but care should be taken in their design to link revenue-generating success to the maintenance of the forest or other environmental objectives to avoid perverse or unintended outcomes.
- ***Timing of benefits:*** The timing, duration and consistency over time of benefits can have an important impact on effectiveness, bearing in mind that some activities may require up-front investment (such as tree planting) whereas later delivery provides an opportunity to link benefits with performance.

1.3.3 INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

Institutional, financial, and governance arrangements contribute to the efficiency of benefit delivery. However, processes for decision making about the design and oversight of benefit sharing are also critical for effectiveness to ensure that benefit sharing supports the program's overall objectives. Furthermore, governance arrangements are crucial for equity and inclusiveness. Although more complex programs targeting different drivers of change and providing different types of benefits to different actors may support more effective delivery of environmental results, the arrangements required to implement these programs often entail an increased management burden and accompanying higher transaction costs.

Collaboration is key, given the many roles and responsibilities required to implement benefit sharing. Programs are most efficient when institutions and beneficiaries have adequate capacity and are operating under clear institutional, financial, and governance arrangements. Clear and transparent legal frameworks support this collaboration, so it is important that they are strong while remaining adaptable for changing contexts.

The review of cases helped identify the following key issues for institutional, financial, and governance arrangements:

- The importance of legal frameworks as a basis for the transfer of benefits and in defining institutional arrangements;
- The variety of roles involved in benefit sharing and how varying capacities can impact effectiveness and efficiency;
- The need for accountable structures to manage the flow of finance for benefit sharing;
- The importance of the timing and source of finance, including the need for significant finance up front to establish benefit-sharing mechanisms;
- The need to understand transaction costs and the trade-offs associated with reducing these costs; and
- The need for grievance and redress mechanisms specifically focused on benefit sharing.

Based on lessons learned from the cases on these topics, the following good practices were identified:

- ***Legal framework:*** Benefit sharing should be grounded in a clear legal framework to support and enable the necessary agreements and collaboration.
- ***Flexibility to enable adaptation:*** Despite being based on a clear legal framework, some flexibility in the legal and institutional arrangements is needed—for example, defining them through regulations rather than laws—to be able to make adjustments in beneficiaries, benefits, institutional composition, and activities

over time such that the program can respond to lessons learned and changes in context.

- ***Service providers:*** Substantial technical and administrative capacity is needed to administer benefit sharing in a way that effectively and equitably distributes resources. Partnerships with nongovernmental organizations (NGOs), private sector actors, and others to provide services and build capacity can be helpful to improve efficiency and effectiveness while also benefiting from local knowledge and presence.
- ***Existing or new institutions:*** It is often most efficient and effective to capitalize on existing institutions if they have the legitimacy, capacity, and thematic relevance to the program—strengthening these where necessary—given that new laws and institutions require significant time, resources, and political will; otherwise, establishing new institutions may be more appropriate.
- ***Up-front finance:*** Significant financial resources are often required up front to cover the many costs associated with designing and initiating a program—conducting adequate stakeholder input, documenting baselines, establishing new institutions, implementing activities—before results-based payments can be made.
- ***Transparency around financial management:*** Regular audits can build trust and participation in the program, but they can also increase overall operating costs. Adopting a simple approach to calculating, monitoring, and delivering benefit transfers helps enable wider public understanding.
- ***Transaction costs:*** Transaction costs should be assessed, both to reduce them where possible and to adequately budget for them so as to not undermine project efficiency and effectiveness.
- ***Grievance and redress mechanisms:*** Benefit-sharing mechanisms should have clear, accessible, impartial, culturally appropriate, easy-to-understand grievance and redress mechanisms that operate in a timely manner.

1.3.4 STAKEHOLDER PARTICIPATION

Stakeholder participation is key for all stages of benefit sharing—design, implementation, and evaluation—to ensure that it responds to the needs and interests of the full range of stakeholders. Participation involves communications, consultations, participation in governance and implementation, and processes for feedback grievance and redress. It can encompass a spectrum of participation ranging from providing information to stakeholders and requesting their feedback to making them equal partners in governance and decision making.

Every case highlighted the importance of participation. Stakeholder participation is key for:

- Equity—to ensure that benefit sharing is perceived to be fair;
- Effectiveness—to ensure that the right benefits are delivered to the right people at the right time to achieve the objectives; and
- Efficiency—to ensure that cost-efficient processes are identified and implemented.

In addition, transparency and providing clear information to stakeholders about benefit sharing in a format they understand is essential for building trust with stakeholders and seeking their support for the entire program. Participation can also help avoid conflicts and misunderstandings.

Consultations and stakeholder participation take time and resources and require a willingness to share power and influence with stakeholders. Participation is meaningful only if the benefit sharing adapts to stakeholder input. There is often a tendency to limit stakeholder participation due to budget, time, capacity, or political will, but the cases reviewed repeatedly demonstrate the benefits of effective stakeholder participation.

The review of cases helped identify the following key issues related to benefit sharing:

- The importance and complexity of identifying who the stakeholders are and understanding how they are affected by or can influence benefit sharing.
- The advantages of meaningful stakeholder participation and considering different approaches to ensuring that it happens.
- The need to not only encourage but ensure the inclusion of women, indigenous peoples, and marginalized and/or vulnerable groups.
- The importance of disclosure and transparency, and effective ways to share information.

Based on lessons learned from the cases on these topics, the following good practices were identified:

- ***Stakeholder analysis:*** Prior to designing benefit sharing, all groups that may be affected by benefit sharing or can influence its outcomes should be identified and mapped to understand their needs and interests, their capacities and their rights, and variations within the groups and relations between groups, including any historical conflicts or alliances. This stakeholder analysis helps to improve the design of the consultation processes, to identify beneficiaries and appropriate benefits, and to develop governance and institutional arrangements. Stakeholder analyses should be updated periodically while benefit sharing is implemented and the context changes.
- ***Stakeholder consultation:*** Consultation of beneficiaries is critical to determine the type of benefits that are appropriate and how they should be delivered. Consultation of a full range of stakeholders—including beneficiaries—is also helpful with institutional and governance arrangements, processes for stakeholder participation, and monitoring and evaluation. Consultations are meaningful when stakeholder input influences the design of benefit-sharing arrangements, and requires sufficient time, resources, and willingness to share power and influence with stakeholders. Consultations should be conducted as part of an iterative process for design, enabling participating stakeholders to consider proposals and confer with others in their group before providing further input. This process is valuable not only during initial design but also periodically during implementation to support adaptations and improvements to benefit sharing. Consultation is not the same as obtaining free, prior, and informed consent, which is essential for the participation of indigenous peoples and other groups with collective rights to lands and resources in programs that affect them, whereby consent must be given through their own decision-making processes after consultation.
- ***Planning, time, and resources:*** Effective stakeholder participation requires significant time and resources and is often underbudgeted. A stakeholder engagement plan should include the steps involved and the resources, time, and other inputs needed, as well as measures to ensure effective stakeholder participation.
- ***Participation in governance:*** Including beneficiaries in governance structures with decision-making and oversight roles deepens the opportunities for effective participation in design and implementation of benefit sharing—ensuring that beneficiaries influence benefit sharing to respond to their needs and interests—and helps to share information with beneficiaries. Legitimate representatives should be identified by the group they represent.
- ***Measures to ensure social inclusion:*** Specific measures should be adopted to facilitate and ensure the participation of women, indigenous peoples, and marginalized and/or vulnerable groups that may otherwise be excluded—for example, through separate

meetings or other approaches that address barriers for participation, through quotas for participation in activities and governance bodies, through allocations of benefits, and by designing subprograms that specifically target activities and benefits for certain groups.

- ***Disclosure:*** Public disclosure of information about the overall financial envelope for benefit sharing, the amounts distributed to each stakeholder group in different geographic areas, the per hectare or other rate used for monetary benefits, and the nonmonetary benefits delivered promotes transparency and builds trust.
- ***Transparency and providing information:*** Beneficiaries and potential beneficiaries need to understand the purpose of benefit sharing, the opportunities to participate, the eligibility criteria, the conditionalities for receiving benefits, the results achieved, and how to provide feedback or submit a complaint. This requires active dissemination of information tailored to each stakeholder group in a format that they understand—for example, using local languages, providing information through public meetings and stakeholder representatives, and paying special attention to provide information to women and vulnerable and/or marginalized people. Adequate, prior information is essential to enable potential beneficiaries to decide whether to participate in programs that affect them, and it is critical for obtaining the free, prior, and informed consent of indigenous peoples and other groups with collective rights to lands and resources.

1.3.5 MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

An underlying finding from the cases is that contexts—in terms of regulations, demographics, threats, and more—are guaranteed to change, so having a monitoring and evaluation system that supports adapting to these changes is critical to improving effectiveness and efficiency.

Monitoring and sharing results is also key for legitimacy, which hinges on adequate transparency and feedback on operational performance to beneficiaries.

At times it may seem necessary to measure and monitor environmental outcomes only when, for example, the primary objective is to generate emission reductions. However, nearly all the cases include a range of environmental and social objectives for benefit sharing and some form of monitoring is important for all objectives. In addition, measuring outcomes across other dimensions such as human well-being or good governance can be important for beneficiaries, donors, and implementers, and can attract more finance and/or increased participation.

The review of cases helped identify some key recurring themes for monitoring, evaluation, and adaptive management:

- The monitoring and evaluation of benefit-sharing implementation and impacts—including socioeconomic impacts—is critical for program managers and for stakeholders to ensure compliance with donor and program rules and regulations, to increase support and participation, and, most importantly, to support program improvements over time.
- Adaptive management informed by sound monitoring and evaluation systems enables continual improvements in effectiveness, efficiency, and equity by informing the design and execution of beneficiary groups, benefits packages, financial management, delivery of benefits, and a variety of other factors.

Based on lessons learned from the cases on these topics, the following good practices were identified:

- ***Socioeconomic monitoring:*** The inclusion of socioeconomic impacts in monitoring and evaluation systems, as opposed to solely in environmental outcomes, is useful for improving effectiveness and can foster support from politicians, donors, and other stakeholders.

- ***Simple approaches employing local people:*** Monitoring is best kept as simple and practical as possible while still being adequate. Beneficiary participation in monitoring activities in exchange for paid wages can also constitute an important local benefit.
- ***Adaptive management:*** Adaptive management of the design and implementation of benefit-sharing arrangements based on the results of monitoring and evaluation is critical for improving effectiveness, efficiency, and equity over time. Piloting of benefit sharing can help facilitate adaptive management during the design phase.

This report demonstrates the advantages of learning from experience. This study was conducted rapidly, largely through document review enhanced with interviews primarily with people involved in benefit-sharing design and implementation, as well as with people involved in the programs more broadly. More in-depth analysis would help to further deepen the learning. In addition, people involved in designing benefit sharing would benefit from other opportunities to learn from experiences including exchange visits, facilitated exchange, and learning workshops. Exchange and learning will become even more valuable as more jurisdictional-level results-based land use programs start implementation.

1.4 Conclusions

This study collected a wealth of lessons learned that helped identify a broad set of good practices for benefit sharing by analyzing, comparing, and contrasting a diverse range of long-standing programs across different geographies. These programs have been implemented in different contexts, with various objectives and approaches. The good practices identified from these cases are grounded in real experiences and are illustrated through many examples.

The good practices identified through this process are not intended to provide a full set of guidance on how to design and implement benefit sharing but are offered as a reference to support the country-specific processes that are needed. They do not cover every important aspect of benefit sharing but provide considerations that can help contextualize the many elements and options for these complex mechanisms.

2. Introduction

Land use is a complex topic with real impacts on people's lives and on social, environmental, and economic outcomes.

Land use initiatives that receive payments for verified emission reductions are growing approaches within the land use toolkit. In most cases, these programs are designed not solely for environmental outcomes, but also aim to generate sustainable development benefits. The activities that are implemented depend greatly on context and on the strategies identified to reduce greenhouse gas emissions—for example, by reducing deforestation and forest degradation, conserving forests, and enhancing carbon stocks.

These complex programs need to provide incentives for further emission reductions and results-based finance, to build support and legitimacy among diverse stakeholders, and to respect the rights of landowners and other stakeholders who contributed to the emission reductions. The way that results-based finance is used within a country—and how incentives and benefits flow to all stakeholders—is generally referred to as *benefit sharing*.

For the purposes of this analysis, the following definition of benefit sharing is adopted:

> *Benefit sharing is the intentional transfer of monetary and nonmonetary incentives (goods, services, or other benefits) to stakeholders for the generation of environmental results (such as greenhouse gas emission reductions) funded by revenues derived from those results.*

Benefit sharing, in this context, does not refer to benefits that may stem from the design and implementation phases of the program, but specifically to benefits provided to stakeholders during the results-based financing phase of a land use program.

This study's objective is to synthesize good practices for benefit sharing in jurisdictional-level, results-based land use programs based on analysis of large-scale programs and other relevant initiatives that involve benefit sharing focused on forests, land use, natural resources, and/or climate change. This analysis is primarily designed to support government and program staff developing and implementing benefit sharing arrangements for jurisdictional-level results-based land use programs by building on earlier studies and drawing from the experiences of large-scale programs that have been implemented for several years.

This study is pertinent now because over 20 countries are developing jurisdictional-scale emission reductions and land use programs under the Forest Carbon Partnership Facility (FCPF) and the BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL). Benefit sharing is an important component of these programs and many countries are in the process of developing benefit-sharing plans that describe arrangements for the use of finance to create effective incentives to address drivers of deforestation and land use change. Under such arrangements, emission reductions and further finance are generated while also contributing to the sustainable development goals of the programs and ensuring that benefits flow to stakeholders equitably.

This document provides lessons learned and good practices emerging from the cases analyzed in order to inform programs, depending on their context. This analysis is not intended to provide guidance on how to design and implement benefit-sharing arrangements. The FCPF and the ISFL funds have their own requirements for benefit sharing;[4] they also provide guidance for preparing benefit-sharing plans that comply with these requirements.[5]

4 The FCPF's Methodological Framework and the ISFL ER Program Requirements, respectively.

5 Note on Benefit Sharing for Emission Reductions Programs Under the FCPF and ISFL.

Benefit sharing needs to address a complex range of factors. Land use decisions affect economies through agriculture, forestry, mining, and infrastructure, and these decisions impact people's social and cultural attachments to land. A diverse range of stakeholders is affected by or can influence the use of land. Their relationships to the land and to each other contribute to the complex dynamics of land use change. Land use is significantly influenced by rights to land and resources, including both statutory and customary rights, the extent to which those rights are protected, and the management practices and uses of land and resources. These rights may be in conflict or overlapping as a result of the history of land use and balances (or imbalances) of power between groups in the past and the present.

To add to the complexity, other land use priorities—such as reducing deforestation—may be counter to past or ongoing land use practices and policies that aim to "improve" what is seen as "unproductive" land; for example, by clearing forest.

All potential strategies to change land use need the support and buy-in of diverse stakeholders to achieve their goals. They may involve "sticks" such as changes in land use zoning and regulations combined with strengthened enforcement, and "carrots" in the form of incentives for individuals, groups, companies, and even governments to adopt new activities.

Most land use programs involve a combination of strategies that depend heavily on the complex local and national context of land use. Since laws and policies set a framework for land use but usually do not entirely control it, many land use programs have a strong focus on incentives to encourage rights holders and other stakeholders to change the way they use land. A diverse set of programs, including those involving payment for environmental services, have experience designing and implementing incentives for land use change.

This report aims to support results-based land use programs—those that receive finance linked to the goods and services they produce. For example, the international policy framework for reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries (REDD+)—agreed to by parties to the United Nations Framework Convention on Climate Change (UNFCCC)—involves the transfer of finance to developing countries based on their performance reducing greenhouse gas emissions from deforestation and forest degradation, along with several "plus" or additional activities. These additional activities include the sustainable management of forests and the conservation and enhancement of forest carbon stocks. Developing-country governments are leading the design of their national REDD+ strategies and implementation arrangements, and are defining how they will use the results-based payments that they will receive.

There are various considerations for the use of results-based finance in REDD+ and other land use initiatives that receive payments for verified emission reductions. It is important to reinvest funds received into activities and associated management costs to generate more emission reductions and additional results-based payments. These activities are context-specific and depend on the strategies that have been identified to reduce deforestation and forest degradation and to conserve forests and enhance carbon stocks. They are likely to involve activities that directly reduce emissions, such as tree planting and enforcement of rules about protecting forests, as well as activities that create enabling conditions, such as strengthening governance.

On the other hand, in addition to reducing emissions, consideration is also likely to be given to using the finance in a manner that builds support and legitimacy for programs among diverse stakeholders and generates sustainable development benefits. A critical consideration is that landowners and other stakeholders who contributed to the emission reductions have

rights in relation to the results-based finance; therefore, using the funds to provide incentives and rewards for stakeholders and rights holders can be an effective way to build support and legitimacy for programs.

When determining the use of results-based finance, it is important to take into consideration that marginalized groups, including women and indigenous peoples, may be less likely to participate in program activities and in benefit sharing because of a history of their exclusion. In addition, vulnerable groups may be less able to participate because of a lack of capacity or access to resources needed for participation. Frequently, marginalization and vulnerability go hand in hand. The participation of marginalized and vulnerable groups is often important for effectiveness as well as for reasons of equity and to achieve the social objectives of the program.

Several types of programs in the forest and land use sector were considered in this study and analyzed to identify relevant lessons learned and good practices, including:

- Payment for ecosystem services programs, whereby individuals, communities, or organizations receive monetary and/or nonmonetary incentives in exchange for managing their land in a way that maintains or improves ecosystem services;
- Community forest management programs, whereby communities are collectively responsible for maintaining or improving the quality and/or quantity of forests they are responsible for managing through formal tenure or other forms of land use rights; and
- Large-scale REDD+ projects, whereby governments, NGOs, or private sector companies coordinate and implement activities, in agreement with landowners, that reduce deforestation and forest degradation and produce verified emission reductions that are sold as offsets on the voluntary market.

While not all of the cases reviewed are jurisdictional-level results-based land use programs, they do all offer helpful insights into experiences with benefit sharing that can help inform the design of benefit sharing in jurisdictional programs, including those that support the implementation of national REDD+ strategies.

The study assessed how programs address issues of **effectiveness**, **efficiency**, and **equity**, which vary across countries and contexts.

Effectiveness: Performance with respect to environmental, social and economic objectives

Efficiency: The level of associated costs per unit of outcome

Equity: Fairness with respect to participation in decision making and allocation of benefits and costs between different stakeholders

Findings from previous relevant studies were also consulted, both to inform the approach of this study and to build on previous analysis. These publications provided useful insights, such as the importance of understanding the trade-offs between using funds to create incentives for further action to generate emission reductions and using the funds to ensure equity and legitimacy, and the need to consider vertical and horizontal dimensions of benefit sharing between national and subnational levels of government, NGOs, and the private sector as well as between and among local communities (IUCN 2009).

Pham et al. (2013) adopted an analytical lens assessing effectiveness, efficiency, and equity of benefit-sharing mechanisms and identified numerous risks for project-level benefit sharing that are also pertinent for jurisdictional programs, including: unclear and insecure land tenure; under-representation of certain stakeholder groups; failure to consider lessons derived from

experience; lack of policy learning mechanisms across sectors, scales, and time; the advantages and disadvantages of decentralization and devolution; and the implications of scale and definitions of forest. They identified opportunities for mitigating these risks and concluded that successful benefit sharing depends on having clear objectives, procedural equity, and an inclusive process, as well as a rigorous analysis of the options for benefit sharing with respect to the objectives.

A number of other studies provided insights for this analysis, including Chandrasekharan Behr et al. (2012), which considered lessons learned from community-based natural resource management and partnership arrangements in the forest sector. Costenbader (2011) drew lessons from three national policy approaches for benefit sharing: payment for ecosystem services, participatory management, and the sharing of concession revenues. World Bank (2009) provides insights into developing and maintaining collaborative arrangements in the forest sector and guidance on how to implement key factors that influence contract-based forest partnerships and benefit-sharing arrangements. While these studies focus on lessons learned and associated recommendations for benefit sharing in the forest sector, they can provide lessons that are relevant more broadly for results-based jurisdictional-level land use programs.

Secure tenure rights are widely recognized as an essential foundation for rural development and provide a basis for enabling forest communities to participate in benefit-sharing mechanisms. Tenure rights are often an eligibility requirement for participation in benefit sharing and can significantly influence the bargaining power of forest communities and the extent to which they can claim a share of the benefits from forest management and ecosystem services (World Bank 2019b). Davis, Nogueron and Javelle (2012) analyzed institutional mechanisms that could be used for REDD+ benefit sharing in five countries and concluded that the type of institutional mechanism is less important in determining the magnitude of benefits received by communities than the clarity, security, and breadth of statutory and customary rights held by the community.

Benefit sharing also includes approaches for rewarding and incentivizing site-level activities within a large-scale jurisdictional. Emerging approaches to "nesting" forest carbon projects into larger-scale REDD+ programs are relevant for benefit sharing in jurisdictional-level results-based land use emission reductions programs. In most cases, the lack of spatial detail in the reference levels against which emission reductions are calculated, the treatment of leakage or displacement of emissions outside the program area, and the methods used to monitor results across the jurisdiction make it difficult or impossible to attribute quantified emission reductions to individual land units. Instead of allocating reference levels and enabling landowners to transfer emission reductions and receive results-based payments directly, many jurisdictional programs are likely to reward and incentivize landowners through benefit-sharing agreements (Lee et al. 2018). Although the nesting of site-scale projects into jurisdictional programs is relevant to benefit sharing, none of the cases analyzed in this study involved explicit nesting arrangements, so these arrangements are not further addressed in this report.

Guidance documents that aim to support the development of benefit-sharing mechanisms for REDD+ provide a range of recommended good practices for benefit sharing that were considered in this study. For example, Peskett (2011) considers the design of benefit sharing in the context of national REDD+ systems and the possible implications of different benefit-sharing arrangements for poor and vulnerable people. Hite (2015) provides design options for benefit sharing focused specifically on outcome-driven incentives based on three different models: payments for services, managed funds, and collaborative resource management, with a series of series of steps to help structure benefit-sharing arrangements for effective incentives to improve REDD+ outcomes.

Collectively, these previous studies informed the approach of this analysis to ensure relevant issues were addressed and to minimize duplication of efforts.

This report is structured as follows:

- **Section 3: Approach** explains the methodology adopted for the study, including literature reviews, interviews, and analysis, in addition to an introduction to the 13 cases referenced as illustrative examples throughout the report and a description of some of the study's limitations.
- **Section 4: Lessons learned and good practices** describes the findings of the analysis along four key themes:
  - Beneficiaries and benefits
  - Institutional, financial, and governance arrangements
  - Stakeholder participation
  - Monitoring, evaluation, and adaptive management

Each area above explores key considerations, describes the findings illustrated by the different cases with detailed examples provided in boxes, and lists good practices identified from the analysis.

- **Section 5: Conclusions** reflects on the key takeaways and how this study and learning from other experiences can assist countries developing benefit-sharing mechanisms.
- Appendixes

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3. Approach

This report analyzes large-scale programs and other relevant initiatives that involve benefit sharing to illustrate good practices for benefit sharing in jurisdictional-level results-based land use programs, building on earlier work on the topic. This section describes the methods for identifying the key themes of the report as well as the identification and approach for analyzing the cases.

3.1 Methods Adopted

3.1.1 REVIEW OF EARLIER ANALYSES AND DEVELOPMENT OF ANALYTICAL APPROACH

Reviewing earlier analyses helped in identifying an initial set of good practices and lessons learned, and supported the identification of four key themes around which the analysis of cases was structured (Figure 3.1a):

- **Beneficiaries and benefits:** Who are the beneficiaries and what do they receive, including:
  - Types of beneficiaries
  - Eligibility criteria for participating in benefit sharing
  - Types of benefits (e.g., monetary or nonmonetary)
  - Variations in benefits between different stakeholder groups
  - Conditionality for benefits (e.g., based on performance)
  - Allocations of funds or benefits to each group, including vertical allocation between national and local levels and horizontal allocation among communities or households, and the rationale for these allocations
- **Institutional, financial, and governance arrangements:** How benefit sharing is structured and implemented, including:
  - Legal frameworks
  - Institutional arrangements and funding structures for receiving, managing, and disbursing funds
  - Funding sources and timing of finance
  - Structures and processes for delivery of benefits to beneficiaries, including use of intermediaries
  - Decision-making structures and processes
  - Mechanisms for transparency, oversight, and accountability
  - Grievance and redress mechanisms
- **Stakeholder participation:** How stakeholders participate in design, implementation, and evaluation of benefit sharing, including:
  - Consultations on the design of benefit-sharing arrangements
  - Participation in decision making and oversight
  - Disclosure and active dissemination of information about benefit sharing
  - Measures taken to ensure the meaningful participation of women and vulnerable and/or marginalized groups
  - Mechanisms for ongoing consultation and feedback, as well as for grievance and redress
- **Monitoring, evaluation, and adaptive management:** How results are monitored, evaluated, and used, including:
  - The types of results that are monitored and evaluated
  - Methods for monitoring and evaluation, including comprehensiveness, accuracy, sensitivity, and frequency

- The results of benefit-sharing cases across all objectives—for example, in terms of emission reductions, protection/management of ecosystems and maintenance of ecosystem services, and human well-being
- Modifications made over time to the design, implementation, and evaluation of benefit sharing, including the process and rationale for changes

FIGURE 3.1A: Four Key Themes of the Analysis

The analysis of the large-scale initiatives was then conducted following the four steps outlined below, based principally on literature review and interviews.

3.1.2 IDENTIFICATION OF CASES

A series of cases were identified as relevant to providing lessons learned and good practices related to benefit sharing in large-scale results-based land use programs using the following three criteria:

1. Benefit sharing and/or incentive allocation for a results-based program;
2. Large scale or with clear potential to scale up to a jurisdictional level; and
3. Functioning for at least five years.

A long list of potential cases was generated based on these criteria, author knowledge, and recommendations from participants and observers to the FCPF and the ISFL. While some relevant experience exists in non-natural resource management sectors, such as extractives and infrastructure, a sufficient range of varied cases was found in the forest and land use sector, which were the primary focus of the study.

The cases were short-listed and ultimately finalized based on an exercise that determined whether sufficient documentation, resources, and access to contacts could be obtained to ensure that lessons could be gleaned and deeper analysis could be conducted through remote desktop research and interviews, given that site visits were not within the scope of this report. Care was taken to ensure the cases represent a diversity of geographies, approaches, and contexts in order to generate good practices relevant for a diverse audience.

3.1.3 STRUCTURED OVERVIEW OF EACH CASE

After the cases were identified, a literature review of existing resources and documentation was conducted in response to the research themes and questions (see Section 3.1.1). The documents reviewed were either found online in general Internet searches or provided for analysis by program staff and partners. A variable amount of literature was available for each case. A considerable number of documents and analyses were found for some of the longer-term publicly funded and national programs—for example, the Payments for Environmental Services Program (PSA) in Costa Rica. The only public documents found for more recently established private sector REDD+ projects were those required for validation and verification against the Climate, Community & Biodiversity Standards—for example, the Kariba REDD+ Project in Zimbabwe.

The documents used for analysis of each case are listed in the overviews of the cases presented in Appendix 1.

3.1.4 LESSONS LEARNED FROM THE CASES

To complement existing documentation and research, interviews were conducted with individuals involved in each of the cases. The aim was to interview at least one person involved in program design and management and, if possible, to conduct interviews with additional people who have a beneficiary perspective or a donor perspective. In several cases, the interviewees needed to get government and/or project owner permission to participate in the analysis.

Lessons learned were identified and documented for each of the cases based on the literature review and interviews, which provided a wealth of information about each case. Interviewees provided insights into challenges they have encountered, changes that have been made, and what they think has contributed to successes or problems.

For information on guiding interview questions, please refer to Appendix 3.

3.1.5 GOOD PRACTICES DRAWN FROM CASES AND EARLIER ANALYSES

Identifying lessons from each case produced a plethora of key observations, which were compared and contrasted across the cases, grouping together lessons that provided insights on common themes. Good practices were identified where features recurred across several cases and seemed to contribute to their success—for example, where changes were made to address challenges, and where interviews or analyses suggested features that were believed to have contributed to the success of benefit sharing. Reference was also made to both (1) lessons learned from previous studies and (2) topics suggested by government and civil society actors involved in designing benefit sharing for FCPF and ISFL programs, as well as donors, through an in-person meeting held at the World Bank on March 20, 2019, and through an online survey in April 2019.

3.2 Introduction to the Cases

Thirteen initiatives were identified for this study based on the criteria described above. They were spread across Africa (three cases), Asia/Oceania (four cases) and Latin America (six cases) (see Figure 1.2a).

Together these represent a diversity of geographies, types, and contexts:

- Six are national programs, two are statewide programs, and five are not associated with jurisdictional boundaries
- Half involve results-based finance
- Areas range from 200,000 hectares to more than 16 million hectares

Key information on each case is outlined below (see Table 3.2a); more detailed overviews of each case are included in Appendix 1. Permission has been given by the relevant department or other program owner for inclusion of all the selected cases in this report.

Table 3.2a. **Summary of Cases**

Program & Location	Objectives	Years of Operation	Types of Beneficiaries & Benefits	Scale of Funds & Beneficiaries	Scale of Area Included
Emissions Reduction Fund (ERF), Australia (national scale).	To reduce emissions at the lowest cost over the period to 2020 and contribute toward Australia's 2020 emission reductions target of 5 percent below 2000 levels by 2020	The Fund was initiated through the Carbon Farming Act of 2011, with the first auction under the ERF taking place in 2015	Beneficiaries are businesses, governments (state, municipality), and landowners. Benefits are Australian carbon credit units that can be sold to the government, on the secondary market, or used for voluntary emission reductions.	The ERF was established in 2014 with $A 2.55 billion to purchase emission reductions. As of 2018, there were 477 projects under contract to the government (with $A 1.8 billion of the funds committed). It is difficult to determine how many beneficiaries equate to 477 projects.	National—not measured in land area but in carbon abatement—37.7 million tons by 2018.
System of Incentives for Environmental Services (SISA), Acre, Brazil.	To protect and conserve forest by establishing a system to value ecosystem services and facilitate the distribution of associated benefits	Nine years: 2010–present.	Beneficiaries are family groups, private enterprises, or cooperatives. Benefits are monetary, including tax or credit incentives as well as direct payments .	The primary component—ISA Carbono—has 21,000 beneficiaries as of 2017. SISA has received international funding of €35 million (US$39.65 million) from the German government and £17 million (US$20.7 million) from the U.K. government through 2017 under the REDD Early Movers Programme. .	Initiatives within SISA have varying scopes, but the primary—ISA Carbono—is statewide (16.4 million hectares)..
Bolsa Floresta, Amazonas, Brazil.	To conserve forests, avoid deforestation, and improve the welfare of residents in selected sustainable development reserves in the state of Amazonas	11 years: 2008–present.	Beneficiaries are residents of selected sustainable development reserves. Benefits include small cash incentives to families, income- generating projects, trainings, community events, and planning workshops.	39,946 people in 9,598 families with 1,260 Brazilian reais (US$321) disbursed annually per family as of 2018.	16 state conservation units covering over 11 million hectares as of 2018.

Table 3.2a. **Summary of Cases**

Program & Location	Objectives	Years of Operation	Types of Beneficiaries & Benefits	Scale of Funds & Beneficiaries	Scale of Area Included
Payments for Environmental Services Program (PSA), Costa Rica (national scale).	Forest Law No.7575 recognizes four environmental services provided by forest ecosystems: (1) mitigation of greenhouse gas emissions; (2) hydrological services; (3) biodiversity conservation; and (4) provision of scenic beauty for recreation and ecotourism. The law provided the regulatory basis to contract landowners for the services provided by their lands. The country's PSA program provides the mechanism to achieve this.	22 years: 1997–present.	Beneficiaries are landowners, including indigenous peoples. Benefits are cash payments differentiated by project modality.	More than US$600 million has been invested in the program. Nearly 18,000 PSA contracts have been signed as of the end of 2018.	National—1.26 million hectares of land are registered under the different modalities of the program (forest protection, natural regeneration, reforestation, forest management) as of the end of 2018. Around 300,000 hectares are under an active PSA contract in a given year.
Socio Bosque Program (SBP), Ecuador (national scale).	(1) To conserve native forests and other native ecosystems to protect their ecological, economic, cultural, and spiritual values; (2) to significantly reduce deforestation and associated greenhouse gas emissions, and (3) to improve the well-being of farmers, indigenous peoples, and other groups living in the country's rural areas with the aim of benefiting between 500,000 and 1 million people.	11 years: 2008–present. When an agreement is signed, annual payments are made for 20 years.	Beneficiaries are communities and households. Benefits are direct cash payments made biannually based on the number of hectares conserved, type of ecosystem, and beneficiary (community or individual household	Since 2008, the government of Ecuador has made US$83 million in incentives payments as part of the program. Nearly 2,800 individual and collective agreements have been signed, representing roughly 190,000 people.	National—1.6 million hectares are protected through the program.

Table 3.2a. **Summary of Cases**

Program & Location	Objectives	Years of Operation	Types of Beneficiaries & Benefits	Scale of Funds & Beneficiaries	Scale of Area Included
National Forestry Incentive Programs: Forestry Incentive Program (PINFOR) and Small Landowner Incentive Program (PINPEP), Guatemala (national scale).	PINFOR: To increase forest stocks available for exploitation by the forestry sector, improve sustainable forestry production, and incentivize the protection of natural forests. PINPEP: To increase forest cover, with additional objectives of generating employment in rural areas and promoting gender equity.	21 years inclusive of both programs: PINFOR was operational 1998–2016. PINPEP began in 2007 and has no mandated end date	Beneficiaries of PINFOR are mainly forest landowners, and for PINPEP they are small landowners. Municipalities, cooperatives, and communities are also eligible. Benefits are annual cash payments based on the amount of land enrolled, the type of program implemented, the year of implementation, and adherence to a forestry management plan.	880,000 people directly benefited from the PINFOR program, and 250,000 have directly benefited from PINPEP (up to the end of 2017). The government of Guatemala has invested around US$364 million in both programs to date.	National—383,000 hectares of land were covered under PINFOR (plantations and natural forest management). As of the end of 2017, 115,000 hectares of land are included in PINPEP (plantations, agroforestry and natural forest management).
Katingan Peatland Restoration and Conservation Project (Katingan Mentaya Project); Mendawai, Kamipang, Seranau, and Pulau Hanaut subdistricts of Katingan and Kotawaringin Timur districts, Central Kalimantan, Indonesia.	(1) To protect and restore 149,800 hectares of peatland ecosystems, and generate an average 7,451,846 tons of greenhouse gas emission reductions annually; (2)to improve quality of life and reduced poverty of the project-zone communities; and (3) to stabilize healthy populations of faunal and floral species in the project zone and enhance natural habitats and ecological integrity through ecosystem restoration.	Nine years: 2010–present, with plans to continue until 2070.	Beneficiaries are communities residing in the project zone. Benefits are revolving funds and microfinance for small and medium enterprises, grant funding for education and health programs, and grant funding for institutional strengthening and training opportunities.	34 village communities and a population estimated in 2010 to be 43,000 people living in 11,475 households.	305,669 hectares (core areas: 149,800 hectares; buffer zones: 155,869 hectares) in Mendawai, Kamipang, Seranau and Pulau Hanaut subdistricts of Katingan and Kotawaringin Timur districts, Central Kalimantan.

Table 3.2a. **Summary of Cases**

Program & Location	Objectives	Years of Operation	Types of Beneficiaries & Benefits	Scale of Funds & Beneficiaries	Scale of Area Included
Kasigau Corridor REDD+ Project, Taita-Taveta County, Kenya.	A two-phase REDD+ project (scaled up in second phase) with the following objectives: (1) To protect the dryland forests that form a wildlife corridor between the Tsavo West & Tsavo East National Parks, reducing human-wildlife conflict; (2) to conserve important biodiversity in these dryland forests; (3) to provide alternative sustainable livelihood and development opportunities; and (4) to prevent greenhouse gas emissions from slash-and-burn agriculture.	14 years: 2005–present (with Phase 2 added in 2010).	Beneficiaries are ranch owners, the project implementer, and communities living in the project area. Benefits are cash revenue distributed among the beneficiaries.	14 ranches (total 4,185 shareholders) and six community groups (with 92,500 people in 21,500 households).	203,784 hectares (30,168 hectares in Phase 1 plus 173,616 hectares in Phase 2).

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Table 3.2a. **Summary of Cases**

Program & Location	Objectives	Years of Operation	Types of Beneficiaries & Benefits	Scale of Funds & Beneficiaries	Scale of Area Included
Makira Project, Analanjirofo, SAVA, and Sofia Regions, Madagascar.	(1) To avoid emissions of 38 million tons of CO2e over the 30-year project period; (2) to maintain the ecological integrity of the Makira landscape and its connectivity with other protected areas of Northeastern Madagascar; (3) to ensure maintenance of ecological services;(4) to ensure survival of threatened species present in the area; and (5) to empower the surrounding local communities to manage their natural resources sustainably and address their food security and subsistence needs.	14 years: 2005–present.	Beneficiaries are communities, the government, the Wildlife Conservation Society (WCS), the management of the protected area, the Makira Carbon Company, and the Tany Meva Foundation. Benefits are a percentage of the revenues from carbon credits, including funds for nonmonetary conservation, natural resource management, and community development initiatives.	49,000 people estimated in project zone in 2009, US$412,813 provided for community projects from 2015 to 2017; unclear how many people have benefited directly.	Makira Natural Park 372,470 hectares and community managed green belt 351,037 hectares.
Community Forestry, Nepal (national scale)*	To achieve sustainable management of forest resources by converting accessible national forests into Community Forests in a phased and wise manner. Additionally, to improve the social and economic condition of the poor, women, Dalits (a socially marginalized group), indigenous peoples, and other specified ethnic groups.	30 years: 1989–present. The program was started based on the Master Plan of Forestry Sector 1989.	Beneficiaries are Community Forest User Groups. Benefits are the right to manage and sell forest resources, as well livelihood improvement funded by the forest management revenues.	2,907,871 million households (more than a third of the national population) in 22,266 Community Forestry User Groups (CFUGs), of which there are 1,072 women-only committees as of May 2019. US$13.7 million total annual profit was estimated for all CFUGs across the country in 2011.	2,237,670 hectares as of May 2019, covering nearly 37% of the total forest area in Nepal.

Table 3.2a. **Summary of Cases**

Program & Location	Objectives	Years of Operation	Types of Beneficiaries & Benefits	Scale of Funds & Beneficiaries	Scale of Area Included
Alto Mayo Protected Forest (AMPF), Peru.	To promote the sustainable management of the AMPF and its ecosystem services for the benefit of the local populations and the global climate.	12 years: 2007–present. REDD+ project started in 2008 with plans to continue to 2028. Some activities, including conservation agreements, started in 2007.	Beneficiaries are settlers and communities. Benefits include technical assistance to improve coffee cultivation and sale of other livelihoods activities, the creation of government service hubs, and improved access to health and education services.	By the second 3rd party project verification in 2016, 848 settlers (60% of population) had signed conservation agreements. To date the project indirectly benefits 240,000 people. There is a portfolio of donors who support the AMPF through REDD+ (carbon credit trading). In particular, outside of the protected area, support is provided by international aid agencies and the private sector, including for investments in indigenous territory, buffer zones, and conservation initiatives outside the buffer zones. To date, US$24 million in carbon credit revenue and US$14.7 million in investments has been provided by donors. It is projected that an additional US$9.1 million will be provided through 2022.	182,000 hectares in the core area. 430,000 hectares including buffer zone.

Table 3.2a. **Summary of Cases**

Program & Location	Objectives	Years of Operation	Types of Beneficiaries & Benefits	Scale of Funds & Beneficiaries	Scale of Area Included
Payment for Forest Environmental Services (PFES), Vietnam.	(1) To improve forest quality and quantity, (2) to increase the national economic contribution of the forestry sector, (3) to reduce the state's financial burden for forest protection/management, and (4) to improve social well-being.	Eight years: 2011–present.	Beneficiaries are the suppliers of forest services, including funds, households, and cooperatives. Benefits are per hectare direct cash payment	From 2011 to 2015, US$324.3 million raised in revenue and US$225 million (5.2 trillion Vietnamese dong) disbursed to 506,298 households receiving PFES payments.	National—5.3 million hectares of watershed forest protected/managed up to 2015.
Kariba REDD+ Project, Matabeleland North, Midlands, Mashonaland West and Mashonaland Central, Zimbabwe.	(1) To reduce emissions from deforestation and forest degradation; (2) to maintain wood supply for domestic use; (3) to contribute to community development and poverty alleviation; (4) to improve access to social, educational, and health services; (5) to build community capacity to improve natural resource management and cope with climate change; and (6) to sustain and enhance biodiversity.	Seven years: 2011–present, with plans to continue until 2041.	Beneficiaries are communities, the project proponent, the Carbon Green Investment (CGI), the Kariba REDD+ Trust, a Community and Project Sustainability Fund, the environmental management, safari operators, and a longevity fund. Benefits are nonmonetary in the form of support for health clinics and schools, and conservation management activities training, as well as monetary benefits based on carbon revenues.	334,518 people.	784,897 hectares.

** The program in Nepal does not include benefit sharing of finance based on results; however, it is included as a case study to draw lessons learned from community-based programs.s*

3.3 Limitations of the Study

Several limitations of the study are important to keep in mind, including:

- This was a desktop study complemented by interviews without site visits to the selected cases to gather and check information or conduct interviews first-hand.
- It proved quite challenging to identify individuals to interview. It was even more challenging to actually conduct the interviews considering time restrictions and the lack of availability of interviewees.
- The analysis relies heavily on the perspective of program managers since it was challenging to identify and contact beneficiaries, and those who were interviewed were identified by the program managers and not selected randomly from the group of beneficiaries.
- Documentation on both quantitative information and reflections on lessons learned varied greatly among cases, with some providing much more insight than others.

This study's results should therefore be interpreted with these caveats in mind, especially that the opinions gathered were not representative of the full suite of stakeholders, particularly beneficiaries.

Overall, it is also important to note that this was not an evaluation of the cases. Rather, this study focused on identifying what factors contributed to success and also what factors were changed through adaptive management over time to improve the benefit-sharing component of each program.

This document is not intended to provide guidance explaining how to design and implement benefit sharing, or even a complete compendium of all good practices. It focuses on the lessons learned and good practices emerging from the cases selected.

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4. Lessons Learned & Good Practices

4.1 Cross-Cutting Issues

The review of cases identified a wealth of lessons learned and good practices that are explored in detail in the following sections: 4.2 Beneficiaries and Benefits; 4.3 Institutional, Financial, and Governance Arrangements; 4.4 Stakeholder Participation; and 4.5 Monitoring, Evaluation, and Adaptive Management. In addition, some general and cross-cutting points emerged are introduced here; these recur repeatedly in the thematic sections below where they are illustrated with examples from the cases.

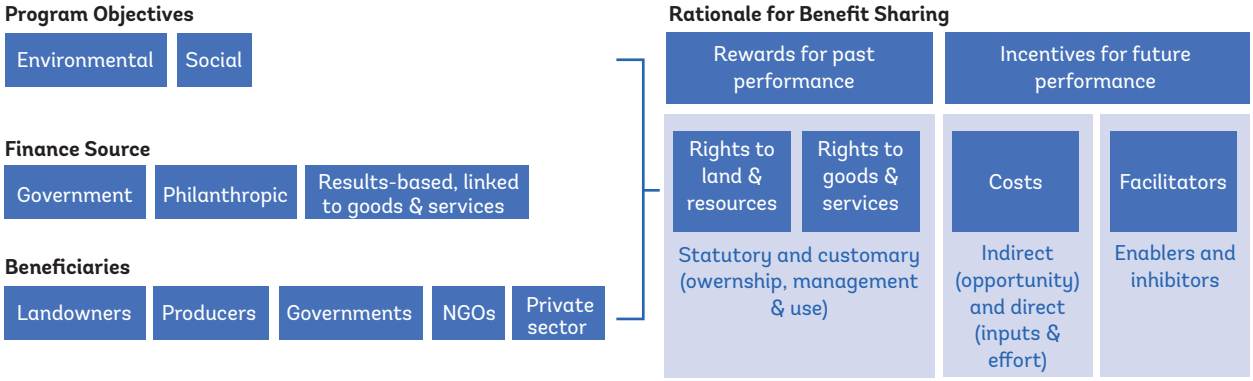
Dependence on context: Benefit sharing takes many forms and depends heavily on context. The land tenure regime and coherence with customary rights; the legal and institutional frameworks at national and local levels; the drivers of land use change related to local, national, and global economies; the political agenda; and many other contextual factors all shape benefit sharing. The history of land use and land tenure are likely to provide important considerations for benefit sharing and raise questions about whether benefit sharing may reinforce or help address past inequities, such as those resulting from historical expropriation of land.

Tensions related to the purposes of benefit sharing: Benefit sharing is heavily dependent on the objectives of the relevant program, which nearly always include social objectives as well as environmental ones, such as reducing emissions. Furthermore, the source of finance can impact the way that benefits are shared since governments may spend their own finances as directed by their legislators, and philanthropic funds may be spent according to the agreement with the donor, whereas landowners and other actors who produce the goods and services from which results-based finance is derived may arguably have a right to a share in the benefits. Determining what share should go to which beneficiaries is complex and reflects tensions between whether benefits are seen as:

- Incentives for future performance and/or rewards for past performance
- Based on rights to lands and resources that generate the goods and services and/or on the costs of implementing actions that generate them, including opportunity costs
- Including costs of facilitators and intermediaries and/or incentives for those who could hinder further results

See Figure 4.1a. for some of the considerations for benefit sharing related to its purpose. In many cases, a hybrid approach is adopted that reflects some or all of these factors, as explored in Section 4.2.

FIGURE 4.1A.: Considerations Affecting Benefit Sharing



Importance of good governance: While there is no universally agreed definition of good governance, several widely recognized attributes recurred repeatedly as important issues for benefit sharing:

- *Participation* – not only for beneficiaries in defining the form of benefits, but also including other stakeholders more broadly in designing, implementing, and evaluating benefit sharing, and in governance processes and decision making;
- *Transparency* – transparent information on eligibility and conditions for receiving benefits, the finance received and delivered, implementation costs, and how decisions are made and implemented, which provides a basis for building trust, support, agreement, and legitimacy;
- *Accountability* – through effective and transparent oversight mechanisms that ensure benefit sharing is governed and implemented as agreed;
- *Equity and inclusion* – in the design and implementation of benefit sharing in a manner that is fair, impartial, and inclusive, ensuring nondiscrimination with regard to women and vulnerable and/or marginalized individuals and groups; and
- *Effectiveness and efficiency* – in meeting the agreed objectives for benefit sharing, ensuring that benefits reach beneficiaries in a timely manner while minimizing costs.

Trade-offs: Comparing and contrasting different cases highlighted the ways that different approaches to benefit sharing in different contexts led to trade-offs between effectiveness, efficiency, and equity, which are explored further in each section below, and particularly in Section 4.2.

Adaptive management: Since benefit sharing is complex, involving many often-competing interests, it is hard to envisage all the ramifications in the design phase. In addition, the context often changes throughout these long-term programs. Every case involved some change to address challenges. Having the capacity to monitor and adapt benefit sharing was seen as critical to success. Examples of changes that were made are included in every section and adaptation is explored further in Section 4.4.

4.2 Beneficiaries & Benefits

4.2.1 KEY CONSIDERATIONS RELATED TO BENEFICIARIES AND BENEFITS

Key considerations for the identification of beneficiaries and benefits relate to the eligibility criteria for participating in benefit sharing, the types of benefits shared (e.g., monetary or nonmonetary), and whether the benefits vary for different stakeholder groups, as well as any conditions required for accessing benefits (e.g., based on performance). It is also important to consider what proportion of funds or benefits are allocated to each group, including vertical allocation between national and local levels and horizontal allocation among communities or households, and the rationale for these allocations.

The identification of beneficiaries and the benefits they receive depends significantly on:

- The overall purpose of the program and whether benefit sharing is intended to support a change in behavior related to land use; for example, to protect forests or plant trees.
- The actors who need to receive incentives to change their land use, including ways to balance or outweigh the costs of lost opportunities and the effort required to make this change.
- The source of finance for benefit sharing. When the source of finance is derived from goods and services, then rights and ownership related to those goods and services need to be respected to ensure that benefits flow back to those who provided them.
- The extent to which rights to own, manage, and use land and resources provide an appropriate basis for benefit sharing. Consideration should be given to whether tenure is unclear or overlapping, the importance of customary rights, and circumstances where people who need to change behavior and incur costs do not own the land.
- What is perceived to be fair and acceptable by all stakeholders, since equity in benefit sharing is key to building support for the program among key stakeholders.
- The relative power and influence of different stakeholders to negotiate the terms of their engagement.

4.2.2 FINDINGS FROM THE CASES ABOUT BENEFICIARIES AND BENEFITS

4.2.2.1 General observations

All the cases reviewed have primary objectives that are environmental—such as the protection of forests and other ecosystems, the sustainable management of forests, and the enhancement of carbon stocks. In addition, most of the programs also have social objectives, including, for example, improving well-being; reducing poverty; generating employment in rural areas; improving access to social, educational, and health services; and building capacity for sustainable natural resource management and to cope with climate change (see Table 3.2a).

In all cases, the identification of beneficiaries and the types of benefits they receive depends heavily on understanding the key actors and type of incentives that will be most effective in achieving these overall program objectives; equity within legal, social, and cultural contexts; and efficiency in meeting the objectives at least cost. Generally, across the cases, some trade-offs are apparent between:

- ***Effectiveness and equity*** – for example, benefit sharing that is designed to be more effective by providing benefits that work as incentives for all the key actors is likely to be more inclusive and potentially more equitable, but can create tensions by channeling some benefits to actors who are not seen as legitimate rights holders (e.g.,

recent migrants to the area, political elites, or larger landowners).

- ***Effectiveness and efficiency*** – for example, benefits based on performance may be more effective but often need more complex procedures and methodologies that can increase monitoring costs needed to assess conditionality of benefits.
- ***Efficiency and equity*** – for example, a simple program with cash payments and straightforward eligibility requirements—for example, linked to land tenure—may exclude vulnerable and marginalized people.

The review of cases helped identify some key and recurring issues for beneficiaries and benefits:

- The overriding importance and associated complexities of land and resource tenure in identifying beneficiaries
- The importance of understanding potential barriers to participation, often linked to land and resource tenure
- The possibility of differentiating benefits for different groups for greater effectiveness and inclusion
- The need to understand costs and benefits for different actors to ensure that benefits really are perceived as benefits
- The consideration of whether individual or community benefits are most appropriate
- The consideration of whether monetary or nonmonetary benefits are most appropriate
- The importance of beneficiary participation in the defining the benefit package
- How the timing of when benefits are delivered can affect their effectiveness.

4.2.2.2 Land and resource tenure

Understanding who has the rights to own, manage, and use land and resources emerged as an important issue in all the cases, consistent with findings from other relevant studies (Davis, Nogueron, and Javelle 2012; World Bank 2019b).

Land ownership is frequently used to determine eligibility to participate in benefit sharing (see Box 4.2a) and improving land tenure security can be an important benefit. Multiple reasons for the importance of land and resource tenure in benefit sharing include:

- Benefit sharing in land use programs usually aims to create incentives for land use change and landowners often control land use change.
- Land tenure can provide clear criteria for determining eligibility, especially if the process for establishing land tenure is widely accepted and legitimate.
- The transfer of benefits to beneficiaries needs to be based on a clear legal framework, which can be provided by land tenure.
- If the source of finance for benefits involves the transfer of goods or services derived from land use, such as emission reductions or water services, then landowners may have a legal right to receive benefits and clarity of land tenure is critical.
- Security of land tenure can affect bargaining power and consequently the amount and type of benefits that are shared.
- Improved land tenure security is highly valued and can be perceived as a benefit (see Box 4.2g).

Land and resource tenure is not always clear and unequivocal. Although countries such as Costa Rica have relatively clear land ownership that has facilitated their benefit-sharing programs, in other countries, such as Madagascar and Peru, the local communities that use the forest do not have formal land ownership. In these cases, legal instruments—in the form of forest management contracts in Madagascar and conservation agreements in Peru—have helped recognize land and resource management rights as a basis for benefit sharing (see Boxes 4.2a and 4.2b). In several countries, such as Costa Rica and Ecuador, indigenous peoples have collective rights to land and resources, which are accommodated in benefit sharing because they receive different

treatment from the neighboring landowners that have individual titles to their land. In Australia, a lot of Emissions Reduction Fund (ERF) projects are on Crown Land where both government and indigenous peoples need to provide consent. This led to the development of special procedures to facilitate participation in areas with unclear or complex land tenure.

4.2.2.3 Barriers to participation

In several cases, eligibility criteria or other requirements for participation were found to have excluded some important actors, so changes were made to address these barriers to participation. For example:

- In Guatemala, the PINFOR requirement for proof of title to at least 2 hectares of land

Box 4.2a. **Addressing Land Tenure Barriers and Opportunities for Participation in Benefit Sharing**

Alto Mayo Protected Forest (AMPF), Peru: Conservation agreements provide a model for addressing the absence of land tenure through the security of a contract. The conservation agreements approach (see Box 4.2b) is thought to be a fundamental driver of success in the Alto Mayo landscape, where illegal settlement has driven deforestation and conflict between settlers and park authorities. It provides a mechanism for the participation of illegal settlers in the AMPF through the establishment of legally binding conservation commitments. Signatories co-design their own benefits packages by discussing their assets, priorities, and opportunities with government and implementation partners. Land title was not a legal option in this scenario, but land security was achievable if settlers complied with the regulations of the protected area.

Makira Project, Madagascar: Where communities have customary collective rights on government land, a legally established association and a forest management contract can help establish collective rights and responsibilities as a basis for benefit sharing. Since 2004, 75 communities around Makira Natural Park have each formally established a community management association, Vondron'Olona Ifotony (VOI), that has signed a contract with the government to manage forests in the buffer zone surrounding the park. These associations provide a formal structure to represent each community with respect to benefit sharing from carbon revenues. The management plans annexed to the forest management contracts include community responsibilities for forest protection—such as patrols and reports of any illegal activities—and identify the community's priorities for development projects. The establishment of a VOI and a forest management contract are the eligibility criteria for participation in benefit sharing, and communities know that they will become ineligible for participation if their contract is revoked because they do not implement their forest protection responsibilities.

PINFOR and PINPEP, Guatemala: Options for participation that address land tenure barriers are important where relevant. PINFOR was a National Forestry Incentive Program that was operational from 1998 to 2016 and largely focused on increasing the country's forestry stocks. Eligibility was restricted to landowners able to demonstrate proof of title to at least 2 hectares of land. This resulted in the majority of incentives going to larger private landowners. PINPEP is a Small Landowner Incentive Program that was initiated in 2007 in response to demands for broader participation. It allows access to forestry and agroforestry incentives for people without formal land tenure but who can prove that they have a legal right of possession. The minimum land size requirement is only 0.1 hectares, which allows poorer families who do not have much land to also participate.

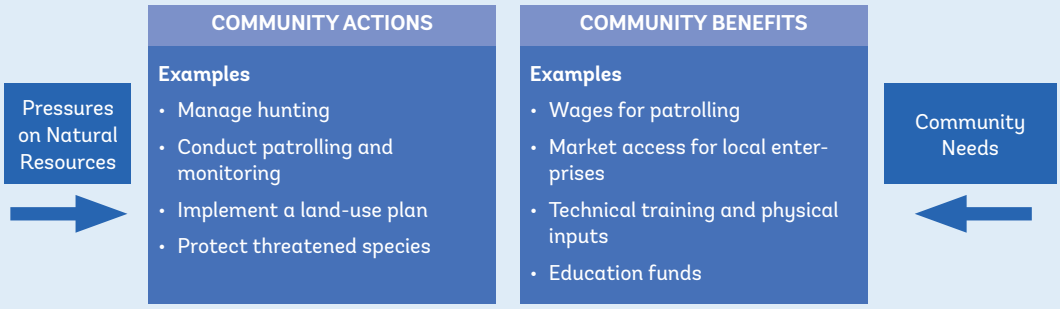
Box 4.2b. **The Conservation Agreements Approach**

In many parts of the world, communities are using their land, water, and other natural resources in unsustainable ways—simply because there is no economic alternative. When conservation offers concrete benefits to rural farmers and local communities, protecting the environment becomes an increasingly viable and attractive choice. Conservation International (CI) developed the conservation agreements approach in 2005 specifically to deliver economic alternatives for communities who seek to reverse nature degradation.

The conservation agreement model offers direct incentives for conservation through a negotiated benefit package in return for conservation actions by communities (Figure B4.2b.1). Thus, a conservation agreement links conservation funders—governments, bilateral agencies, private sector companies, foundations, individuals, and so on—to people who own and use natural resources. Benefits typically include investments in social services such as health and education as well as investments in livelihoods, often in the agriculture or fisheries sectors. The concept of a conservation agreement is to adjust incentives (reduce, increase) based on compliance with commitments in the actual contract. It should be noted that social services are not types of benefits that can be easily adjusted, as they are generally considered to be human rights (as per the UN Declaration on Human Rights, articles 25 and 26). In the Alto Mayo (AMPF) case, these services are provided in the buffer zone rather than the core zone of the protected area. Benefits can also include direct payments and wages. The size of the benefit packages depends on the cost of changes in resource use, as well as conservation performance. Rigorous monitoring verifies both conservation and socioeconomic results.

CI and partners work with communities that agree to protect their natural resources, as well as the benefits they provide, in exchange for a steady stream of compensation from investors, and are currently managing 200 agreements with communities and nearly 2,000 agreements with families, conserving 2.7 million hectares of important ecosystems and directly benefiting 90,000 people.

FIGURE B4.2B.1.: Conservation Agreements Approach



excluded a significant share of the country's smallholders, so PINPEP was designed specifically to enable broader participation of people with smaller land holdings (as small as 0.1 hectares), including those without formal land title (see Box 4.2a).

- In Costa Rica, formal title was a requirement for participation in the Payments for Environmental Services Program (PSA), which excluded many poorer farmers with smaller land holdings who do not have formal title but who collectively have significant impacts. The program was amended to accept proof of right of possession in lieu of title in some circumstances to enable broader participation.
- In Australia, the high transaction costs for participation in the Carbon Farming Initiative proved challenging for smaller-scale projects to participate, so changes were made during the design of the subsequent ERF to facilitate aggregation: the project proponent no longer needs to hold the carbon sequestration rights (i.e., to own or have a property interest in the project area) but can be another entity that has a contract with the landowner, and standard arrangements are established for transferring rights from households and small businesses to a project aggregator (Commonwealth of Australia 2014).

Barriers to participation may also be designed intentionally to exclude some people—for example, to avoid perverse incentives. In Amazonas, Brazil, beneficiaries of Bolsa Floresta need to provide proof of residence in the area for at least two years to avoid the perverse incentive of having more people moving to the area to access benefits.

4.2.2.4 Differentiation and targeting of benefits for different groups

Providing uniform benefits to all beneficiaries may be simple to communicate and relatively easy to administer, but all the cases reviewed involved some form of differentiation of benefits for different groups to address issues of effectiveness, equity, and/or efficiency.

Where benefit sharing aims to create incentives for land management—for example, tackling drivers of deforestation—it is quite likely that different types of actors will need to be engaged and they will be motivated by different types of benefits (see Box 4.2c). In the AMPF in Peru, illegal settlers needed to be engaged because their agricultural practices were directly causing deforestation in the program area. In addition, the nearby indigenous peoples also needed to be engaged because they were indirectly contributing to deforestation by renting their land to outsiders who deforested the land. In SISA in Acre, Brazil, benefit-sharing arrangements explicitly recognize the role that indigenous peoples have played historically and continue to play in maintaining forests on their land and includes them as beneficiaries for reasons of equity as well as effectiveness. In both cases, the different groups receive quite different benefits. In Peru, the illegal settlers receive rights to remain in the protected area and technical support for improved coffee farming, while the indigenous peoples have prioritized support for retaining and recovering traditional practices. In SISA in Acre, Brazil, the indigenous peoples get support for indigenous agroforestry agents and for cultural heritage activities, while other beneficiaries get technical training and economic tax and credit incentives.

Initially broad, the Costa Rica PSA has evolved considerably over the years and moved toward a greater degree of targeting, with differentiated payments for agroforestry, natural forest regeneration, sustainable forest management, and forest protection. In Bolsa Floresta in Amazonas, Brazil, different types of individual or collective action are incentivized by providing some benefits to individual households for sustainable production activities and some to communities to improve social conditions such as education and health.

In Ecuador, with the Socio Bosque Program (SBP), smaller landholders and communities

Box 4.2c. **Tailoring and Targeting Benefits to Specific Beneficiary Groups**

Alto Mayo Protected Forest (AMPF), Peru: Benefits need to be tailored for specific beneficiary groups and to address specific drivers of environmental change. The Alto Mayo program initially focused on the AMPF and illegal settlers who drove deforestation through coffee cultivation. Much of the benefit package emphasized technical support to shift coffee cultivation to more sustainable and more productive practices. Later, the program expanded to include indigenous peoples adjacent to the protected area where communities were facing declining socioeconomic conditions and cultural values linked to high deforestation in their territories. This required defining a new, specific theory of change related to drivers of forest loss on indigenous peoples' lands, often resulting from renting land to outsiders who then cleared forest for agriculture. The process was participatory, following principles of free, prior, and informed consent, and reflected the Shampuyacu community's Life Plans (community-driven assessments of their collective needs and desires, that incorporate cultural, environmental, and developmental elements, and provide a participatory management framework for addressing issues of relevance to the communities and for guiding external partnerships with those who would wish to support them), which also had to be created. Social and gender considerations were very intentional here, with the community prioritizing support to retain and recover traditional practices. The process employed a conservation agreement approach, like the one in the protected area, but tailored to the indigenous peoples.

State System of Incentives for Environmental Services (SISA), Acre, Brazil: For both equity and effectiveness, it can be important to recognize the contributions of actors who have maintained forests and provide incentives for ongoing protection as well as incentives for behavior change in those causing deforestation. Beneficiaries in the State of Acre are defined by the SISA legislation based on the provision of ecosystem services using the stock and flow approach, and by rewarding stakeholder groups that contribute to protecting forests (stock) as well as to reducing deforestation (flow). This approach takes into consideration that the conservation of about 87 percent of Acre State's forest cover is mainly the result of protection by its inhabitants, and not only the reduction of activities that cause deforestation. The benefits include establishing economic, tax, and credit incentives and creating enabling conditions (e.g., capacity building) for the program's beneficiaries, aiming to promote and develop sustainable activities. For indigenous peoples the benefits also involve direct payment to indigenous agroforestry agents to protect their territory and foster sustainable land management and to indigenous peoples' organizations to implement cultural heritage activities (KfW 2017).

continues next page

receive a higher per hectare payment. In Amazonas, Brazil, women (mothers of families) receive a monthly payment as part of the Bolsa Floresta package and special social and environmental training and inputs—for example, on practices of agriculture for which women are typically are responsible.

Another way to promote inclusion and to target benefits to specific beneficiaries is to intentionally provide a greater proportion of overall benefits to a particular group (see Box 4.2d). In Nepal, this is done by requiring that Community Forest User Groups allocate at least 35 percent of their income to improve the livelihoods of poor people, Dalits (members of a socially marginalized group), indigenous peoples and ethnic groups, and women. Guidelines for implementing community forestry specify how poor and marginalized individuals and groups should be identified using a participatory well-being ranking to identify those with limited access and control over

Box 4.2c. **continued**

Bolsa Floresta, Amazonas, Brazil: A combination of benefits can be tailored and targeted, providing collective and individual incentives, including for specific stakeholders such as women. Beneficiaries in the Bolsa Floresta program in the State of Amazonas are eligible for funding from each of four subprograms: (1) communities receive an average of 415 Brazilian reais (US$106) per family annually to implement sustainable production activities; (2) communities receive another 160 Brazilian reais (US$41) per family on average annually to improve the social conditions of the communities (e.g., education, health, transportation); (3) associations of settlers receive an average of 85 Brazilian reais (US$22) per family annually to support these associations; and (4) women (mothers of families) receive 600 Brazilian reais (US$153) annually for living in the conservation unit, to be used however they choose (FAS 2017). All the beneficiaries participate in a series of workshops that explain individually the rights and obligations if they voluntarily decide to participate in the program.

Socio Bosque Program (SBP), Ecuador: Differentiated payments can be used to target a particular beneficiary group such as poorer households. One of the aims of the SBP is to improve the socioeconomic condition of the poorest among the rural population. From 2008 to October 2011, the incentive scale applied by the SBP provided US$30/hectare annually to landowners for up to 50 hectares of forest land enrolled. To encourage farmers with smaller forest land areas to participate, the incentives were increased to US$60/hectare annually for private landholders with fewer than 20 hectares of land overall, not just forest.

Payments for Environmental Services Program (PSA), Costa Rica: Differentiated payments can provide incentives for different activities. The PSA program differentiates between project types that are subject to different conditions, including payment amounts. For example, forest conservation contracts provide for equal annual payments over the 10-year lifetime of the contract. In contrast, timber plantation and reforestation contracts front-load most of the payment into the early years of the contract: 50 percent of the payment is paid in the first year, 20 percent in the second year, 15 percent in the third, 10 percent in the fourth, and 5 percent in the fifth. Meanwhile, planting trees in agroforestry systems is accounted and paid on a per tree, rather than per hectare, basis.

social, economic, physical, natural, and human resources. Community Forest User Groups subsequently report on how they have improved the livelihoods of the identified groups—for example, through preferential employment on community forestry activities. In Costa Rica, the PSA targets beneficiaries that help meet development and biodiversity objectives by prioritizing areas of low development indices and high conservation importance using a point-system for weighting and prioritizing applications. The PSA also sets quotas for women and indigenous peoples' community groups to ensure that they receive a set share of the overall PSA benefits.

4.2.2.5 Individual versus community benefits

Whether benefits go to individuals or to communities depends heavily on the context, including whether or not local people make resource management decisions collectively; whether they have shared aspirations on the objectives of the program; which actors and type of activities are targeted; and the land and resource tenure regime and how this determines which actors have rights to benefits.

In the Latin American countries featured in these cases, the benefits tend to go to individual landowners who get incentives to implement activities on their own land and have rights to

Box 4.2d. **Targeting Benefits to Specific Groups Through Allocations, Weighting, and Quotas**

Payments for Environmental Services Program (PSA), Costa Rica: Weighting and quotas can be used to target benefits to certain areas of the country and certain groups of beneficiaries. In 2010, the National Forestry Financing Fund (FONAFIFO) moved from a system in which contracts were awarded on a first-come-first-served basis to any submission that meets the basic requirements to a point-system for weighting and prioritizing applications. This new evaluation matrix prioritizes areas of low development indices and high conservation importance (e.g., biological corridors), in addition to favoring small farms. It also sets quotas for women and indigenous peoples' community groups, stipulating a minimum number of contracts to be awarded to these generally marginalized groups.

Community Forestry, Nepal: Benefit sharing can effectively reduce poverty and social inequity if these goals are explicit and requirements are in place to ensure a minimum allocation of benefits to vulnerable and marginalized groups. Community forestry in Nepal has been explicitly designed to be pro-poor. Community forest guidelines require that 35 percent of the income generated by Community Forest User Groups be used to improve the social and economic condition of the poorest households, Dalits (socially marginalized group), indigenous peoples and ethnic groups, and women through livelihood improvement programs. Guidelines for implementing community forestry specify how poorer and marginalized individuals and groups should be identified using participatory well-being ranking to identify those with limited access and control over social, economic, physical, natural, and human resources. There are also requirements for including women, poorer individuals, indigenous peoples, and socially marginalized groups in the decision-making process (Gilmour 2016).

benefits from goods and services produced from their own land. Exceptions are found where indigenous peoples have collective rights to land and their benefits are provided to the collective group of rights holders (for example in the SISA in Acre, Brazil, PSA in Costa Rica, Socio Bosque in Ecuador, and AMPF in Peru). In Amazonas, Brazil, the beneficiaries are living in protected areas where land is owned by the state, so there is no individual land ownership and an atypical mix of individual and community benefits are provided (see Box 4.2c).

In Peru, the illegal settlers in the AMPF do not have individual land ownership but receive benefits as individual households through conservation agreements negotiated on a household basis. Benefits are received in the form of training and inputs for coffee growing, and are dependent on households respecting their conservation commitments. Support is also given to a coffee cooperative comprised of only those community members who have signed agreements. The cooperative has the dual features of allowing for collective benefits—which increase efficiency—and providing a market access mechanism for coffee farmers. Over time, the cooperative becomes more self-sustaining, with a business model focused on shade-grown coffee that depends on forest conservation. The program is moving toward a model of signing communal agreements in order to engage all the residents in the area. The program began at the individual level to introduce, test, and build support for the approach with people most open to collaboration with park authorities. By 2019, the program was managing over 900 individual agreements and required a great deal of administrative oversight. It has also expanded to include two communal agreements with indigenous peoples adjacent to the core protected area, in the buffer zone.

For the Katingan Mentaya Project in Indonesia, benefits generally target the whole community, although "anchor farmers" have piloted "no-burning, no-chemical" practices on their private land. If these farmers are successful, then others will be supported to adopt similar practices.

In the Kasigau Corridor REDD+ Project in Kenya, some of the benefits go to the ranch owners (landowners) who are individuals or groups acting as companies; membership of the companies is based on different forms of share ownership, and some of the benefits go to communities living in the project area. Elected members of the communities serve on a Location Carbon Committee, which decides on the allocation of benefits among project proposals submitted by community-based organizations. Projects that benefit the broader community are preferred to individual payments because the amount received to date would only provide US$5-8 per person per year, which would be insignificant at an individual level. Moreover, many times the individuals owning shares of a ranch do not necessarily reside in the area, making individual monetary benefits more appropriate than the collective nonmonetary benefits preferred by the communities.

While sharing benefits with individuals seems to be adopted and effective in all places where individuals own land, community benefits can reinforce and reward collective responsibilities where forests are a common interest. Protection or sustainable management of larger forest areas can be more effective when communities work together to establish and enforce agreements about their maintenance, management, and protection. The Community Forestry program in Nepal demonstrates another advantage of sharing benefits with communities rather than individuals, as poor and marginalized households were found to be more likely to share in benefits delivered to the community as a whole because of the elite capture that can occur when benefits are shared with individuals (Gilmour 2016).

Whether community benefits are effective in strengthening the management and sustainability of resources depends on many factors. Benefits received as a group need to be shared equitably within the community, avoiding elite capture, and they need to be perceived by enough community members as an incentive for changing behavior. Even if incentives are real, the management of collectively owned and managed resources has often been shown to be more effective under certain conditions—for example, where community members agree to rules for protection or sustainable resource use, they can enforce the rules and protect the resources from outside encroachment, and they can detect and penalize infractions (Ostrom 1990).

4.2.2.6 Monetary versus nonmonetary benefits

Across the cases, most examples of monetary benefits occur in places where beneficiaries are individual landowners with bank accounts. Bolsa Floresta in Amazonas, Brazil, provides an interesting example where cash transfers are made even in remote areas where indigenous and traditional peoples do not have bank accounts and where there is no individual land tenure. Sustainable Amazonas Foundation (FAS), which implements Bolsa Floresta, has partnered with Bradesco Bank to enable easy registration for a bank account by beneficiaries who meet the Bolsa Floresta eligibility requirements. Beneficiaries receive a debit card and can access their monthly payments when they go to the local municipal center.

In most cases, the benefits that go to a community rather than to individuals are provided as nonmonetary benefits. This enables the delivery of a diverse range of different goods and services that can be targeted to meet the needs and interest of the community, such as social services, revenue-generating activities, and cultural priorities. The benefits can also be targeted to support the implementation of activities that contribute to the desired land management, such as seedlings and tools for tree planting or technical support to convert an unsustainable land use into a more sustainable one. This was the case for communities in the Kasigau Corridor

Indri lemur in Makira Natural Park, Madagascar (©Johnnah Ranariniaina/Wildlife Conservation Society)

REDD+ Project in Kenya, as described in the previous section (4.2.2.5), which implements nonmonetary community projects by prioritizing proposed ideas for projects based on the community's collective needs.

Although cash payments are sometimes made to community associations for management on behalf of the community, there are risks of mismanagement if governance and financial management is not transparent and effective. Cash is sometimes paid to individuals within an overall package of primarily nonmonetary community benefits, often for daily wages. For example, in the Makira Project in Madagascar, the community forest management associations receive cash payments that are paid to the individuals who conduct patrols for surveillance and monitoring Makira Natural Park.

While nonmonetary benefits can be better targeted to different types of benefits or incentives, several interviewees mentioned that their delivery can be more complicated than anticipated. The scale of challenges involved and the capacity to implement nonmonetary benefits seem to vary greatly among countries. In the Makira Project of Madagascar, there were significant delays in delivering nonmonetary benefits where villages are very remote (up to three days' walk from the nearest transport) and where much of the population is illiterate (see Box 4.2d). Table 4.2a summarizes some of the advantages and challenges of providing monetary and nonmonetary benefits.

Although improvements to services such as clean water supply and access to health care and education seemed to be perceived as welcome benefits, the improvements may not endure without longer-term support from relevant government departments or the improvements could potentially undermine government provision of these services in general. Where initiatives provide infrastructure for schools and health care clinics, consideration needs to be given to the staffing and operational costs to ensure they are functional. In cases where increased security of land tenure is provided as a benefit—such as for illegal settlers in the AMPF in Peru (see Boxes 4.2a and 4.2b) and for villages in Katingan Mentaya Project in Indonesia (see Box 4.2g)—questions arise about the extent to which these rights will be protected and whether

Table 4.2a. **Some Advantages and Challenges of Monetary and Nonmonetary Benefits**

ADVANTAGES	CHALLENGES
Monetary benefits	
• Efficient to administer if payments are made directly to bank accounts • Transparent • Quick delivery • Low transaction costs • Can ensure that all beneficiaries receive their share of benefits • Empowers beneficiaries to decide on their own priorities for use of funds • If large enough, can be a significant incentive to produce the desired behavior	• Difficult where target beneficiaries do not have bank accounts and would have difficulty accessing the cash • Hard to target benefits for specific activities—for example, for capacity building and for social services • Potential for mismanagement of community funds • Require robust local governance structures and financial management for community funds • If smaller benefits packages are divided among many individuals, the incentive realized on a per capita basis may not be perceived as significant
Nonmonetary benefits	
• Easier to target benefits to support specific activities and capacity building, such as training for revenue-generating activities or seedlings for plantations • Can ensure that all community members benefit, depending on the type of benefit	• Delivery of nonmonetary benefits can be challenging logistically • Delivery of specialized training or inputs can require skills or inputs not available locally, increasing costs • Significant support may be needed to facilitate community agreement on priorities and ensure effective delivery of the benefits, often requiring an intermediary • Transaction costs can be high • Delivery of benefits can be slow • Benefits delivered may not be successful if they do not respond to local interests, or have not been well conceived or implemented—for example, if the implementing organization does not have the required skills • The amounts spent and value of the benefits may not be transparent, causing mistrust • Benefits may need support from and coordination across government departments to be effective and sustainable

there will be enforcement of the new rights by government authorities against encroachment. For many types of nonmonetary benefit, coordination is needed across several government departments to ensure that benefits are effective and sustainable (Box 4.2e)

4.2.2.7 Revenue-generating versus social projects

A diverse range of nonmonetary benefits were encountered in the cases, generally falling into the categories of:

- Revenue-generating activities that aim to directly increase the incomes of beneficiaries;

Box 4.2e. **Examples of Nonmonetary Benefits**

- **Infrastructure:** Rehabilitation of schools and health clinics (Makira Project, Madagascar; Kariba REDD+ Project, Zimbabwe); infrastructure for irrigated rice cultivation, offices for community management associations (Makira Project, Madagascar); rehabilitation of bore holes, road maintenance (Kariba REDD+ Project, Zimbabwe); access to clean water, construction of latrines, solar energy (Katingan Mentaya Project, Indonesia); rehabilitation and construction of crop storage facilities, cocoa and fish drying structures, markets, buildings for community meetings (Bolsa Floresta, Amazonas, Brazil); coffee-related storage and processing facilities, eco-bathrooms (AMPF, Peru)
- **Services:** Subsidies for health care practitioners and teachers' salaries; subsidies for school fees, health care supplies, and educational materials (Kariba REDD+ Project, Zimbabwe); health care practitioners, health care supplies, and educational materials (Katingan Mentaya Project, Indonesia); government service hubs to improve access to health and education (AMPF, Peru); ambulance boats and radio equipment for emergencies (Bolsa Floresta, Amazonas, Brazil)
- **Inputs:** Materials for beekeeping (Makira Project, Madagascar; Kariba REDD+ Project, Zimbabwe), vanilla cultivation (Makira Project, Madagascar; Katingan Mentaya Project, Indonesia), bamboo and cashew cultivation (Katingan Mentaya Project, Indonesia), firewood plantations (Kariba REDD+ Project, Zimbabwe), organic gardening (AMPF, Peru; Katingan Mentaya Project, Indonesia)
- **Capacity building:** For fuelwood plantations, early burning fire management and anti-poaching (Kariba REDD+ Project, Zimbabwe); rice and vanilla production (Katingan Mentaya Project, Indonesia; Makira Project, Madagascar); rubber agroforestry, microfinance, fish ponds (Katingan Mentaya Project, Indonesia); coffee cultivation and cooperative development, and organic gardening (AMPF, Peru); participatory planning, financial management, and leadership of community associations, artisanal products, tourism, fisheries management, guarana, acai and banana cultivation, Brazil nut commercialization, community forest management and timber production including support for certification (Bolsa Floresta, Amazonas, Brazil)
- **Enterprise support:** Non-timber forest product cooperatives, native fish aquaculture company (SISA, Acre, Brazil); village enterprises for the fabrication of composite flooring from rattan and bamboo, and for coconut palm sugar production (Katingan Mentaya Project, Indonesia); coffee cooperative development (AMPF, Peru)
- **Market access:** Access to local markets for vegetables, composite flooring, rubber, and vanilla (Katingan Mentaya Project, Indonesia); access to international markets for coffee (AMPF, Peru)
- **Securing land tenure:** Supporting villages to get formal recognition and tenure over forest land (Katingan Mentaya Project, Indonesia), supporting illegal settlers to avoid eviction from a protected area by remaining in compliance with the laws of that area (AMPF, Peru)
- **Revolving funds*:** Village funds for micro finance (Katingan Mentaya Project, Indonesia)
- **Employment*:** Daily wages for patrols and monitoring (Makira Project, Madagascar; Kariba REDD+ Project, Zimbabwe); for community fire patrol for four months of dry season (Katingan Mentaya Project, Indonesia); for road maintenance and for early burning fire management (Kariba REDD+ Project, Zimbabwe)

* Although revolving funds and employment involve cash transfers, they are typically included as part of a package of nonmonetary benefits.

- Social services that aim to directly improve the well-being of beneficiaries;
- Infrastructure such as roads that can improve livelihoods indirectly; and
- Institutional capacity strengthening for administration, financial management, and governance.

Several programs found that revenue-generating activities were popular and could be easier to implement than some other types of project. In Amazonas, Brazil, the representatives of the community associations decided to allocate more funds to revenue-generating activities and reduce the funds for social projects. This was requested at the Bolsa Floresta community leaders meeting in 2014, where participants noted their preference to shift the focus toward building capacity for self-reliant income generation, with the idea that communities would at some point be able to fund their own social projects. In the Makira Project in Madagascar, Intensive Rice Cultivation System (SRI) and other cultivation and revenue-generating activities have seemed to be the nonmonetary projects that have worked best, in part because the community members have the capacity to implement them. In contrast, infrastructure projects have been among the most challenging.

Revenue-generating projects can be challenging if new technologies, skills, and inputs are needed, and if new products are introduced for which the market is untested. In Indonesia, it was appropriate to implement revenue-generating projects only in the least remote areas around the Katingan Mentaya Project, which had the easiest transport access to markets (see Box 4.2f). Revenue-generating projects may also disproportionately benefit people with greater education, wealth, and power.

While revenue-generating projects can contribute to sustainability, they could also produce results inconsistent with the overall goal of the program—for example, if increased wealth is invested in activities that threaten forest conservation. In Indonesia, benefit sharing in the Katingan Mentaya Project aims to support a transition to a new local economy where communities can prosper without deforestation. However, there is greater assurance that revenue generation will reinforce the program's objectives if the communities' success depends on maintaining the forest and is not just compatible with it. For example, in Peru, the shade-grown coffee in the AMPF relies on maintaining the forest cover, and, in addition, the coffee growers retain their right to stay in the protected area only if they help protect the remaining forest. There are also market incentives to protect the forest, as the certified coffee commands a significant premium that would be lost if deforestation leads to a loss of certification.

4.2.2.8 Costs, benefits and incentives

It is important to note that the benefits that are shared are only perceived as benefits by the beneficiaries, and can be effective incentives for behavior change only if they outweigh the perceived costs.

There were few examples among the cases of thorough assessments of opportunity or implementation costs for each type of beneficiary. In Costa Rica, the floor price for the first PSA payments was based on the opportunity cost of keeping one cow on a hectare of land (determined to be US$40 per hectare). This amount has been adjusted over time, using the country's consumer price index as a reference (Chaves and Chacón 2017), and PSA payments for forest protection now range from US$64 to US$80 per hectare per year. Benefit sharing, in most cases, seemed to be based on willingness to pay and willingness to accept—meaning that the amount or type of benefit is offered, or in some cases negotiated, and beneficiaries are given the option to participate at will.

In Australia, the ERF is operated through auctions that are designed to purchase emission reductions at least cost, selecting the lowest bids submitted. Landowners or project proponents tend to submit their lowest price bids by taking into account the costs they will incur and

Box 4.2f. **Revenue-Generating Activities Can Provide Effective and Sustainable Benefits but Require Market Access**

The Katingan Mentaya Project has emphasized community-based business development through the establishment of revolving funds for microfinance to support small-scale economic activities, as well as funding small and medium enterprises with business objectives that are consistent with peat conservation and restoration. Pilot activities include business development in areas such as fabricating rattan and bamboo composite, producing coconut palm sugar, rubber and vanilla agroforestry, producing organic rice, establishing fishponds, managing livestock, and processing salvaged wood. The project team provides business development expertise to support development of locally owned businesses based on local natural resources and help them access markets. The aim is for carbon finance to provide a bridge to a low-carbon economy that does not rely on continued deforestation. However, market access is key. In some cases, the project can help initially by purchasing products, such as produce from the vegetable gardens for their own staff, or by helping to find buyers. Some more remote villages will not be able to access markets competitively. In those places, benefits have been provided as grants to improve basic infrastructure. These grants and technical expertise from the project team have helped the villagers to leverage Village Funds provided by the government. For example, in one case the project provided a solar powered water pump to improve the effectiveness of a water tower that had been built with government funds.

Box 4.2g. **Increased Security of Land Tenure Can Be Perceived as a Significant Nonmonetary Benefit**

The Katingan Mentaya Project is piloting a program of assistance to allow villages to seek formal recognition and tenure over forest estate land in the immediate vicinity of the village. The project facilitated two villages (Mendawai and Telaga) to design and propose to government a "Village Forest" (Hutan Desa) application seeking clearer management rights on between 2,000 and 10,000 hectares of forest estate land in the buffer zone of the project area, adjacent to those villages. If successful, the village forest license will grant the village a 30-year concession license to manage the forest in that area sustainably. As part of the application process, the village must outline a restoration and sustainable use plan for the area (including forest and hydrological restoration). The challenges of assisting villages to obtain village forest licenses vary from village to village, and the approach must always be tailored to the exact circumstances and desires of the village in question. Typically, the process includes lengthy initial discussion, further participatory mapping, formulation of a detailed land use plan for the targeted area, and formulation of a village business unit (if one does not already exist), followed by formal application to the Ministry of Forestry (PT RMU 2017).

Box 4.2h. **Auctions Can Help Adjust and Optimize the Amount Provided for Benefits**

In Australia, the Emissions Reduction Fund (ERF) does not assess, monitor, or pay for any results other than emission reductions. However, the auctions that are used to select projects are designed to purchase emission reductions at the least cost since project proponents tend to factor in other benefits when bidding for a contract. The Clean Energy Regulator invites bids from registered projects that have already shown they meet methodology and ownership requirements. Participants submit a bid specifying a price per ton of emission reduction and the lowest-cost projects are selected. Participants cannot see what other companies are bidding as bids are "sealed" or secret. Successful participants are paid the price that they bid once they submit audited reports demonstrating the volume of emission reductions achieved after project implementation. The non-carbon benefits reduce the level of funding required from the ERF to make projects viable, and the competitive nature of the auction process creates incentives for project proponents to submit their best bids, taking non-carbon benefits into account. In this way the ERF provides financial support for cost-effective emission reductions and may generate other project benefits (Commonwealth of Australia 2014).

the potential other benefits that the project may generate for them (see Box 4.2h).

The auction approach relies on beneficiaries having the capacity to assess their own costs and benefits, which may not be feasible in all countries. It also results in different amounts being paid to each beneficiary, which may not be considered acceptable.

Rigorously aligning benefits with opportunity cost can be challenging, particularly when the desired nonmonetary benefits are difficult to quantify. In the AMPF in Peru, for example, it was hard to apply the standard conservation agreement approach that aims to benchmark incentives against the opportunity costs of changing behavior for the surrounding indigenous peoples. In addition to technical support related to agriculture, which can more easily be defined monetarily, these communities requested benefits related to the recovery of traditional knowledge, a benefit that is hard to quantify in pure dollars terms in order to equate to the cost of producing more desirable environmental outcomes (Podvin 2017).

4.2.2.9 Participatory identification of benefits

A critical way to ensure that benefits are really perceived as benefits is to give the beneficiaries decision-making power over the form of the benefits. When benefits are monetary, the beneficiary generally has complete control and can decide how to spend their money. Exceptionally in Ecuador, beneficiaries of the SBP are required to submit an investment plan to explain how the cash they receive will contribute to poverty alleviation and local development (see Box 4.2i).

All the cases involved some process for participatory identification of nonmonetary benefits. Program implementers from Bolsa Floresta in Amazonas, Brazil, the Makira Project in Madagascar, and the Kariba REDD+ Project in Zimbabwe all stressed that listening to beneficiaries and being able to adapt the benefits based on their inputs were among their most important lessons learned. Insights into participatory structures and process are provided in Section 4.3 on stakeholder participation.

Box 4.2i. **Including Requirements for Participatory Decision Making About Use of Funds for Monetary Benefits to Communities Can Help Promote Positive and Equitable Social Outcomes**

One of the aims of the Socio Bosque Program (SBP) is to have direct and verifiable benefits for poverty alleviation and local development. To help achieve this, each SBP beneficiary must develop a family or community investment plan that outlines how they will use the monetary incentive. Spending on education, health care, and infrastructure development is encouraged. The investment plan is also intended as a tool for more transparent decision making within communities (for indigenous peoples' collective benefits) and to reduce the risk that some community members are misinformed about the program's details or excluded from its benefits (Fehse 2012). Community groups are therefore requested to document the internal decision making related to the application to the SBP using communal land and the community agreements on how they use the incentive. The SBP provides training to communities to strengthen their capacity for the preparation, implementation, and evaluation of their investment plans.

4.2.2.10 Timing and duration of benefits

The timing of benefits can have an important impact on effectiveness. Where benefit sharing aims to create incentives for behavior change, it can be effective to link the benefits to results; however, some activities, such as tree planting, need significant investment up front. It can be challenging to provide benefits up front if the program receives only results-based finance, as is usually the case for land use emission reductions programs.

The duration of benefits can have an important impact on the sustainability of the desired behavior change (see Box 4.2j). The conservation agreements approach in the AMPF in Peru emphasizes defining a benefit package that can be adjusted (increased or decreased) based on the community or individual's compliance with their conservation commitments. If all benefits are delivered up front, there is no longer an incentive to comply. If monitoring and penalties for noncompliance are clear by decreasing or eliminating the benefits, the coupling between incentive and behavior can be maintained. It should be noted, however, that independent of timing, some benefits—such as a subsidy for a teacher's salary or delivery of a basic service—cannot easily (ethically or logistically) be adjusted.

Inconsistent or unreliable delivery of benefits can degrade trust and reduce their effectiveness (see Box 4.2j). In the Makira Project in Madagascar, delays in the delivery of expected benefits were demotivating for the beneficiaries (see Box 4.3b).

This type of uncertainty is not uncommon, and points to the uneven bargaining power between the recipients and the government or manager in these programs, where the latter can enter into noncompliance with no penalty, but not the reverse. Where negotiation is more robust, agreements can account for the possible factors that could hinder benefit delivery and can involve a variety of mitigation measures or sanctions to incentivize the government or program manager to pay on time—for example, through escalation clauses, where the amount due increases depending on the length of the delay.

4.2.3 GOOD PRACTICES FOR BENEFICIARIES AND BENEFITS

- ***Identifying beneficiaries:*** Careful analysis should be conducted to identify which actors should receive incentives for behavior change to achieve the objectives of benefit sharing and which should be rewarded because of their rights and their

Box 4.2j. **Considerations About the Duration and Consistency of Incentive Payments**

Both of the forestry incentive programs in Guatemala (PINFOR, PINPEP) provide payments for between 3 and 10 years (depending on the project modality), and the same parcel of land cannot be re-registered. The National Forestry Institute (INAB) provides incentives that are short term and meant to promote the adoption of sustainable forestry practices that lead to long-term income generation opportunities (e.g., through agroforestry, forest plantations, etc.). INAB also approves a longer-term management plan. However, there is a concern that the short-term duration of the incentives poses potential challenges both to long-term forest protection and to the viability of plantations. For plantations, short-term incentives leave a potential gap between the end of the incentives and the plantation reaching a mature age. With natural forest protection it could create a situation where a landowner ends up deforesting (even if it is illegal), because they do not want, or cannot afford, the unproductive asset (Kuper 2014). By contrast, Ecuador's SBP has agreements with a term of 20 years, and the agreement is automatically renewed if the landholder does not opt out. However, SBP beneficiaries are required to protect and conserve the area included in their contract (i.e., maintain intact forest cover) and therefore have fewer opportunities to generate additional revenue from the standing forest assets. Twenty years was therefore seen as a period that was long enough that it would require changes in practices and outlook and would have a greater chance that conservation would continue after the initial term (de Koning et al. 2011).

Both the PINFOR and PINPEP programs in Guatemala and the SBP in Ecuador are financed through the national budget, with PINFOR and PINPEP receiving 1 percent of the state budget, and the SBP's budget allocated each year by the Treasury. Both programs have experienced difficulties with making payments on time because of the lack of availability or approval in funding. In 2014, maintenance phases of several PINFOR projects were legally canceled by the INAB as a result of insufficient funds. Critics argue that PINFOR's community and protection projects were disproportionately selected for cancellation while privately owned plantations remained a priority (von Hedemann and Osborne 2016). In Ecuador, in mid-2015, the payments were temporarily delayed and were not reinstated until 2017. The Ministry of Environment explained that the delay was the result of fluctuations in the price of oil that impacted state revenues. These budgetary uncertainties and payment delays can impact the level of trust that people have in participating in the programs as it leads them to question the long-term value of taking part and the commitment of government to maintain the stated level of benefits.

contributions to generating the goods and services linked to results-based finance.

- *Eligibility criteria:* Although land and resource tenure can provide a clear and legitimate basis for determining the eligibility of beneficiaries, care should be taken to include key actors with overlapping rights and to recognize customary rights.
- *Barriers to participation:* Eligibility requirements should not exclude target groups and benefit packages should be sufficiently attractive to encourage participation; special attention should be paid to vulnerable and marginalized groups and existing inequities.
- *Targeting benefits:* Allocations, weighting, or quotas can be effective for targeting specific beneficiary groups and for meeting specific objectives.

- ***Differentiated benefits:*** A differentiated approach can be effective, providing different types and/or amounts of benefits to different groups of beneficiaries to reflect their different rights and contributions with respect to the objectives of benefit sharing. This approach should consider monetary and/or nonmonetary and individual and/or community benefits as appropriate, bearing in mind that greater complexity could increase operational and transaction costs for delivery of benefits.
- ***Conditionalities for benefits:*** Specific outcomes can be facilitated by making benefits performance-based, by linking them to clear commitments in a conservation agreement, and/or by requiring an investment plan for the use of monetary benefits received. Conditions should be clear, with monitoring to assess compliance and consequences or penalties consistently applied when the conditions are not met.
- ***Participatory identification of benefits:*** Benefits should outweigh opportunity costs and the efforts and inputs needed to participate in the program, so a cost-benefit analysis for different stakeholder groups can be helpful. However, this may not be easy, so participatory identification of benefits—enabling the beneficiaries themselves to decide on the benefits they receive—is often the most effective approach.
- ***Monetary benefits:*** Monetary benefits can provide strong incentives by giving beneficiaries decision-making control about how they spend the cash they receive. Monetary benefits can be efficiently delivered where beneficiaries have bank accounts, and they are generally more appropriate where there is clear land tenure and landowners have the capacity to implement activities on their own land.
- ***Nonmonetary benefits:*** Nonmonetary benefits can be targeted to achieve social or environmental objectives but, to be effective, beneficiaries should identify which benefits are implemented and have the capacity to benefit from them. Capacity is also needed to deliver nonmonetary benefits, which can be more challenging than monetary ones, both administratively and logistically.
- ***Individual versus community benefits:*** Although benefits to individual households can be appropriate and effective in some contexts, community benefits can reinforce and reward collective responsibilities and can ensure that all community members—including the vulnerable and marginalized—share in the benefits.
- ***Revenue-generating benefits:*** Benefits in the form of revenue-generating activities are often popular and can help ensure long-term sustainability if there is good market access, but care should be taken in their design to link revenue-generating success to the maintenance of the forest or other environmental objectives to avoid perverse or unintended outcomes.
- ***Timing of benefits:*** The timing, duration, and consistency of benefits over time can have an important impact on their effectiveness, bearing in mind that some activities may require up-front investment (such as tree planting), whereas later delivery provides an opportunity to link benefits to performance.

4.3 Institutional, Financial, and Governance Arrangements

4.3.1 KEY CONSIDERATIONS FOR INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

Formal, well-structured institutional arrangements for governance and for financial and other management underpin benefit sharing. The different institutional and legal arrangements depend greatly on the overall program's objectives, technical alignment, funding sources, capacity, available resources, and other factors.

Good governance in relation to these institutional, financial and governance arrangements is key in enabling the effective, efficient, and equitable delivery of benefits to beneficiaries.

The key questions for institutional, financial, and governance arrangements include: how benefit sharing is structured and implemented; how decisions are made; how funds are received, managed and disbursed; how benefits are delivered to beneficiaries; and what entities are involved and why. Many different roles are required to implement and oversee benefit sharing and the entities filling those roles vary greatly depending on the context.

4.3.2 FINDINGS FROM THE CASES ABOUT INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

4.3.2.1 General observations

Institutional, financial, and governance arrangements contribute to the efficiency of benefit delivery. However, processes for decision making about the design and oversight of benefit sharing are also critical for effectiveness to ensure that benefit sharing supports the program's overall objectives. Furthermore, governance arrangements are crucial for equity and inclusiveness. Although more complex programs targeting different drivers of change and providing different types of benefits to different actors may support more effective delivery of environmental results, the arrangements required to implement these programs often entail an increased management burden and accompanying higher transaction costs.

Collaboration is key, given the many roles and responsibilities required to implement benefit sharing. Programs are most efficient when institutions and beneficiaries have adequate capacity and are operating under clear institutional, financial, and governance arrangements. Clear and transparent legal frameworks support this collaboration, so it is important that they are strong while remaining adaptable for changing contexts.

The review of cases helped identify key issues for institutional, financial, and governance arrangements:

- The importance of legal frameworks as a basis for the transfer of benefits and in defining institutional arrangements;
- The variety of roles involved in benefit sharing and how varying capacities can impact effectiveness and efficiency;
- The need for accountable structures to manage the flow of finance for benefit sharing;
- The importance of timing and source of finance, including the need for significant finance up front to establish benefit-sharing mechanisms;
- The need to understand transaction costs and the trade-offs associated with reducing these costs; and
- The need for grievance and redress mechanisms specifically focused on benefit sharing.

4.3.2.2 Legal and institutional frameworks

The importance of sound, clear legal frameworks as a foundation for benefit sharing was a resounding theme across all cases. Legal frameworks are critical for delivering any form of benefits, since benefits are usually transferred based on an agreement and, in all cases, legal frameworks either defined or heavily influenced eligibility for and conditionality of benefits.

Legal frameworks also determine institutional arrangements, particularly for jurisdictional government-led programs, defining which entities are involved, their roles and responsibilities, and how they interact. Institutional frameworks support essential collaboration across entities, given that benefit sharing is often interdisciplinary, involving multiple ministries or agencies that are diverse in both mandate and level.

The absence of clear legal and institutional frameworks can significantly hamper the establishment of formal benefit-sharing mechanisms. For example, while pilot benefit-sharing

activities have been initiated for the Katingan Mentaya Project in Indonesia, a formal benefit-sharing mechanism has not yet been established because of the lack of clear government regulations about benefit sharing for ecosystem restoration concessions generating revenues from the sale of carbon credits.

Legal frameworks have different forms, ranging from laws and regulations, such as the SISA law in Acre, Brazil, to individual contracts and agreements, such as the conservation agreements used in the AMPF in Peru. As described in Section 4.2.2.2, the eligibility requirements and legal basis for participating in benefit sharing are often related to land and resource tenure, recognizing that these rights are legally recognized and usually commonly understood (although not always viewed as legitimate, as discussed in 4.2.2.2).

In some cases, existing legal and institutional frameworks are used to facilitate and/or implement benefit-sharing arrangements. In Zimbabwe, the Communal Areas Management Program for Indigenous Resources (CAMPFIRE) program in the 1990s established that local communities represented by Rural District Councils are the legal beneficiaries of natural resources. The Kariba REDD+ Project is based on the laws and by-laws that were established under the CAMPFIRE program and adopted similar benefit-sharing allocations between the private sector and the districts and communities.

In other cases, new legal frameworks and institutional structures were established specifically for the benefit-sharing arrangements. In Acre, Brazil, the structure and framework for SISA were formalized by law in 2010 and included the creation of several SISA-specific institutions such as the Institute of Climate Change and Environmental Services Regulation (IMC). Similarly, in Madagascar, the roles and responsibilities as well as the carbon revenue-sharing allocations and management mechanism for benefit sharing for the Makira Project were formalized through a national government decree. In Kenya, communities around the Kasigau Corridor REDD+ Project area identify the types of community development activities supported by the project and required the establishment of new institutions such as the Location Carbon Committee and community-based organizations to ensure the fair and transparent implementation of those resources, since communities had no previous experience or capacity for implementing these types of projects.

While a sound legal and institutional framework is key, it is still important to maintain some level of flexibility to support and enable adaptive management of the program in response to changing contexts or conditions. In Australia, even though the ERF is established by law, some of the details are clarified in regulations, which allows some flexibility given that regulations can be more easily changed. Changes in drivers of deforestation or degradation, political contexts, demographics, levels of finance, and other factors can all impact the effectiveness and equity of benefit-sharing arrangements, so the ability to adapt is key (see Box 4.3a).

Political support is a key enabling condition for many programs, particularly for government-led national or jurisdictional programs, and is vital for establishing new legal and institutional frameworks and for adapting existing ones. In the Payment for Forest Environmental Services (PFES) program in Vietnam, support from international donors enabled the program team to both conduct pilots and raise awareness among policy makers and potential buyers of services. By demonstrating success and raising awareness over this period, the Ministry of Agriculture and Rural Development was able to develop buy-in from actors at the national level. This strong support enabled the program to secure enough up-front investment from the various ministries at an early stage—before payments began coming in—to set up the program and start implementation. This support has also led to the PFES program being institutionalized by law, which enables even more government support and alignment from other ministries.

Political will can be such a catalyzing factor that in some cases—for example, with the SBP in

Ecuador—it was important to capitalize on this support to advance the overarching framework for the program despite not having every detail figured out in advance. Rather, it preferred to get started quickly, making any necessary changes at a later stage based on "learning-by-doing."

Having a strong legal framework and formal institutions established to manage and facilitate the benefit-sharing arrangements helps to ensure continuity across changes in elected governments and administrations. For example, the legal provisions, strong political support, and positive experiences of beneficiaries for SISA in Acre, Brazil, the PSA in Costa Rica, and the SBP in Ecuador have helped ensure longevity of these programs despite changes in political contexts over time. Demonstrating human well-being and

Box 4.3a. **Importance of Enabling Flexibility Through the Legal Framework and Institutional Arrangements Underpinning Benefit Sharing**

The well-defined legal framework underpinning the SISA model was established by law in 2010 and is notable and innovative in that its design has enabled the program to be flexible for a variety of changing contexts. Indeed, the overall objective of the program is itself relatively general: to protect and conserve forest by establishing a system to value ecosystem services and facilitate the distribution of associated benefits.

In design and practice, the program is deeply grounded in the principle of stock and flow. Two types of stakeholder groups are rewarded: those who contribute to protecting forest stocks (i.e., the 'stock') and those who contribute to reducing deforestation (i.e., the 'flow'). Under the REDD Early Movers (REM) Programme, specific institutions were developed at the state level, but most of the benefits flow to beneficiaries through pre-existing community development–oriented institutions.

This has supported success of the program for several key reasons:

- Designing an overarching framework under which different projects nest helps benefits reach multiple types of stakeholders and supports a wide variety of strategies. SISA is a platform or framework with programs implemented and funds distributed through a variety of individual mechanisms, including results-based REDD+ projects, associations that produce and process forest products, vertically integrated poultry systems, and more. As such, SISA is able to distribute funds to many types of stakeholders (from individual households to cooperatives) and also to flexibly direct funds to a variety of different strategies and activities through these implementing agencies in a way that is flexible and more easily modified.
- This flexibility to adjust strategies has also been critical for managing the varied expectations from the many donors involved in this program. Being able to distribute benefits through projects that focus on the specific interests of donors can add a layer of complication, but with appropriate planning and coordination this has strengthened the relevance of the program for a much broader group of potential donors. Establishing an overall financial structure with rules and regulations makes financial compliance clear and allows donors to align their requirements to this system.
- Utilizing this framework of an overarching platform through which many existing projects are supported has allowed the program to capitalize on Acre's decades of experience in community development initiatives. It has been very efficient to incorporate these existing projects into the framework given, in many cases, they are already located in relevant geographies and the implementers and beneficiaries have relevant expertise. This factor has also contributed to reduced transaction costs, given that higher-level management of SISA can focus more on institutional and financial management, and less on thematic expertise for implementation of specific strategies.

continues next page

Box 4.3a. **continued**

- This structure is resilient across changes in policies and politicians, given the overarching principles are relatively non-partisan, the structure is supported by firm regulation, and the specific strategies employed and activities invested in are flexible. The popularity of the program among beneficiaries has also generated support from politicians across political parties. Moreover, the management and oversight bodies involved are mostly new, SISA-specific institutions, which has helped the program persist despite uncertainty or instability caused by other contextual factors outside the program (e.g., changes in government). For example, the REDD Early Movers (REM) program only disburses funds to SISA through the Institute of Climate Change and Environmental Services Regulation (IMC) – which coordinates the implementation, regulation, and monitoring of SISA – thereby contributing to the persistence of this institution.

Keeping these many sub-programs and projects aligned can be challenging, at times posing risks to effectiveness and efficiency; therefore, coordinated cross-sectoral oversight is required to maintain an overall strategic focus.

livelihood benefits can also be an effective way to foster support across political divides.

4.3.2.3 Roles, responsibilities, and capacity

Many different roles are needed to design, oversee, implement, monitor, and fund benefit sharing (see Figure 4.3a), and the entities that fill these roles vary based on context and capacity.

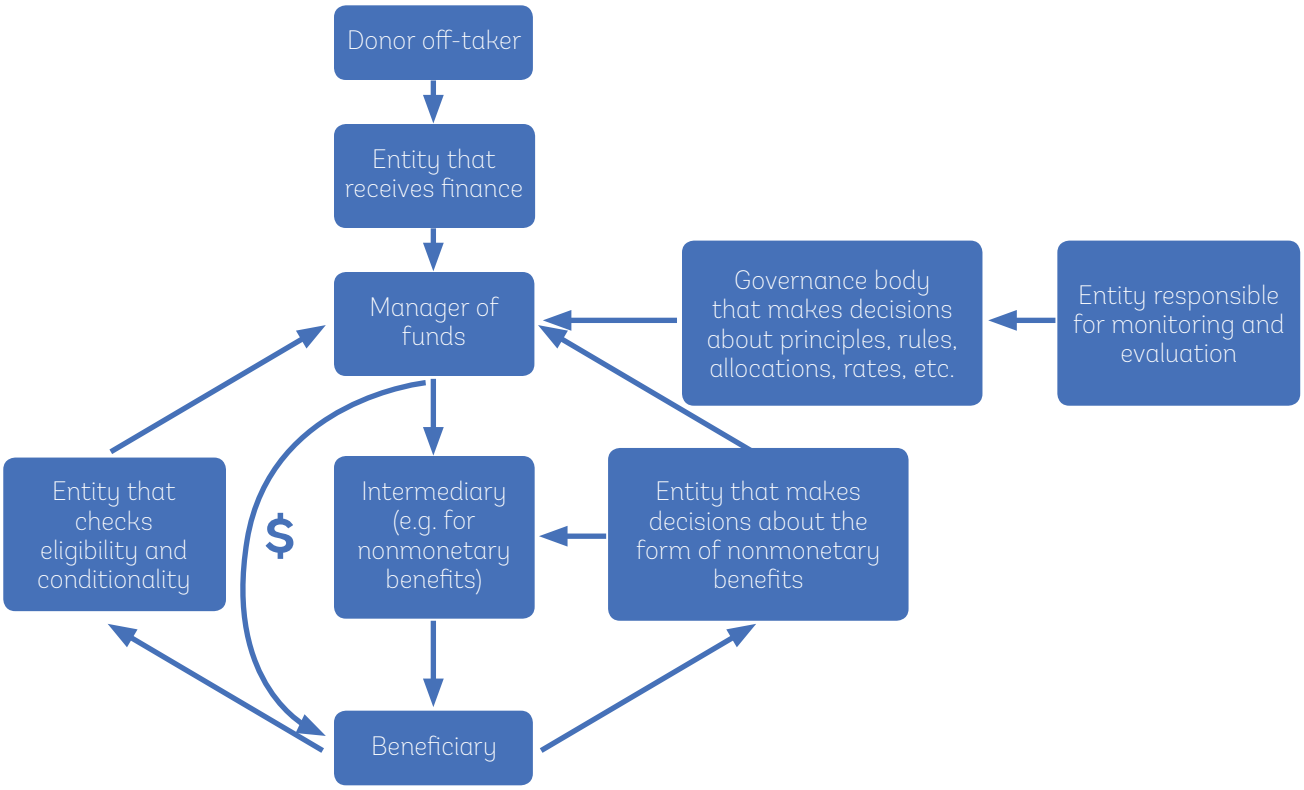
These roles may include serving as:

- **Donor or off-taker** that finances the program; in the case of emission reductions programs, off-takers may purchase the emission reductions units generated through the program
- **Entity that receives finance** from the international or national level and transfers finance to the manager of funds
- **Manager of funds** disburses funds, following the defined rules and regulations for benefit sharing, to any of a number of entities determined by the program:
  - **Governance body** that makes decisions about the principles, rules, allocations, and rates of benefit sharing, and oversees adherence to these decisions
  - **Entity checking eligibility and/or conditionality** to receive benefits (could be the manager of funds or a separate entity)
  - **Entity making decisions about the form of nonmonetary benefits** (could be the beneficiaries themselves, a multistakeholder body that includes beneficiary representatives, or an entity that consults with beneficiaries)
  - **Intermediary** that supports delivery of nonmonetary benefits (optional)
  - **Beneficiary** that participates in the program to generate results and receive benefits
  - **Entity responsible for monitoring and evaluation** of benefit sharing

In different cases, an entity may play one or more roles, or certain roles are not needed—for example, where benefits are monetary, no intermediary is needed.

The capacity of the organizations that play these roles influences efficiency and effectiveness in terms of both implementation of activities and financial management. When organizations are well-structured and have adequate capacity with relevant technical expertise, benefits are delivered to beneficiaries more efficiently, thereby improving overall effectiveness of activities.

FIGURE 4.3A: Examples of Roles Involved in Benefit Sharing



During the design of the ERF in Australia, it was recognized that state, territory, and other local governments could play an important role in the program as aggregators of projects that target households and small businesses. However, the requirements for participation in the ERF are complex because of the methodologies needed to ensure the integrity of carbon accounting, and local governments have not generally had the capacity to play an aggregation and facilitation role.

In Zimbabwe, the technical and administrative support of the Rural District Councils should facilitate delivery of benefits to local communities in the Kariba REDD+ Project. Similarly, in Madagascar, the local Waters and Forests agents should provide technical support and oversight for the forest management contracts around the Makira Project area. In each case, 20 percent of the revenues from carbon credit sales is shared with these bodies to enable them to play a critical support and oversight role; however, in practice, lack of capacity, involvement, and oversight from government staff (despite receiving funds) hampers project success.

In addition, the capacity of beneficiaries also influences efficiency and effectiveness. Implementing a system of benefit sharing with participants where the majority have not completed secondary education, do not have bank accounts, and/or have difficulty meeting their basic needs presents significantly more challenges than working in a more developed country where in a more developed country where the population often has access to resources like education and banking infrastructure. Alternatively, having participants with relatively lower capacity requires supporting agencies with adequate resources to be more involved with the necessary allocation of resources to support such involvement.

Related to this, it can also be important that entities that deal directly with beneficiaries have a local presence. This has been demonstrated for delivering nonmonetary benefits to beneficiaries in Indonesia for the Katingan Mentaya Project, in Madagascar for the Makira Project, in Peru for the AMPF, and in Zimbabwe for the Kariba REDD+ Project. For this reason, in some contexts, it may be most efficient and effective for local NGOs or private sector actors to play a service provider role (see Box 4.3b).

Sometimes governments may opt not to serve in any of these roles because of the importance of high capacity and/or because of a lack of well-suited government entities. In these cases, NGOs or private sector actors may formally or informally act as service providers or as intermediaries between government agencies and beneficiaries. See Box 4.3c for examples of different service providers used in various cases.

Indeed, there are many different roles the private sector can play in benefit-sharing arrangements, including:

- As a donor—as in Amazonas, Brazil, where funders of Bolsa Floresta include Bradesco Bank, Procter & Gamble, Coca-Cola, and others;
- As a project implementer—as in the Katingan Mentaya Project in Indonesia, the Kasigau Corridor REDD+ Project in Kenya, and the Kariba REDD+ Project in Zimbabwe;
- As an off-taker—an entity that purchases emission reductions units—as in the case of Disney and BHP for the AMPF in Peru;
- As a service provider—as in Australia, where private sector organizations help landowners produce proposals to access the ERF;
- As a beneficiary—as is the case of privately managed forestry plantations in PINPEP or PINFOR in Guatemala or private coffee cooperatives in the AMPF in Peru; or
- As part of benefit delivery—as is the case for the Katingan Mentaya Project in Indonesia, where community producer private enterprises either form part of or support revenue-generating benefits such as the production of rattan or bamboo flooring, or coconut palm sugar.

Box 4.3b. **Challenges Delivering Benefits to Beneficiaries with Relatively Lower Capacity**

In Madagascar, many of the communities around the Makira Project are in isolated areas (some are up to three days' walk from the nearest transport) and over half of the heads of households are illiterate. Although Tany Meva, the entity charged with managing and disbursing funds, originally requested detailed and costed proposals for nonmonetary benefits, many community management associations (Vondron'Olona Ifotony, or VOIs) sent brief descriptions for their proposed use of the community funds (in one case just "need school"). To overcome this barrier, Tany Meva staff had to visit villages to help the communities to develop a full project proposal by establishing project feasibility and estimating costs. In some cases, communities were able to get support from someone with a higher education level to prepare a project dossier, which led to their project being prioritized. Tany Meva typically provides advances to communities to implement planned activities, and based on technical and financial reports, a second installment can be requested. Alternatively, Tany Meva would purchase the materials and organize their transport to the communities. This led to significant backlog and delays in delivery of benefits. In some cases, agreed incentive payments for patrols were not made for up to six months, which reduced community motivation to protect the forest and led to complaints from the communities.

Box 4.3c. **Examples of Different Types of Service Providers Supporting Benefit Sharing**

In Ecuador, the Socio Bosque Program (SBP) has established cooperative alliances with **civil society organizations** (e.g., NGOs and indigenous peoples' organizations) to increase its effectiveness. In collaboration with the Ministry of Environment, these organizations support local families and communities interested in participating in the SBP by providing information on the program and preparing documentation for applications. In several cases, additional activities are implemented, such as training forest rangers, support on financial planning and management, or investment in compatible productive activities such as agroforestry or ecotourism.

In Australia, a new type of **private sector** has emerged to provide administrative services as a "carbon service provider" to support the development of projects and enable landowners to access finance from the Emissions Reductions Fund (ERF). In order to participate in the ERF, project proponents must develop detailed documentation explaining how they will deliver emission reductions using approved methodologies and how they have the legal right to undertake the project. Since ERF funding is based purely on the volume of emission reductions generated, the carbon accounting requires a high level of integrity; it is also relatively complex to demonstrate additionality and to meet other requirements of approved methodologies. Landowners do not generally have the time and skills to prepare the documentation needed, so the service providers can help with preparing reports, conducting monitoring, organizing audits, submitting reports, and, in some cases, they also take on risk by submitting projects and contracting with landowners.

In Costa Rica, the National Forestry Financing Fund (FONAFIFO) has established collaborative agreements with numerous NGOs as part of the Payments for Environmental Services Program (PSA). NGOs give support to the PSA beneficiaries during the application process and can provide technical expertise on the development of the management plans, implementation of project activities, and the monitoring of compliance with the agreed-upon land use.

In Peru, Conservation International Peru has an administration contract with National Service of Natural Protected Areas (SERNANP) to manage the Alto Mayo Protected Forest (AMPF). This gives the NGO a strong mandate when negotiating and otherwise engaging with the local communities and project partners. A few other civil society organizations contribute to various technical parts of the project based on a diversity of expertise required.

Park rangers patrol the Alto Mayo Protected Forest. (©Thomas Mueller)

4.3.2.4 Financial management

A transparent and accountable financial management system is key for efficiency and also builds trust and support not only among beneficiaries, but also across government ministries and departments and with donors. For a benefit-sharing mechanism to work, both the entities contributing funds to the program and those receiving benefits need to feel that the system is legitimate and fair in the distribution of benefits. Indeed, transparency is important through the various levels of financial management (see Box 4.3d).

One of the core components of sound financial management is ensuring transparency in how the funds are managed and disbursed. In Amazonas, Brazil, information regarding types and amounts of benefits and numbers of beneficiaries in each conservation unit participating in Bolsa Floresta is publicly available on the FAS website along with a complete list of beneficiaries for the Bolsa Floresta Familiar subprogram. In Kenya, the actual benefits distributed against the benefit-sharing plan are regularly reported to all primary stakeholders of the Kasigau Corridor REDD+ Project, including information about the sales of the emission reduction units generated from the project.

Another component is the inclusion of an oversight mechanism to verify compliance and accuracy of reported financial management activities. In Bolsa Floresta, all financial activities involving public funding are audited by the external firm PricewaterhouseCoopers. This audit is then subject to approval by the FAS Supervisory Board and Board of Directors, before being reviewed by the Amazonas State Prosecutor and accounting court (tribunal du contas). The rigor of the Bolsa Floresta auditing process reflects the level of legitimacy needed for such a complex state program with many funders (and associated requirements) and diverse activities over a large geography implemented through many actors.

In some cases, beneficiary participation in decision-making bodies related to financial management enhances transparency (see Box 4.3e).

4.3.2.5 Timing and sources of finance

The level and timing of financing required to establish and implement benefit sharing are important considerations for the success of benefit sharing.

Several cases highlighted a need for significant up-front finance to design and begin implementing benefit sharing. This is most directly linked to two key factors, which demonstrate the need for paying close attention to financing well before implementation begins: first, the establishment

Box 4.3d. **Improving Transparency While Reducing Transaction Costs**

Beneficiaries in the Payment for Forest Environmental Services (PFES) program are spread across the country with payments disbursed to village funds, household groups (of up to 20 families), cooperatives, and individual households, making the disbursement of payments a substantial task. The program was originally designed with electronic payments used only for groups; however, with an increasing number of people online and with access to electronic banking, an electronic payments system to individual households is being piloted with support from the German Agency for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit, or GIZ) and the U.S. Agency for International Development (via the Vietnam Forests and Deltas Program). This development was requested by ministries to improve transparency of financial management between provincial funds and beneficiaries. As an added benefit, the pilots of this electronic system have demonstrated reduced transaction costs.

Box 4.3e. **Beneficiary Representation in Financial Decision Making**

The Makira Project in Madagascar is implemented on government-owned land including Makira Natural Park and the buffer zone where local communities have established community management associations (Vondron'Olona Ifotony, or VOIs) and signed forest management contracts with the government. The VOIs are represented on six VOI platforms for each sector of the project area, and the platforms, in turn, constitute a VOI federation. The Wildlife Conservation Society (WCS) is the designated manager of Makira Natural Park; Makira Carbon Company, a wholly owned subsidiary of WCS, is responsible for the marketing and sale of verified emission reduction credits generated by the project. In 2015, the Tany Meva Foundation was appointed to manage and disburse funds allocated to communities and to park management from the sale of credits. Tany Meva requests proposals from all the VOIs for the use of community funds, which are collected by the VOI platforms, screened for feasibility by a Local Technical Committee composed of the presidents of the six VOI platforms, the WCS, and Tany Meva, and then prioritized by the VOI federation. A steering committee composed of representatives of the Ministry of Environment responsible for Forest, the National REDD+ Coordination and Climate Change Coordination offices, the WCS, and the VOI federation reviews and approves annual work plans and budgets for the use of funds for the communities proposed by Tany Meva.

of the benefit-sharing mechanism generally requires significant resources; and second, frequently the implementation of activities needs to occur before results-based finance is received and disbursed, creating a lag in delivery of the resources needed to incentivize or implement activities.

In many situations, the design of benefit sharing requires the development of new institutions and governance arrangements, which requires time and capacity from the agency designing the program. In addition, beneficiaries may require inputs (monetary and/or in-kind) to begin implementing activities in pursuit of the program objectives. However, when finance for benefit sharing is linked to performance, cash does not flow into the program until improved performance is achieved and measured. For example, significant financial resources were needed at the beginning of the Kasigau Corridor REDD+ Project in Kenya to conduct community consultations, design the implementation strategies and benefit sharing, establish new multistakeholder governance structures, and complete the required processes to be able to raise finance from the sale of emission reductions. Lack of government participa-

Zebra inside Kenya's Tsavo National Park (©Charlie Shoemaker)

tion early in the project necessitated fundraising for these activities by the project implementer, Wildlife Works. Similarly, in Acre, Brazil, one of the biggest factors contributing to the success of the SISA program is the initial cash flow and support for institutional strengthening from the REM program.

Programs found different ways to secure the necessary up-front funding, often through a combination of blended donor financing and government budgets (Table 4.3a). In the PFES program in Vietnam, international donors funded pilots to demonstrate success and raise awareness about payments for environmental services. With this, the Ministry of Agriculture and Rural Development was able to secure buy-in from various ministries at an early stage, which were able to collectively allocate resources to set up the PFES and begin implementation before finance from private water supply companies, hydropower plants, and tourism companies began coming into the system.

Blended finance and flexibility to secure new sources of finance can also be very useful in sustaining programs in the long term and/or in supporting a variety of different strategies. The inclusion of long-term financing mechanisms can also be strategic (see Box 4.3f). That said, another common theme worth noting is that the source of funding has some influence on the design and implementation of the program. Funding through corporate social responsibility allocations, for example, can be quite restrictive as companies have specific issues they want to finance that fit with their business priorities. For example, in Bolsa Floresta in Amazonas, Brazil, Samsung has been a supporter of education activities specifically relating to the use of technology.

4.3.2.6 Transaction costs

There are always costs associated with the transactions involved in benefit sharing; these include registering as a beneficiary, demonstrating that conditionality requirements are met, and receiving benefits. While some of these costs vary based on context, there is also variation associated with the design of the program and the type of benefits being delivered.

Several factors related to project context or design can contribute to higher transaction costs. In the AMPF in Peru, implementing a

Box 4.3f. **Use of Blended Finance to Support Benefit Sharing**

In Amazonas, the financing model had to change in 2015 when the initial state public funding for Bolsa Floresta Familiar had been distributed and it was clear that REDD+ and payment for ecosystem services would not provide sufficient ongoing finance. The financing strategy was reoriented toward philanthropic funding from businesses and foundations, initially in Brazil and then internationally. A trust fund has also been established, whereby the interest generated is used to finance the monetary disbursements while the base endowment is maintained.

FAS has been particularly successful in securing partnerships for Bolsa Floresta that generate shared value for both beneficiaries and the funder. This has included partnerships with companies such as Bradesco Bank, which provides banking technology to reach remote communities, which in turn expands their customer base, and Coca-Cola, which supports planting and harvesting guarana (a fruit native to the Amazon region), and then in turn purchases all the products.

FAS serves as an intermediary, connecting and bridging the gap between beneficiaries and partners. Despite this new fund-raising role, FAS has managed to keep overhead low at 17 percent.

Table 4.3a. **Sources of Funds for Each Case**

PROGRAM	SOURCE(S) OF FUNDS
ERF, Australia	State budget
SISA, Acre, Brazil	State budget, GIZ, the Amazon Fund (managed by BNDS Brazilian Development Bank), REDD Early Movers (REM; results-based finance for emission reductions managed by KfW Development Bank of the German government, with funding from the governments of Germany and the United Kingdom)
Bolsa Floresta, Amazonas, Brazil	Philanthropic funds and state budget (until 2015)
PSA, Costa Rica	Allocation of revenue generated from the country's tax on fuel, with additional sources from bilateral or multilateral donors as well as through private sector investment via payment for ecosystem services (e.g., carbon, water)
SBP, Ecuador	State budget, with some additional finance from REM (KfW and the government of Norway), Global Climate Fund (GCF), Global Environment Facility (GEF), and private sector investment (minimal investment through carbon offsets)
PINFOR and PINPEP, Guatemala	State budget
Katingan Mentaya Project, Indonesia	Philanthropic funds for project partners and private investment and revenues from the sale of carbon offsets on the voluntary market for project developer
Kasigau Corridor REDD+ Project, Kenya	Private banks and finance institutions (e.g., International Finance Corporation, Nedbank Group, BNP Paribas) supported project development, followed by funds from the sale of carbon offsets on the voluntary market starting in 2011
Makira Project, Madagascar	Philanthropic funds and revenues from the sale of carbon offsets on the voluntary market
Community Forestry, Nepal	Funds generated by each Community Forest User Group from the sale of forest products
AMPF, Peru	Philanthropic funds and revenues from the sale of carbon offsets on the voluntary market
PFES, Vietnam	Private water supply companies, hydropower plants, and tourism companies pay a fee at a fixed rate
Kariba REDD+ Project, Zimbabwe	Philanthropic funds and revenues from the sale of carbon offsets on the voluntary market

tailored benefit-sharing approach that responds to complex conditions at the local scale through conservation agreements with individual households and communities of indigenous peoples is effective. However, this model necessitates relatively higher transaction costs due to the large number of geographically disbursed individual or grouped beneficiaries with unique context-specific opportunity costs of behavior change addressed via many different agreements. In the Makira Project in Madagascar, the relatively low capacity of participants to engage in the program, in addition to their extreme geographic remoteness, makes delivery of in-kind benefits logistically difficult and led to a significant burden on the intermediary, the Tany Meva Foundation, in its delivery of benefits. In Guatemala, PINPEP consists of many low-value transactions, with an overhead based on the percentage of funds administered as opposed to the number of contracts issued (15 percent). In both PINPEP in Guatemala and the Makira Project in Madagascar, the overhead percentages for administration have not been sufficient to comfortably cover transaction costs associated with efficient delivery of monetary or in-kind benefits.

On the other hand, several factors can contribute to lower transaction costs, mostly related to how benefits are delivered and to a relatively simple program design. The PSA program in Costa Rica initially imposed very high transaction costs on participants, requiring applicants to fulfill several separate requirements, many of which—such as providing proof that they do not owe anything to the national health system—had nothing to do with their ability to provide environmental services (Pagiola 2008). These requirements are now much more streamlined, by linking the National Forestry Financing Fund (FONAFIFO)'s databases to those of other government agencies. In Bolsa Floresta in Amazonas, Brazil, FAS services extremely remote communities and incorporates nonmonetary training and social infrastructure programs, yet has managed to keep their overhead at 17 percent, including covering costs of fundraising. This is attributable to two primary factors: a standard formula is applied for determining benefits for different beneficiaries, and FAS has collaborated with Bradesco Bank on new banking technologies to improve efficiency in direct delivery of monetary benefits. In Acre, Brazil, a key factor in SISA's relatively low overheads was the incorporation of existing activities and projects into the SISA model. While the SISA law and certain coordination and oversight entities were established specifically for the program, many of the projects in which the program invests already had established structures and years of operating experience. Efficiency was optimized in SISA not only by aligning with this existing deep experience in community development projects, but moreover by capitalizing on the specific technical expertise of these already-established projects.

One commonly desirable scenario is to employ local people to help deliver the project (e.g., as paid extension agents, trainers, monitors, rangers). This type of arrangement is frequently seen by communities as an important incentive, particularly in remote areas where jobs are rare. These people also speak the language, understand the culture, know the key people, and can require less travel/housing and other costs associated with external project personnel—not to mention that this scenario can engender ownership and empowerment.

Aggregating beneficiaries may also reduce transaction costs. In the PFES in Vietnam, sometimes households are organized into groups such that one transaction is divided among beneficiary households by a representative of the group, instead of having individual transactions for each household. The program is also piloting electronic payments to further reduce transaction costs in remote areas as more people have access to electronic banking. In the ERF in Australia, high transaction costs for participation proved challenging for smaller-scale projects to participate in the Carbon Farming Initiative, so changes were made during the design of the subsequent ERF to facilitate aggregation. The project proponent also no longer needs to hold the carbon sequestration rights (i.e., own or have a property interest in the project area) but can be another entity that has a contract with the

landowner, and standard arrangements are established for transferring rights from households and small businesses to a project aggregator.

The delivery of nonmonetary benefits tends to be a less efficient way of delivering benefits to beneficiaries, necessitating higher transaction costs. In Zimbabwe, the Kariba REDD+ Project has been able to deliver significant nonmonetary benefits to communities including—for example, the rehabilitation and maintenance of 198 boreholes and the maintenance of 1,200 kilometers of road. While the carbon revenues allocated to the communities covered the costs of materials and labor, these were insufficient to cover the true costs of implementation, so the projects were made feasible and successfully implemented with additional technical and logistical support and oversight from the Carbon Green Africa team.

However, nonmonetary benefits are not always more costly to deliver if a few large, communal projects are implemented. For example, in Kenya, the communities around the Kasigau Corridor REDD+ Project have all opted to implement projects at the community level to be most efficient in their receipt of benefits, given that the alternative of individual household monetary benefits would have been low and the communities perceived a greater reward for communal projects.

It is also important to incorporate some level of adaptive management in how monetary payments are disbursed to minimize transaction costs over time (see Box 4.3d).

4.3.2.7 Grievance and redress mechanisms

The incorporation of a system for collecting, managing, addressing, and reporting complaints from beneficiaries and other participating entities related to benefit sharing is critical to ensure that specific cases of stakeholder concerns about unfair treatment or noncompliance are appropriately addressed. Such a system also provides stakeholders and those responsible for managing and overseeing benefit sharing with information about harmful, negative, unforeseen, and/or potentially noncompliant issues. Such information is critical to enable adaption of the design and implementation of benefit sharing to manage these issues. Moreover, grievance mechanisms are often required by donors and/or by legal regulations.

The project manager of the Kasigau Corridor REDD+ Project in Kenya, Wildlife Works, implements an ongoing process of stakeholder engagement with multiple venues for providing input, including a formal system for submitting grievances. This formal set of procedures is well-documented and consistently communicated to support transparency. Moreover, Wildlife Works took measures to design the grievance mechanism to be accessible, easy to understand, and culturally appropriate. In Acre, Brazil, an independent ombudsman receives complaints from beneficiaries and ensures that they are addressed. This position was specifically created in the State Attorney General's office as part of the SISA regulations.

Grievance mechanisms are a component of stakeholder participation and engagement, as further described in Section 4.4, in addition to supporting and enabling adaptive management, as described in Section 4.5.

4.3.3 GOOD PRACTICES FOR INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

- ***Legal framework:*** Benefit sharing should be grounded in a clear legal framework to support and enable the necessary agreements and collaboration.
- ***Flexibility to enable adaptation:*** Despite being based on a clear legal framework, some flexibility in the legal and institutional arrangements is needed—for example, defining them through regulations rather than laws—to be able to make adjustments in beneficiaries, benefits, institutional composition, and activities over time such that the program can respond to lessons learned and changes in context.

- ***Service providers:*** Substantial technical and administrative capacity is needed to administer benefit sharing in a way that effectively and equitably distributes resources. Partnerships with nongovernmental organizations (NGOs), private sector actors, and others to provide services and build capacity can be helpful to improve efficiency and effectiveness while also benefiting from local knowledge and presence.
- ***Existing or new institutions:*** It is often most efficient and effective to capitalize on existing institutions if they have the legitimacy, capacity, and thematic relevance to the program—strengthening these where necessary—given that new laws and institutions require significant time, resources, and political will; otherwise, establishing new institutions may be more appropriate.
- ***Up-front finance:*** Significant financial resources are often required up front to cover the many costs associated with designing and initiating a program—conducting adequate stakeholder input, documenting baselines, establishing new institutions, implementing activities—before results-based payments can be made.
- ***Transparency around financial management:*** Regular audits can build trust and participation in the program, but they can also increase overall operating costs. Adopting a simple approach to calculating, monitoring, and delivering benefit transfers helps enable wider public understanding.
- ***Transaction costs:*** Transaction costs should be assessed, both to reduce them where possible and to adequately budget for them so as to not undermine project efficiency and effectiveness.
- ***Grievance and redress mechanisms:*** Benefit-sharing mechanisms should have clear, accessible, impartial, culturally appropriate, easy-to-understand grievance and redress mechanisms that operate in a timely manner.

4.4 Stakeholder Participation

4.4.1 KEY CONSIDERATIONS FOR STAKEHOLDER PARTICIPATION

Stakeholder participation is key for all stages of benefit sharing—design, implementation, and evaluation—to ensure that it responds to the needs and interests of the full range of stakeholders. Participation can encompass a spectrum of different levels from providing information to stakeholders and requesting their feedback to making them equal partners in governance and decision making.

This section intentionally does not focus only on beneficiaries, as participation needs to include other stakeholders who are not currently beneficiaries but who are potentially affected by or could influence the success of benefit sharing.

Key considerations for stakeholder participation relate to how stakeholders are consulted about the design of benefit sharing, how they participate in decision making and implementation, and how they are informed through disclosure and active dissemination. Considerations include the extent to which the full range of stakeholders participates, and the measures taken to ensure participation of women and vulnerable and/or marginalized groups. A functioning grievance and redress mechanism that is accessible and impartial is a critical element, as well as ongoing mechanisms for consultation and feedback from beneficiaries and other stakeholders.

Plenty of documentation exists about general lessons learned and good practices for stakeholder participation, so this section focuses on findings about participation from the cases specifically related to the success of benefit sharing.

4.4.2 FINDINGS FROM THE CASES ABOUT STAKEHOLDER PARTICIPATION

4.4.2.1 General observations

Every case highlighted the importance of participation. Stakeholder participation is key for:

- Equity—to ensure that benefit sharing is perceived to be fair;
- Effectiveness—to ensure that the right benefits are delivered to the right people at the right time to achieve the objectives; and
- Efficiency—to ensure that cost-efficient processes are identified and implemented.

In addition, transparency and providing clear information to stakeholders about benefit sharing in a format they understand is essential for building trust with stakeholders and ensuring their support for the entire program. Participation can also help avoid conflicts and misunderstandings.

Consultations and stakeholder participation take time and resources, as well as real willingness to share power and influence with stakeholders. Participation is meaningful only if the benefit sharing adapts to stakeholder input. There is often a tendency to limit stakeholder participation due to budget, time, capacity, or political will, but the cases reviewed repeatedly demonstrate the benefits of effective stakeholder participation.

The review of cases helped identify some key and recurring issues for stakeholder participation related to benefit sharing:

- The importance and complexity of identifying who the stakeholders are and understanding how they are affected by or can influence benefit sharing.
- The advantages of meaningful stakeholder participation and considering different approaches to ensuring that it happens.
- The need to not only encourage but ensure the inclusion of women, indigenous peoples, and marginalized and/or vulnerable groups.
- The importance of disclosure and transparency, and effective ways to share information.

4.4.2.2 Identifying and understanding stakeholders

A fundamental first step of benefit sharing is to conduct a good analysis of stakeholders, identifying which groups are potentially affected by benefit sharing as well as which groups can influence its success. This step may need to be revisited periodically if the program or the context changes. It is also important to understand relationships between stakeholders and how these affect perceptions of equity. This is not always straightforward, and an understanding of the historical context and any past or ongoing conflicts or alliances is integral. In the Kasigau Corridor REDD+ Project area in Kenya, existing tribal conflicts and tensions between communities with longer ties to the project area and more recent migrants generated a complicated web of stakeholders (Githiru 2016). Moreover, many ranch owners with land title no longer lived locally, which contributed to conflict between them and the resident communities. Designing the project required a delicate balance of ensuring everyone's voice was heard while not appearing to give preferential treatment to a particular group.

Another key component to designing effective benefit sharing through effective participation is conducting a stakeholder mapping process to understand the interests and influence of each group of stakeholders, as well as how they are organized, make decisions, and share and understand information. In the AMPF in Peru, negotiating conservation agreements with individual families as opposed to with entire communities allowed the Peruvian parks service and their technical partners to gain a deeper understanding of the lives of the illegal settlers in the landscape. The design and negotiation phase involved significant consultation and dialogue with each individual family, providing a depth of material from which to generalize more replicable approaches later. Stakeholder mapping is

often best conducted with stakeholders together rather than at the household level to help understand the strengths and weaknesses of relationships between stakeholders.

4.4.2.3 Importance of and approaches to meaningful stakeholder participation

Many cases illustrated the advantages of extensive stakeholder consultation in the design of benefit sharing and provided different approaches that have been successful (see Box 4.4a). These consultations have gone beyond the scope of gathering input on benefits that go directly to the group and cover the design of all aspects of benefit sharing. In Acre, Brazil, the SISA legislation was designed with inputs from targeted consultations with different stakeholder groups through workshops, seminars, and meetings, as well as online comment submissions. In Australia, the ERF was designed with inputs from a series of public online consultations through an iterative design process, complemented by additional informal consul-

Box 4.4a. **Different Approaches to Consultation**

State System of Incentives for Environmental Services (SISA), Acre, Brazil: Deep stakeholder engagement is needed not only to design an appropriate benefit-sharing mechanism, but moreover to generate sufficient buy-in to support longevity and success of implementation. The SISA framework and legislation benefited from a comprehensive, transparent, and long-term participatory consultation process over the course of 2009 and 2010. This process included making the proposal available for public comment through the state government portal, in addition to soliciting specific input from hundreds of people through technical seminars, workshops, and one-on-one meetings with a variety of stakeholders (civil society groups, indigenous peoples, farmers, extractivists, government agencies, international agencies, carbon companies, and others). Overall, more than 300 comments and recommendations were submitted for consideration (EDF 2010). Moreover, given that stakeholder groups are not homogeneous, this process was grounded in ensuring stakeholder interests were not only listened to but also adequately responded to and acted on. Additionally, designing the program and developing safeguards in a participatory manner—including having resources specifically allocated to ensure participation from all relevant stakeholders (e.g., potential beneficiary groups who are geographically remote and less accessible)—helped build understanding and ownership, which ultimately enabled greater participation and social support for SISA.

The Emissions Reduction Fund (ERF), Australia: Formal and informal processes for outreach are important to ensure good participation and reduce conflicts. The ERF was designed over several years based on experiences from the Carbon Farming Initiative through a series of formal consultations requesting written comments on terms of reference, and then a green paper before producing a white paper outlining the design of the program and responding to comments received (Commonwealth of Australia 2014). This meant that people were generally well informed about the design of the legislation. The government also publishes regular web updates and sends information to mailing lists. This approach has been successful in getting feedback from carbon service providers, but not so much from landowners who have other preoccupations. To learn from landowners, the government team responsible for the ERF visits areas with a lot of projects or where there are conflicts to meet with landowners informally to explain the rules and process and respond to questions. There are sometimes tensions within communities because of a lack of understanding of the additionality rules that may mean some people are eligible and others nearby are not.

tations with landowners, a critical stakeholder group that did not engage as much in the online process.

These examples from SISA and the ERF emphasize that effective consultation takes time, that different and targeted approaches may be needed to ensure that key stakeholders understand the proposals and provide their input, and that responding to comments showing stakeholders how their input influenced the program is extremely important. A stakeholder engagement plan that lays out all the steps involved, along with the resources, time, and other inputs needed, is important for effective stakeholder participation.

Consultation is not the same as obtaining free, prior, and informed consent, which is essential for the participation of indigenous peoples and other groups with collective rights to lands and resources in programs that affect them. All the cases involved voluntary participation of individual landowners and community groups such that consent was obtained that appeared to be free from coercion. However, it was not always clear the extent to which consent followed a decision-making process defined by the groups themselves and that they possessed full information prior to making their decision.

Where stakeholders participate in monitoring and evaluation of benefit sharing, they can learn about the broader design of benefit sharing, about its implementation strengths and challenges, and about impacts.

Some cases also illustrated the advantages of deeper stakeholder participation, beyond consultations, to a role in governance including oversight and decision making about benefit sharing (see Box 4.4b). In the Makira Project in Madagascar, beneficiaries participate in decision making about the nonmonetary benefits their community receives, and in prioritization of benefits across different communities. They participate through elected representatives in a tiered structure through regional platforms and an overall federation of community management associations. This approach has helped ensure that local people receive the benefits they want and that their perceptions of equity are integrated into the allocations of benefits. Similarly, in Bolsa Floresta in Amazonas, Brazil, elected representatives from the conservation units participate in twice annual leadership meetings that review reports of benefit sharing, playing an oversight role, and can change allocations across benefit types. This participation has built trust among the beneficiaries through transparent and legitimate governance structures.

4.4.2.4 Measures to ensure gender and social inclusion

Marginalized groups are often less likely to participate in program activities and in benefit sharing as a result of a history of exclusion, and vulnerable groups are less able to participate because of lack of capacity or access to resources needed for participation. Frequently, marginalization and vulnerability go hand in hand. The participation of marginalized and vulnerable groups is often important for effectiveness and also for reasons of equity and achievement of the social objectives of the program. Facilitating and ensuring social inclusion was an explicit aim in several of the cases, specifically concerning the inclusion of women, indigenous peoples, and vulnerable and/or marginalized groups in benefit sharing. The measures adopted to include these groups varied greatly, ranging from ensuring representation in consultations to mandating quotas for participation and designing subprograms specifically targeting certain groups.

Nepal provides perhaps the strongest example of mainstreaming social inclusion into the foundation of the program by focusing on achieving proportionate representation of women and indigenous peoples in local decision-making bodies—Community Forest User Groups. The Community-Based Forestry Program adopts an explicitly pro-poor approach by applying a well-being ranking through a participatory process to identify those with limited access to and control over resources (social, economic, physical,

natural, and human) and therefore most in need of benefiting from the program (see Box 4.4c).

There was a general lack of compelling evidence of gender-sensitive program design and implementation among most of the cases. Several programs described promoting gender equality in documents and interviews but lacked information on how this was done in practice, and several simply grouped women and other marginalized groups together for program design and implementation. However, some strong examples do exist of programs taking measures specifically and solely pertaining to inclusion of women (see Box 4.4d).

Box 4.4b. **Advantages of Beneficiary Participation in Decision Making About Benefits**

Makira Project, Madagascar: Beneficiary participation in decision making about the use of funds allocated to beneficiaries is important for equity. A formal tiered structure for community representation from the local to the national level helps to ensure effective participation. A fixed allocation of 50 percent of revenues from the sale of carbon credits from the Makira Project is allocated to communities. The communities identify their plans for the use of these funds to support forest protection and socioeconomic activities in their management plans annexed to their forest management contracts. However, not all community development plans can be financed immediately so decisions about how to use the community carbon funds are made through a prioritization process involving community representatives at different levels. The communities are organized into community management associations (VOI), which are, in turn, members of a VOI platform that is established for each of the six sectors around Makira Natural Park. VOI proposals for the use of funds, based on the activities identified in their management plans, are collated by the VOI platforms. The presidents of each platform participate in a Local Technical Committee that reviews and prioritizes all proposals. They take into account the effort that each VOI has made to fulfill their forest protection responsibilities and how much support that community has received to date. Although the data exist to allocate funds annually for each VOI based on the amount of deforestation at their site, this approach was rejected by the VOI platforms as not being perceived to be fair. The platforms elect a president of the VOI federation who, along with one representative from each of the three geographical regions in the Makira Natural Park, represents them in a Makira steering committee, chaired by the government, which makes the final decision about the use of funds by approving an annual work plan and budget for the community carbon funds. Community participation in decision making has been important to ensure that local perceptions of equity are integrated into the allocation of funds and to facilitate sharing information with beneficiaries the about the rationale for decision making about allocations.

Bolsa Floresta, Amazonas, Brazil: The over 40,000 beneficiaries of Bolsa Floresta are organized and represented through a tiered structure with elected officials at each level: the community level, the reserve level, and for the entire program across all 16 reserves. The governance of Bolsa Floresta includes a leadership meeting of 40 to 70 presidents, vice presidents, and treasurers of the grassroots organizations established for each of the 16 reserves. These are umbrella organizations (associaçao mãe), which are formally established and composed of the leaders of community-level associations, mostly informal. These meetings take place twice a year, usually in Manaus, and last for five days. The leadership meetings provide a unique space for open evaluation and discussion of Bolsa Floresta, with a focus on challenges and solutions. These meetings also provide a unique space for the leaders to engage in direct debate with high-ranking government officials, thus empowering them to claim their rights (Viana and Salviati 2018).

Box 4.4c. **Measures to Ensure Inclusion of Indigenous Peoples, Women, And Marginalized and/or Vulnerable Groups**

Katingan Mentaya Project, Indonesia: The project strives to reduce barriers limiting the participation of indigenous peoples and vulnerable and marginalized groups. This has involved three strategies: (1) actively targeting the participation of poorer and marginalized groups in planning processes and decision making through differentiated approaches to participation and information sharing (e.g., community message boards, meetings in different times and locations, one-on-one interviews, flyers, gender-disaggregated focus groups), recognizing that these groups often lack the means and/or encouragement to attend and participate in project meetings and activities; (2) encouraging participation and transparency in order to reduce the risk of elite capture by making records publicly available and ensuring representative participation, particularly of marginalized people; and (3) ensuring that marginalized groups have the capacity and sufficient resources—both human and financial—to enable them to implement activities successfully.

State System of Incentives for Environmental Services (SISA), Acre, Brazil: The ISA Carbono Program includes an Indigenous Land Management Program that is designed specifically for indigenous peoples; it includes an Indigenous Agroforestry Agents program, which is a platform for participation, communication, and capacity-building focused on implementing agroforestry activities with indigenous peoples. An indigenous working group, which represents 12 indigenous peoples' community associations, and a working group comprised entirely of women provide input based on their perspectives under the Commission of Validation and Monitoring (CEVA).

Payments for Environmental Services Program (PSA), Costa Rica: The program has made special contractual arrangements to encourage the participation of indigenous peoples, successfully including 21 of the country's 24 indigenous peoples' territories in the program. This increased accessibility to submit proposals for contracts has led to growing annual demand to include indigenous lands under PSA contracts supported by the FONAFIFO point-system for prioritizing areas of low development indices and high conservation importance. This active inclusion of indigenous peoples' territories is further enforced by quotas, which are set for both indigenous peoples' community groups and women, in addition to a more generous size allowance of 800 hectares per indigenous peoples' community contract (as opposed to a maximum 300 hectares for individual landowners).

Nepal: The Community-Based Forestry Program mandates that each Community Forest User Group's management committee is made up of 50 percent women and also has proportionate representation from other marginalized groups (indigenous peoples, minority ethnic groups, poor, and/or socially marginalized groups), along with promoting regular communication and public auditing and hearings. Community Forest User Groups are required to allocate at least 35 percent of their income for poverty alleviation specifically focused on socially marginalized groups, indigenous peoples, and women.

Box 4.4d. **Gender-Specific Programming**

Bolsa Floresta, Amazonas, Brazil: Bolsa Floresta Familiar, one of the four subprograms that makes up Bolsa Floresta, provides a monthly direct monetary transfer to female heads of households. This incentive—the largest disbursement from any of the four subprograms at 600 Brazilian reais (approximately US$150) per year—is provided for use at the discretion of the female head of household and is contingent upon a commitment to good forest management practices, including zero net deforestation.

Katingan Mentaya Project, Indonesia: The microfinance component of the project is implemented through local community groups, known as Kelompok Swadaya Masyarakat, which are often made up entirely of women. Utilizing these groups not only encourages and builds capacity for local entrepreneurship, but also empowers women by vesting them with financial management authority.

4.4.2.5 Information sharing and transparency

Disclosing information so that it is publicly accessible and actively sharing information with stakeholders in a format that they understand are essential for transparency and for building trust and support for benefit sharing. Financial information about the overall envelope of benefits, the amounts of benefits shared with each group in each geographic area, and all the nonmonetary benefits delivered are publicly disclosed in most cases. Where monetary benefits are shared, the rates paid per hectare or per household are usually disclosed, without identifying each beneficiary and the amounts they have received.

Sharing information and ensuring transparency and accountability within beneficiary groups is also important. Large cash injections into communities with a weak institutional structure and little experience with the cash economy may have an adverse effect, leading to corruption, elite capture, and social upheaval. The SBP in Ecuador requires that communities develop a financial and activity accountability report each semester, which tracks progress against the community investment plan and must be shared with community members and approved by the community assembly. This has helped strengthen traditional governance structures, increased participation and involvement of people in their community organizations, and reduced intra-community conflicts (Perafán and Pabón 2019).

Beyond information about the benefits, several cases illustrate the importance of making sure that benefit sharing is well understood by beneficiaries and other stakeholders. In the Kasigau Corridor REDD+ Project in Kenya, documenting a common, shared understanding of benefit sharing with the landowners with statutory rights but also with communities living on the land with customary rights was important to build trust and encourage stakeholder engagement. In Bolsa Floresta in Amazonas, Brazil, the recategorization of the program into four subprograms with distinct objectives (income generation, community infrastructure, community strengthening, and family support) helped facilitate communication and understanding among potential beneficiaries, partners, and donors about the different ways they could participate.

Several cases illustrated the importance of a formalized process of providing information to beneficiaries—beyond disclosing information publicly—to ensure that the beneficiaries and other stakeholders have received and understood the information. In the Makira Project in Madagascar, the elected representatives of the community management associations participate in meetings to review and approve benefits

and share this information with the people they represent. Similarly, in Bolsa Floresta in Amazonas, Brazil, the elected representatives of each conservation unit provide a conduit for information sharing and decision making. Decisions of the leadership council usually take at least a year, allowing time for discussion and feedback from the grass roots between the twice annual meetings. In the Kariba REDD+ Project in Zimbabwe, information is shared in quarterly newsletters published in English, Tonga, and Shona, the local languages. In Community Forestry in Nepal, information is shared through annual public hearings and public audits of each Community Forest User Group (see Box 4.4e). This approach can be very effective where some of the population is illiterate and people are used to getting information aurally through local meetings rather than in written form.

Box 4.4e. **Public Hearings and Audits Can Be Effective Ways to Share and Receive Information**

Public hearings can promote transparency and provide effective feedback to local communities: In Community Forestry in Nepal, Community Forest User Groups are required to hold a public hearing as well as public auditing at least once a year, during the general assembly of Community Forest User Groups, to inform users about group programs, income, expenditure, sale and distribution of forest products, group decisions, and implementation status. In addition, income, expenditure, programs, and decisions of the group are shared on a regular basis through posting information in public places.

4.4.3 GOOD PRACTICES FOR STAKEHOLDER PARTICIPATION

- ***Stakeholder analysis:*** Prior to designing benefit sharing, all groups that may be affected by benefit sharing or can influence its outcomes should be identified and mapped to understand their needs and interests, their capacities and their rights, and variations within the groups and relations between groups, including any historical conflicts or alliances. This stakeholder analysis helps to improve the design of the consultation processes, to identify beneficiaries and appropriate benefits, and to develop governance and institutional arrangements. Stakeholder analysis should be updated periodically while benefit sharing is implemented and the context changes.
- ***Stakeholder consultation:*** Consultation of beneficiaries is critical to determine the type of benefits that are appropriate and how they should be delivered. Consultation of a full range of stakeholders—including beneficiaries—is also helpful with institutional and governance arrangements, processes for stakeholder participation, and monitoring and evaluation. Consultations are meaningful when stakeholder input influences the design of benefit-sharing arrangements, and requires sufficient time, resources, and willingness to share power and influence with stakeholders. Consultations should be conducted as part of an iterative process for design, enabling participating stakeholders to consider proposals and confer with others in their group before providing further input. This process is valuable not only during initial design but also periodically during implementation to support adaptations and improvements to benefit sharing. Consultation is not the same as obtaining free, prior, and informed consent, which is essential for the participation of indigenous peoples and other groups with collective rights to lands and resources in programs that affect them, whereby consent must be given through their own decision-making processes after consultation.

- ***Planning, time, and resources:*** Effective stakeholder participation requires significant time and resources and is often underbudgeted. A stakeholder engagement plan should include the steps involved and the resources, time, and other inputs needed, as well as measures to ensure effective stakeholder participation.
- ***Participation in governance:*** Including beneficiaries in governance structures with decision-making and oversight roles deepens the opportunities for effective participation in design and implementation of benefit sharing—ensuring that beneficiaries influence benefit sharing to respond to their needs and interests—and helps to share information with beneficiaries. Legitimate representatives should be identified by the group they represent.
- ***Measures to ensure social inclusion:*** Specific measures should be adopted to facilitate and ensure the participation of women, indigenous peoples, and marginalized and/or vulnerable groups that may otherwise be excluded—for example, through separate meetings or other approaches that address barriers for participation, through quotas for participation in activities and governance bodies, through allocations of benefits, and by designing subprograms that specifically target activities and benefits for certain groups.
- ***Disclosure:*** Public disclosure of information about the overall financial envelope for benefit sharing, the amounts distributed to each stakeholder group in different geographic areas, the per hectare or other rate used for monetary benefits, and all the nonmonetary benefits delivered promotes transparency and builds trust.
- ***Transparency and providing information:*** Beneficiaries and potential beneficiaries need to understand the purpose of benefit sharing, the opportunities to participate, the eligibility criteria, the conditionalities for receiving benefits, the results achieved, and how to provide feedback or submit a complaint. This requires active dissemination of information tailored to each stakeholder group in a format that they understand—for example, using local languages, providing information through public meetings and stakeholder representatives, and paying special attention to provide information to women and vulnerable and/or marginalized people. Adequate, prior information is essential to enable potential beneficiaries to decide whether to participate in programs that affect them, and it is critical for obtaining the free, prior, and informed consent of indigenous peoples and other groups with collective rights to lands and resources.

4.5 Monitoring, Evaluation, and Adaptive Management

4.5.1 KEY CONSIDERATIONS FOR MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

Key questions concern the types of results that have been monitored and evaluated, in terms of effectiveness, efficiency, and equity, including how monitoring has been executed and by whom. The complexity of benefit sharing can make it difficult to design monitoring and evaluation systems that are adequately informative, diverse, and robust, while still ensuring that this component is not overly burdensome for the program.

What is measured and how is likely to depend to some extent on the source of finance for benefit sharing—for example, philanthropic or corporate social responsibility funders may prioritize indicators aligned with their mission. Specific reporting may be required for the use of public funds. Where benefit sharing is financed by results-based payments, specialized monitoring may be required. For example, transfer of emission reductions usually requires a specific approved methodology.

How the results from monitoring and evaluation are used for adaptive management is another critical component of the implementation of benefit-sharing arrangements. As discussed in previous sections, although a legal basis is necessary to build these programs, it must remain flexible enough to incorporate learning and respond to changes over time. This ability to adapt is key in improving effectiveness, efficiency, and equity over time, and the factors that are monitored influence these adaptations.

4.5.2 FINDINGS FROM THE CASES ABOUT MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

4.5.2.1 General findings

The underlying finding from the cases is that contexts—in terms of regulations, demographics, threats, and more—are guaranteed to change, so having a monitoring and evaluation system that supports adapting to these changes is critical to improving effectiveness and efficiency. Monitoring, and sharing the results, is also key for legitimacy, which hinges on adequate transparency and feedback to beneficiaries of operational performance.

At times it may seem necessary to measure and monitor environmental outcomes only when, for example, the primary objective is to generate emission reductions for further results-based finance. However, nearly all the cases include a range of environmental and social objectives for benefit sharing (see Table 3.2a), and some form monitoring is important for all objectives. In addition, measuring outcomes across other dimensions such as human well-being or good governance can be important for beneficiaries, donors, and implementers, and can attract more finance and/or increased participation.

The review of cases helped identify some key and recurring themes for monitoring, evaluation, and adaptive management:

- The monitoring and evaluation of benefit-sharing implementation and impacts—including socioeconomic impacts—is critical for program managers and for stakeholders to ensure compliance with donor and program rules and regulations, to increase support and participation, and, most importantly, to support program improvements over time.
- Adaptive management informed by sound monitoring and evaluation systems enables continual improvements in effectiveness, efficiency, and equity by informing the design and execution of beneficiary groups, benefits packages, financial management, delivery of benefits, and a variety of other factors.

4.5.2.2 Systems for monitoring and evaluation

The monitoring and evaluation of benefit-sharing implementation and impact is a key component for any benefit-sharing arrangement. It can provide an overall understanding of performance with respect to objectives, and variations in time and space, which provides key information for those responsible for the program and its financing, including government, donors and implementing agencies. It also informs assessments of performance and compliance of the implementing agencies and the beneficiaries with respect to agreements between beneficiaries, governments, implementing agencies, service providers, donors, buyers of resulting goods and services. Finally, it informs adaptive management to improve effectiveness, efficiency, and equity.

While it may seem obvious, it is also worth noting that regardless of whether payments are based on a standard formula for participation or based on a quantified, attributable result, it is important not only to monitor environmental indicators such as emission reductions or reduced deforestation but also to assess socioeconomic impacts. Information on socioeconomic impacts is important for building buy-in and support among beneficiaries and at political levels, and for attracting donors or partners more interested in funding development-related activities.

In Amazonas, Brazil, the monitoring of social impacts in the Bolsa Floresta program has been critical for some donors to be able to justify continued funding of the program, given that their ultimate objective for investment is related to holistic sustainable development and not solely a reduction in emissions and environmental degradation. Monitoring social indicators can also improve the overall efficiency and effectiveness of programs by helping influence changes to strategies, benefit packages, or other components (see Box 4.5a).

A recurring topic from the cases is the trade-off between cost and utility in monitoring and evaluation systems, as is common across disciplines for many types of projects. It can be difficult to strike a balance between monitoring enough to inform adaptive management and, in some cases, comply with donor requirements, while not overburdening the program with a highly resource-intensive monitoring and evaluation component. In Acre, the original SISA safeguard monitoring system included 52 indicators; however, after the first monitoring cycle, it was clear to stakeholders that the number of indicators and the focus on program processes needed to be adjusted. The number of indicators was reduced to adapt to local capacity, and indicators were reoriented toward impacts in beneficiary communities.

One method for increasing stakeholder participation and ownership is to involve beneficiaries themselves in monitoring and evaluation efforts. In Amazonas, Brazil, including leaders and individuals from beneficiary communities in the planning and implementation of monitoring activities has not only strengthened participation in the program, but has also helped embed more of the communities' actual priorities and inputs in the process. In some cases, this has an added bonus in that paying jobs may be created for monitoring; these are an in-kind benefit funded, generally, through the implementing agency.

On the other hand, having monitoring activities executed by an independent entity can help strengthen monitoring, particularly for performance-based benefits. In Costa Rica, the PSA created a system of third-party monitoring and verification to decrease the amount of effort and cost spent on in-house capacity building for monitoring. Regentes forestales (certified forest engineers) are responsible for creating

Box 4.5a. **Socioeconomic Monitoring Can Help Improve Design of Benefits**

In Peru, the options provided for local people to select as nonmonetary benefits around the Alto Mayo Protected Forest (AMPF) changed a lot over time as implementers gained a deeper understanding of the social roots of the environmental problems in the area. Following an initial focus on coffee production, it was not until social surveys were done that the implementers understood that even though incomes were improving, beneficiaries were still dissatisfied. There were much more fundamental barriers to human well-being that needed to be addressed, principally derived from living without land tenure security and in conflict with the law as illegal settlers in a protected area. The program had to branch out from addressing only deforestation through improving coffee yields to helping the local population to get tacit approval from the government to live in the protected area. This enabled the settlers to gain compliance with government stipulations but without access to all the services they desired, as the government would not provide these services in the protected area. In this sense, the REDD+ program provided an opportunity to address not only economic drivers of deforestation but also fundamental issues surrounding security of home and place and peace with the park authorities. This, in turn, made conservation not only possible, but more efficient. But it was only through social survey work that this approach was developed and the benefit packages were adjusted.

forest management plans with landholders and annually verifying compliance with the plan before benefit payment is disbursed. Critically, this system requires a system of accreditation and regular auditing of the regentes themselves—as well as some additional monitoring by the program—and regentes who are found to have inappropriately certified compliance risk losing their license.

Regardless of the monitoring structure, it is important to have oversight in and verification of monitoring activities and results, as in Costa Rica (as described in the previous paragraph. The level of rigor in monitoring is also related to the source of financing; for example, when selling emission reductions on the international market, a certain level of quality control and standardization is required so that buyers have trust in the process and in what they are buying.

4.5.2.3 Adaptation over time

Adaptive management is a core tenet of good practices for implementation of nearly any type of project, and this holds particularly true for benefit sharing in which tradeoffs between efficiency, effectiveness, and equity are to be minimized for the best all-around results. While adaptation is important, there is a tension between needing to enshrine benefit sharing in law while still being able to adapt (see Section 4.3.2.2 and Box 4.3a).

The framework for Costa Rica's PSA incorporates adaptive management practices so that changes can be made to improve results when gaps are observed. Initially, the PSA was an untargeted program, but biodiversity and socioeconomic priorities have been incorporated into the application process to enable increasing targeting of the program over time. To most effectively improve biodiversity conservation as well as equity, FONAFIFO currently prioritizes areas where conservation hotspots have been identified, as well as districts where there is a relatively low Social Development Index (under 43 percent), as opposed to approving applications in the order in which they are submitted. These priorities are adjusted approximately every five years to respond to other needs or gaps as they are identified.

Some cases started with implementation through pilots to test what works best in the context and incorporated adjustments into the final design of the arrangements for the full scope of the benefit-sharing program. This was the case in the PFES in Vietnam (see Section 4.3.2.3), in addition to in Guatemala's PINPEP program, where in both cases pilots were conducted not only to better understand how to design the program but moreover to build political will and buy-in among government entities and other stakeholders.

The type of monitoring also has some influence on what type of adaptations can be made. As described in Box 4.5a, holistic environmental and socioeconomic monitoring in the AMPF in Peru enabled renegotiation (or even cancellation) of agreements on an annual basis. This process of informing and improving the strategies and associated benefits packages contributes to an overall improvement in effectiveness and efficiency of the program and is an important element of the conservation agreement model.

On the other hand, care needs to be taken that adaptive management does not introduce the risk that participants may not understand future rule changes or may be concerned about an overly flexible approach that could lead to them unexpectedly losing rights and access to their forest resources, a particularly sensitive issue with indigenous peoples.

A selection of specific examples of adaptive management from the cases is presented in Figure 4.5a.

FIGURE 4.5a.: Examples of Adaptive Management

PINFOR & PINPEP, Guatemala

From 1998 to 2016, eligibility through PINFOR was restricted to landowners able to demonstrate proof of title to at least 2 hectares of land.

PINPEP was initiated in 2007, and allows access to forestry and agroforestry incentives for people without formal land tenure but who can prove that they have a legal right of possession to at least 0.1 hectares.

This resulted in the majority of incentives going to larger private landowners, amid growing demand for broader participation.

Additional Information: Section 4.2.2.2, Box 4.2a

PSA, Costa Rica

Formal title was a requirement for participation in the PSA.

The program now accepts proof of right of possession in lieu of title in some circumstances, enabling the poorest, smallest farmers to participate.

This prevented the participation of actors who did not have formal land title.

Additional Information: Section 4.2.2.3

The PSA was initially developed as an untargeted program.

Biodiversity and socioeconomic priorities have been incorporated into the application process to enable increasing targeting of the program over time. FONAFIFO currently prioritizes conservation hotspot areas, as well as counties where there is a relatively low Social Development Index. These priorities are adjusted approximately every five years as other needs or gaps are identified.

The program was not maximizing effectiveness in terms of improving biodiversity conservation as well as equity.

Additional Information: Section 4.2.2.3

AMPF, Peru

The AMPF initially focused incentives on illegal settlers in the protected area who drove deforestation through coffee cultivation. Much of the benefit package emphasized technical support to shift coffee cultivation to more sustainable and more productive practices.

AMPF benefit sharing was expanded to include indigenous peoples adjacent to the protected area. This required defining a new, specific theory of change related to drivers of forest loss on indigenous peoples' lands, often resulting from renting land to outsiders who then cleared forest for agriculture.

High deforestation continued in areas around the AMPF accompanied by declining social conditions and cultural values for adjacent indigenous peoples.

Additional Information: Section 4.2.2.4, Box 4.2c

Bolsa Floresta, Amazonas, Brazil

The financing model for Bolsa Floresta was initially based on state public funding and antificpated REDD+ payments.

TThe financing strategy was reoriented toward philanthropic funding from businesses and foundations, initially in Brazil and then internationally. A trust fund has also been established, whereby the interest generated is used to finance the monetary disbursements while the base endowment is maintained.

In 2015, the initial state funding had been distributed and it was clear that PES/REDD+ programs would not provide sufficient ongoing finance.

Additional Information: Section 4.3.2.5, Box 4.3f

ERF, Australia

Australia's Carbon Farming Initiative was designed with relatively stringent requirements and processes for participation, including a requirement that the project proponent is the landowner.

The subsequent ERF facilitates aggregation—so the project proponent no longer needs to hold the carbon sequestration rights but can have a contract with the landowner—with standard arrangements for transferring rights to a project aggregator to help reduce transaction costs.

The high transaction costs for participation proved challenging for smaller-scale landowners to participate.

Additional Information: Section 4.3.2.6

4.5.3 GOOD PRACTICES FOR MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

- ***Socioeconomic monitoring:*** The inclusion of socioeconomic impacts in monitoring and evaluation systems, as opposed to solely in environmental outcomes, is useful for improving effectiveness and can foster support from politicians, donors, and other stakeholders.
- ***Simple approaches employing local people:*** Monitoring is best kept as simple and practical as possible while still being adequate. Beneficiary participation in monitoring activities in exchange for paid wages can also constitute an important local benefit.
- ***Adaptive management:*** Adaptive management of the design and implementation of benefit-sharing arrangements based on the results of monitoring and evaluation is critical for improving effectiveness, efficiency, and equity over time. Piloting of benefit sharing can help facilitate adaptive management during the design phase.

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5. Conclusions

This study collected a wealth of lessons learned that helped identify a broad set of good practices for benefit sharing by analyzing, comparing, and contrasting a diverse range of long-standing programs across different geographies. These programs have been implemented in different contexts, with various objectives and approaches. The good practices identified from these cases are grounded in real experiences and are illustrated through many examples.

Some cross-cutting issues recurred throughout the analysis, particularly the importance of context in shaping benefit sharing—for example, context related to land tenure regime, legal and institutional frameworks, the drivers and history of land use change, and the political agenda. Each case demonstrated tensions related to the purpose of benefit sharing in shaping the rationale for it, considering the objectives of the program and the source of finance, whether benefits are intended to provide incentives for future performance or rewards for past performance, and the extent that benefits are based on rights to lands and resources and on costs for the implementation of the activities that generate goods and services from which finance is derived. Good governance is particularly important for benefit sharing, related to participation, transparency, accountability, equity and inclusion and effectiveness and efficiency. The cases illustrated many examples of trade-offs between effectiveness, efficiency, and equity. All of the cases demonstrated the importance of adaptive management to address challenges and changing context.

The cases showed the overriding importance of land and resource tenure in identifying beneficiaries and benefits and illustrated how security of land tenure can affect bargaining power and consequently the amount and type of benefits that are shared. Good practices that emerged from the cases include the need to take care in identifying beneficiaries, in establishing eligibility criteria, in avoiding barriers to participation, and in establishing conditionalities for benefits. Some cases illustrated ways to target benefits to certain groups and adopt a differentiated approach by providing different benefits to different groups. The review of cases helped to understand the advantages and challenges of monetary versus nonmonetary benefits, of individual versus community benefits, and of revenue-generating benefits in different contexts.

The cases underscored the importance of legal frameworks as a basis for the transfer of benefits and in defining institutional arrangements. A number of roles are required for benefit sharing, some of which can be fulfilled by service providers including NGOs and private sector actors. Many cases build on existing institutions, strengthening these where necessary. Transparency and accountability are particularly important for financial management. Good practices also include the need for sufficient up-front finance to design benefit sharing and to establish the legal and institutional frameworks, and the need for appropriate grievance and redress mechanisms to support benefit sharing.

Every case highlighted the importance of stakeholder participation and the need to pay attention to the identification of stakeholders; to designing effective consultations; and to planning stakeholder participation, allocating sufficient time and resources. Several cases demonstrate the advantages of stakeholder participation in the governance of the benefit-sharing mechanism. Transparency is key for legitimacy, and good practices cover the need for public disclosure and for effective information sharing with beneficiaries and other stakeholders.

Facilitating and ensuring social inclusion was an explicit aim in several of the cases, specifically concerning the inclusion of women, indigenous peoples, and vulnerable and/or marginalized groups in benefit sharing. However, there was a general lack of compelling evidence of gender-sensitive program design and implementation among most of the cases, though some strong

examples exist of programs taking measures specifically and solely pertaining to the inclusion of women.

Monitoring and evaluation is critical for program managers and for stakeholders to ensure compliance, to increase support and participation, and to support program improvements over time. Good practices include the importance of socioeconomic monitoring as well as environmental monitoring, the advantages of simple approaches to monitoring, employing local people where possible, and the critical importance of adaptive management.

The good practices identified through this process are not intended to provide a full set of guidance on how to design and implement benefit sharing but are offered as a reference to support the country-specific processes that are needed. They do not cover every important aspect of benefit sharing but provide considerations that can help think through the many elements and options for these complex mechanisms. In the case of the FCPF and the ISFL, these funds have requirements for benefit sharing,[6] as well as guidance,[7] for preparing benefit-sharing plans that comply with these requirements.

This report demonstrates the advantages of learning from experience. This study was conducted rapidly, largely throug h document review enhanced with interviews of people mostly involved in benefit-sharing design and implementation. More in-depth analysis would help deepen the learning. In addition, people involved in designing benefit sharing would benefit from other forms of learning from experience including facilitated exchange visits and learning workshops. Exchange and learning will become even more valuable as more jurisdictional-level results-based land use programs start implementation.

6 The FCPF's Methodological Framework and the ISFL ER Program Requirements, respectively.

7 Note on Benefit Sharing for Emission Reductions Programs Under the FCPF and ISFL.

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Appendixes

Appendix 1: Overviews of Cases of Benefit Sharing

Australia: Emissions Reduction Fund (ERF)

Acre, Brazil: System of Incentives for Environmental Services (SISA)

Amazonas, Brazil: Bolsa Floresta

Costa Rica: Payments for Environmental Services Program (PSA)

Ecuador: Socio Bosque Program (SBP)

Guatemala: Forestry Incentives Programs (PINPEP and PINFOR)

Indonesia: Katingan Peatland Restoration and Conservation Project (Katingan Mentaya Project)

Kenya: Kasigau Corridor REDD+ Project

Madagascar: Makira Project

Nepal: Community Forestry

Peru: Alto Mayo Protected Forest (AMPF)

Vietnam: Payment for Forest Environmental Services (PFES)

Zimbabwe: Kariba REDD+ Project

Emissions Reduction Fund (ERF)

LOCATION: Australia (national scale)

AREA: The Fund is not measured in land area, but rather best measured in carbon abatement—37.7 million tons delivered by 2018.

YEARS OF OPERATION: The Fund was initiated through the Carbon Farming Act of 2011, with the first auction under the ERF taking place in 2015.

SCALE OF FUNDS & BENEFICIARIES: The ERF was established with $A 2.55 billion to purchase emission reductions. As of 2018, there were 477 projects under contract to the government (with $A 1.8 billion of the funds committed). It is difficult to determine how many beneficiaries equate to 477 projects.

GOALS: The fund's primary objective is to reduce emissions at the lowest cost over the period to 2020 and contribute toward Australia's 2020 emission reduction target of 5 percent below 2000 levels by 2020.

A. BENEFITS AND BENEFICIARIES

The ERF is based on an auction process wherein project proponents submit bids specifying the price per ton of carbon emissions reduced and the governments select the cheapest. Beneficiaries are businesses, governments (state, municipal), and landowners who can deliver verified emission reductions within eligible project categories including energy efficiency, waste management, revegetation, livestock management, and savanna fire management. Aggregators can work with multiple stakeholders to aggregate smaller projects into bigger bids. The Fund has even driven the emergence of an industry of carbon service providers —for project management, carbon accounting, and legal and financial aspects.

To date, most land sector projects have been vegetation activities such as regenerating native forest, controlling savanna burning, and improving agricultural practices. The Fund is structured to seek the most financially efficient reductions, so it does not prioritize social benefits such as poverty reduction.

The benefits are simply monetary payments delivered to proponents of the cheapest projects against Australian carbon credit units. The carbon credits can be sold to the government, sold on the secondary market, or used for voluntary emission reductions (with reputational co-benefits for businesses). Other co-benefits such as improved water quality, reduced erosion, and savings from better energy efficiency may be reported by project proponents.

B. INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

The Fund is designed and directed by the government under the purview of the Minister for the Environment. The Clean Energy Regulator administers the program, reports to the minister, and takes direction from the minister on general matters. The regulator also manages a public register where information on specific projects is published. Some of the governance arrangements come from the pre-existing Carbon Farming Initiative, including methods and standards for project verification.

C. STAKEHOLDER PARTICIPATION

Significant feedback was taken during the design of the Fund, particularly from business and the community. A Terms of Reference and a Green Paper on design features were created for public comment. An expert advisory group was also formed to help ensure appropriate design. The government also publishes regular web updates (e.g., after each auction), which allows participants to manage their bids based on most recent trends.

The Fund process itself is participatory, as fundamentally it involves a public auction to generate and award the most financially efficient projects for emission reductions, with interested and eligible parties designing their own initiatives and giving their best bids.

D. MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

Monitoring is focused on verification of emission reductions—for example, that they are real and additional. The Fund does not actively monitor co-benefits. An independent committee advises the government and there is quite high scrutiny. For example, requirements on additionality are quite high and the Fund must seek ways to balance rigor with participation. Because it is a legislative scheme, however, changes cannot be made quickly.

RESULTS REPORTED: As of 2018, eight auctions have been held between 2015 and 2018, driving the contracting of 193 million tons of carbon dioxide equivalent (CO2e) from 477 projects, of which 37.7 million tons have been delivered and purchased by the government. The average contracted price is $A 12.

System Of Incentives For Environmental Services (SISA)

LOCATION: Acre, Brazil

AREA: Initiatives within the SISA have varying scopes, but the primary—ISA Carbono—is statewide (16.4 million hectares).

YEARS OF OPERATION: 2010–present

SCALE OF FUNDS & BENEFICIARIES: The primary component—ISA Carbono—has 21,000 beneficiaries as of 2017. SISA has received international funding of €35 million (US$39.65 million) from the German government and £17 million (US$20.7 million) from the U.K. government up to 2017 under the REDD Early Movers Programme.

GOAL: To protect and conserve forest by establishing a system to value ecosystem services and facilitate the distribution of associated benefits

A. BENEFITS AND BENEFICIARIES

SISA is not a program, but rather a legal framework that complements REDD activities by pursuing comprehensive protection of the Amazon. The ISA Carbono Program enables funding of many subprograms, each with at least one of three general components: (1) stock-and-flow—to protect forests and reduce reforestation; (2) programmatic—to share benefits and enable REDD+; and (3) provider-beneficiaries—to legitimize ongoing activities through the SISA program. ISA Carbono is a jurisdictional REDD+ program under SISA with 21,000 beneficiaries that supports generating sustainable forest-based revenue. The ISA Carbono Program has further supported COOPERACRE, a cooperative run by rubber tappers and community leaders to process and market products.

Beneficiaries include family groups, private enterprises, cooperatives, and others, with the requirement of property ownership or resource use rights and participation in a SISA program. They must also be an organization, promote gender equity, and live in areas critical to reducing deforestation, or continuing forest protection in the case of the Indigenous Land Management Program. Benefits vary greatly, from tax or credit incentives to direct payments, as do the level of benefits.

B. INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

The different SISA projects have been supported by a variety of funding sources (including the World Wildlife Fund, the German development bank KfW, and the World Bank). For example, from 2012 to 2016, the ISA Carbono Program alone received €25 million (US$28.2 million) in results-based financing from the German government (BMZ and BMU through KfW) to support institutional strengthening of the SISA and ISA Carbono programs, as well as implementation of ISA Carbono subprograms. Funds flow from donors to the State Forest Fund (FEF) in Phase 1 and the State Planning Secretary (SEPLAN) in Phase 2, and from there it is distributed to the various implementing agencies: the Institute for Climate Change & Regulation of Environmental Services (IMC), the Commission Validation and Monitoring (CEVA), the Company for the Development of Environmental Services (CDSA), the Acre Business Agency (ANAC), and others. The imple-

menting agencies then implement funds according to the benefit-sharing subprograms and the respective contractual agreements, implementing policies and distributing incentives to beneficiaries at the local level.

While this institutional arrangement with many implementing agencies is complex, it was designed to promote stability, transparency, consistency, and trust across the many activities and actors involved in SISA, and each agency fills a specific role. Only 10–30 percent (depending on the contract with donors) of funds are used for enabling policies and the operations, management, and improvement of SISA.

C. STAKEHOLDER PARTICIPATION

The framework for the SISA legislation was developed over the course of a comprehensive, transparent, and highly participatory consultation process with a wide range of stakeholders, including but not limited to civil society groups, indigenous peoples, farmers, extractivists, government agencies, nongovernmental organizations, scientists, and carbon market companies. After this process, the SISA law passed with wide public support.

Special attention was paid to defining and monitoring the application of safeguards, for which stakeholder participation was critical and continues to be important as adaptations are made. SISA also has a special subprogram focused on indigenous peoples and separate working groups for indigenous peoples and now women (introduced in 2016) to ensure their equitable participation in programs.

D. MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

National large-scale deforestation data are publicly available, and are complemented by Acre's Produce-Protect Platform, which monitors annual progress toward overall performance goals, with a focus on forest cover change and carbon emissions.

Because projects are implemented through a variety of instruments and agencies, significant attention is paid to ensuring continuity of strategic focus for the overall SISA portfolio. By including both stakeholders who contribute to protecting forests (stock) and stakeholders who contribute to reducing deforestation (flow) in addition to stakeholders in all areas—not only those currently identified as "high risk"—the program is able to maintain enough flexibility to adapt to a variety of factors.

RESULTS REPORTED: Comparing the decades 1996–2005 and 2006–2015, the annual average deforestation rate across the state decreased by 60 percent, representing avoided emissions exceeding 127 million tons of carbon dioxide equivalent (CO_2e).

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Bolsa Floresta

LOCATION: Brazil (State of Amazonas)

AREA: 16 state conservation units covering over 11 million hectares as of 2018

YEARS OF OPERATION: 2008–present

SCALE OF FUNDS & BENEFICIARIES: 39,946 people in 9,598 families with 1,260 Brazilian reais (US$321) disbursed annually per family as of 2018

GOALS: The program aims to conserve forests, avoid deforestation, and improve the welfare of residents in selected sustainable development reserves in the state of Amazonas.

A. BENEFITS AND BENEFICIARIES

The benefits include a small cash incentive in exchange for committing to zero net deforestation and participating in community-level integrated conservation and development projects to improve livelihoods and prepare communities to meet increasing deforestation pressures.

The program is implemented by FAS, supervised by the state government, through four subprograms: income generation—maximizing the generation of income from sustainable production in and around standing forests; community infrastructure—collective activities to improve education, health, communication, or transportation; community strengthening—to strengthen and increase participation in associations and social organizations; and Bolsa Floresta Familiar—a monthly payment mandated by state law for environmental services to people living in the conservation units, mostly women (86 percent in 2018).

Potential beneficiaries must attend a workshop on topics including sustainable development, climate change, and others, after which they are invited to formally sign a commitment to join the program. In addition to committing to zero net deforestation, the families must meet a set of specific criteria and prerequisites, including: families must have been living in the protected area for at least two years, they cannot deforest riverine areas or primary forest, they must send their children to school, they must participate in workshops, and others.

From 2010 to 2015, in addition to individual family benefits, collective benefits included support for 2,424 income-generating projects, 900 events with community organizations, 460 community planning workshops, and 260 trainings for beneficiaries on income-generating projects.

B. INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

Bolsa Floresta was institutionalized by state law in 2007, after which FAS was established to implement the program, with each subprogram funded through a varying combination of public-private sources. As of

2016, FAS had partnered with over 210 organizations, about half for implementation of projects and half as financiers. A Bolsa Floresta Evaluation Committee composed of social and indigenous peoples' leaders elected from each of the conservation units, NGOs, academics, FAS, and the state government meets once or twice annually to review the strategies and the results. The work plan and budget are approved by the FAS board, which includes the state government; the budget for the Bolsa Floresta Familiar is mandated by state law.

In terms of the scale of investments, an initial investment of 60 million Brazilian reais (US$15.3 million) was provided by the government of Amazonas, Banco Bradesco, and Coca-Cola to create an investment fund for the Bolsa Floresta Familiar subprogram, while an initial investment of 19 million Brazilian reais (US$4.8 million) was provided by the Amazon Fund (national public fund) in 2010 for the income-generating and community-strengthening subprograms, with another 31.5 million Brazilian reais (US$8 million) in 2016. All financial activities are audited by the external firm PricewaterhouseCoopers, then subject to approval by the FAS Supervisory Board and Board of Directors, before being reviewed by the Amazonas State Prosecutor and accounting court.

C. STAKEHOLDER PARTICIPATION

As part of the Bolsa Floresta annual cycle, two workshops are held each year that provide opportunities for beneficiaries to provide input on design and implementation of the program and to capture lessons learned. Transparency is also a key component of the program: Information regarding types and amounts of benefits and numbers of beneficiaries in each conservation unit is publicly available on the FAS website, along with a complete list of beneficiaries for Bolsa Floresta Familiar. Beneficiaries participate in program monitoring and evaluation.

D. MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

Yearly reports are produced and shared on the FAS website detailing the overall impact of interventions for indicators including the number of families benefiting, children in school, participants in events, and others, in addition to monitoring deforestation and fire within the 16 conservation units included in the program. Compliance with the agreements is monitored by field teams with support from local leaders; this has already led to the termination of some agreements with participants who have deforested without authorization or were no longer residing within the program area. There is also an annual participatory evaluation seminar where the beneficiaries serve as evaluators.

RESULTS REPORTED: As of 2018, the program has contributed to improved livelihoods of 39,946 people. During the first five years of implementation (2008–2013), the rate of deforestation in the 16 conservation units decreased by 37 percent, and between 2014 and 2015, while the rate of deforestation in conservation units with Bolsa Floresta decreased by 35.5 percent, the rate of deforestation in conservation units without Bolsa Floresta increased by 13.9 percent and the rate of deforestation in Amazonas in general increased by 42.4 percent.

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Payments For Environmental Services (PSA)

LOCATION: Costa Rica (national scale)

AREA: A total of 1.26 million hectares of land have been registered under the different activities of the program (forest protection, reforestation, natural regeneration, forest management). ~300,000 hectares are maintained under active contract each year.

YEARS OF OPERATION: 1997 to present

SCALE OF FUNDS & BENEFICIARIES: Around US$600 million have been invested in the program to date. A total of 17,800 payment for ecosystem services contracts have been signed as of the end of 2018, with ~8,000 active contracts currently in place.

***GOALS:** Costa Rica's Forest Law No.7575, enacted in 1996, recognized four environmental services provided by forest ecosystems: (1) mitigation of greenhouse gas emissions; (2) hydrological services; (3) biodiversity conservation; and (iv) provision of scenic beauty for recreation and ecotourism. The law provided the regulatory basis to contract landowners for the services provided by their lands. The country's Payments for Environmental Services Program (PSA), established the following year, provides the mechanism to achieve this.*

A. BENEFITS AND BENEFICIARIES

Initially, formal land title was a requirement for participation, but the program was amended to also accept proof of right of possession for 10 years or more in lieu of title in certain circumstances.

Eligibility conditions are linked to the scale of projects, which have to be less than 300 hectares. A minimum land size qualification threshold of 10 hectares has been adopted in order to be consistent with the minimum legal area of a "forest" as defined by the Forestry Law. In 2010, the National Forestry Financing Fund (FONAFIFO) moved to a point-system for weighting and prioritizing applications. FONAFIFO now prioritizes areas of low development indices and high conservation importance (e.g., biological corridors, forests in important watersheds). It also sets quotas for women and indigenous peoples' community groups. In the case of indigenous peoples' communities, it allows up to 800 hectares in a single contract.

PSA contracts are usually 5–10 years long and the program differentiates between project types that are subject to different terms and conditions, including payment and annual distribution amounts. For example, payments range from ~US$41 per hectare per year (for a 5-year contract) for natural forest regeneration to a cumulative sum of ~US$1,000 per hectare for a 15-year reforestation contract, with most of the payment frontloaded into the early years of the contract. Forest protection ranges from US$64 to US$80 per hectare per year and agroforestry systems are paid at US$1.3/tree, rather than on a per hectare basis.

B. INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

The program is operated by FONAFIFO, which has a dedicated PSA department that coordinates all activities related to the PSA guidelines, technical procedures, the payment process to beneficiaries of PSA contracts, and evaluation and monitoring of the program. The PSA is ultimately administered by the government of Costa Rica, which sets FONAFIFO's priorities and determines payment levels; the Ministry of Finance approves FONAFIFO's budget annually. However, day-to-day operations are governed by a board of directors. In addition, FONAFIFO is a fully decentralized agency and has eight regional offices. FONAFIFO has the authority to sell carbon credits that are a product of the PSA program.

C. STAKEHOLDER PARTICIPATION

FONAFIFO has established collaborative agreements with NGOs as part of the PSA program. NGOs can provide support with the application process where needed, carry out compliance monitoring with the agreed-upon land use, and provide technical support for timber plantation start-up and maintenance.

The PSA program has made special arrangements for contracting with indigenous peoples, thereby making the program much more accessible to these groups. Out of the 24 indigenous peoples' territories in the country, 21 have participated in the program and the demand to include indigenous peoples' lands under a PSA contract increases by the year.

D. MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

PSA payments occur yearly, after verification that no land use change has occurred and that conservation activities have been performed as specified in the relevant Program of Best Management Practices. The program requires that participants work directly with a private technical specialist (a regente forestal) to prepare certain program documentation. The specialist is also responsible for preparing status reports on the project as part of the monitoring strategy. FONAFIFO staff also conduct site visits, review (and regularly audit) the reports of the specialist, and carry out geographic information system monitoring.

RESULTS REPORTED: To date a total of 1.26 million hectares of land have been registered in the program (1.1 million hectares of which are was forest protection). This represents nearly 18,000 PSA contracts signed. Of the contracts, 2,600 have been with women and 284 are with indigenous peoples' community groups. In addition, 7.5 million trees have been planted under agroforestry systems. Around 300,000 hectares are maintained under active contract each year.

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Socio Bosque Program (SBP)

LOCATION: Ecuador (national scale)

AREA: 1.6 million hectares are protected through the program.

YEARS OF OPERATION: The program began in 2008. When an agreement is signed, annual payments are made for 20 years.

SCALE OF FUNDS & BENEFICIARIES: Since 2008, the government of Ecuador has invested around US$55 million in the program. Nearly 2,800 individual and collective agreements have been signed, representing roughly 190,000 people.

GOALS: The three objectives of the program are (1) to conserve native forests and other native ecosystems to protect their ecological, economic, cultural, and spiritual values; (2) to significantly reduce deforestation and associated greenhouse gas emissions; and (3) to improve the well-being of farmers, indigenous peoples, and other groups living in the country's rural areas with the aim of benefiting between 500,000 and 1 million people.

A. BENEFITS AND BENEFICIARIES

Beneficiaries are communities and households that voluntarily agree to protect important ecosystems in Ecuador. There are some requirements related to verification of land title for individuals and communities and an "ancestry certificate" for indigenous peoples. Land title requirements are challenging for poorer people in Ecuador, but this decision was made with the intent of preventing land grabbing.

The benefits within the SBP consist of direct cash payments made twice a year, based on complying with several conservation commitments. Importantly, payments are not related to the opportunity cost of choosing conservation over unsustainable use. Payments are based on a graduated scale according to the number of hectares conserved and the type of ecosystem and beneficiary (individual or community). Smaller landholders and communities receive a higher per hectare payment in order to promote equity. For communities participating in the program, the use of funds from payments received should align with communal development plans, intended to promote sustainable economic development and access to services.

B. INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

The program is led by a dedicated team within the Ministry of Environment. The program also employs regional staff and extension agents to socialize it and to receive and verify applications. All costs of the program are covered by public funds, which are designated annually by the National Secretary for Plan-

ning and Development, along with additional finance from REM (KfW and the government of Norway), the Global Climate Fund (GCF), the Global Environment Facility (GEF), and private sector investment (minimal investment through carbon offsets). The program is based on conservation agreements, wherein individuals or communities make clear conservation commitments (for the SBP the commitments are standardized to the number of hectares conserved), and in return they receive cash incentives to reward those efforts.

C. STAKEHOLDER PARTICIPATION

The program was developed over a matter of months in 2008, a fast process that was successful in capitalizing on already-proven conservation agreement models as well as existing political will, but that may have limited participation by some stakeholder groups in the program's initial design. Although participation in the program is voluntary, in the case of indigenous peoples and Afro-Ecuadorian communities and rural organizations, participatory processes are a fundamental requirement. In these cases, even though the president of the community or rural organization signs the conservation agreement, the decision-making process involves the approval of the community general assembly. The assembly also approves the communal Annual Investment Plan and the twice yearly financial and activity accountability report that is developed throughout the duration of the conservation agreement.

D. MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

Monitoring appears to focus on compliance with the conservation obligations included in the conservation agreements and includes remote sensing and site checks. Evaluations of the use of funds from the communal payments are also undertaken. Monitoring of finer-scale environmental and socioeconomic factors (ecosystem health, human well-being indicators) is not central to the adaptive management of the program.

RESULTS REPORTED: As of 2018, the program reports the protection of 1.6 million hectares of their 4-million-hectare goal.

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National Forestry Incentive Programs (PINFOR and PINPEP)

LOCATION: Guatemala (national scale)

AREA: 383,000 hectares of land were covered under PINFOR (plantations and natural forest management). As of the end of 2017, 115,000 hectares of land are included in PINPEP (plantations, agroforestry and natural forest management).

YEARS OF OPERATION: PINFOR was operational from 1998 to 2016. PINPEP began in 2007 and has no mandated end date.

SCALE OF FUNDS & BENEFICIARIES: 880,000 people directly benefited from the PINFOR program, and 250,000 have directly benefited from PINPEP (up to the end of 2017). The government of Guatemala has invested around US$364 million in both programs to date.

GOALS: PINFOR objectives were to increase forest stocks available for exploitation by the forestry sector, improve sustainable forestry production, and incentivize the protection of natural forests. PINPEP also aims to increase forest cover but has the additional objectives of generating employment in rural areas and promoting gender equity. An additional program, PROBOSQUE began in 2015 and has a lifetime of 30 years; this program expands the forestry incentives for projects with both production and protection objectives, including for the provision of ecosystem services (e.g., natural forest management in areas of water recharge). It also has objectives linked to improving livelihoods and food security, promoting rural development, and mitigating and adapting to climate change.

A. BENEFITS AND BENEFICIARIES

The majority of PINFOR beneficiaries were larger private landowners because of the 2-hectare minimum land eligibility requirement and the need to have formal land tenure. PINPEP was developed in response to demand to allow access to incentives for small landowners without formal tenure but who can prove that they have a possession right to the land (granted via the municipality). The minimum land size requirement for PINPEP is only 0.1 hectares, which also allows poorer families with little land to participate. Municipalities are also able to participate by entering municipal forest lands into the programs, and often these municipalities own important extensions of forest lands.

Benefits are provided as cash payments once a year. Payments are based on the amount of land enrolled in the program, the type of project being implemented (forestry plantations, agroforestry, natural forest management), and the year of implementation (e.g., plantation projects receive a higher payment in year one than in years two–five).

In order to receive the payment, beneficiaries must adhere to forestry management plans developed by a qualified technician as part of the enrollment process. These plans outline the criteria and activities that each project must complete, such as the establishment of fire breaks for protection projects and achieving 65 percent survival rates for plantation projects. Annual site verifications are conducted by National Forestry Institute (INAB) staff and the beneficiary needs to implement corrective actions in cases of noncompliance before being able to receive payment.

Incentive payments only last up to a maximum of five to ten years (depending on the type of project) and the same parcel of land cannot be re-registered.

B. INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

The incentive programs are managed by the National Forestry Institute (INAB), which is responsible for verifying performance of the projects. The payments are transferred directly to the bank accounts of beneficiaries by the Ministry of Finance (MINFIN) following receipt of the certificate that confirms adherence with the forest management plan. Though attached to the Ministry of Livestock and Agriculture (MAGA), the INAB is an autonomous, decentralized agency with its own governing body (Junta Directiva) made up of central government, municipalities, academia, environmental NGOs, and the private sector, including the forestry industry.

C. STAKEHOLDER PARTICIPATION

It does not seem that PINFOR was developed with much participation from a broad range of stakeholder groups. Indeed, the majority of smallholders were excluded from participating in the program by the requirement to have a legal title and an extension of over 2 hectares of land. This led community forestry organizations to successfully pressure for the creation of a new scheme. During the process of establishing PINPEP, owners of small tracts of land with forest or agroforestry vocation participated, as well as various indigenous peoples and farmer associations, NGOs, environmentalists, municipalities, and representatives of the forestry sector.

Given that Guatemala intends to use its forestry incentive schemes as an incentive and benefit-sharing mechanism under REDD+ then free, prior, and informed consent will be required for at least those elements of the programs that may affect indigenous peoples' rights, for example, provisions of PINPEP regulations and PROBOSQUE that relate to communal tenure (including over land titled in another's name), or in respect of activities in which there are claimed or disputed rights.

D. MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

Projects are monitored and verified once a year by the INAB to check that they are in compliance with the activities and criteria outlined in the Forest Management Plan. The INAB has the authority to reject, approve, or request changes to the reports/plans from projects prior to the incentive payment being made. Monitoring finer-scale environmental and socioeconomic factors and outcomes (ecosystem health, human well-being indicators) is not currently central to the monitoring framework, partially because of the inclusion of many small land parcels, which increases transactional costs for on-site checks. However, given that PINPEP and PROBOSQUE are now part of Guatemala's REDD+ mechanism, other measurement, reporting, and verification components such as the estimation of removals from the increase of carbon stocks through forest management, reforestation, and natural regeneration will also be included going forward.

RESULTS REPORTED: As of the end of 2017, nearly 500,000 hectares of land have been included in both the PINFOR and PINPEP programs combined. For PINFOR, a total of 10,418 projects were incorporated into the program, of which 57 percent were for reforestation/plantations and 43 percent for natural forest management (production and protection). Of these projects, 12 percent corresponded to women, 48 percent to men, and 40 percent to collective projects (municipalities, communities, companies). In addition to the 880,000 direct beneficiaries, 4 million people have benefited indirectly.

For PINPEP, during the period 2007–2017, 32,000 projects have been adopted into the program, of which 31 percent are led by women, 61 percent by men, and 8 percent are collective projects. There are 250,000 direct beneficiaries and 750,000 indirect beneficiaries.

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Katingan Peatland Restoration And Conservation Project (Katingan Mentaya Project)

LOCATION: Indonesia (Mendawai, Kamipang, Seranau, and Pulau Hanaut subdistricts of Katingan and Kotawaringin Timur districts, Central Kalimantan)

AREA: Project zone covers 305,669 hectares

YEARS OF OPERATION: 2010–2070

SCALE OF FUNDS & BENEFICIARIES: 34 village communities and a population estimated in 2010 to be 43,000 people living in 11,475 households

GOALS: The project aims (1) to protect and restore 149,800 hectares of peatland ecosystems, and to generate an average 7,451,846 tons of greenhouse gas emission reductions annually; (2) to improve quality of life and reduce poverty of the project-zone communities; and (3) to stabilize healthy populations of faunal and floral species in the project zone and enhance natural habitats and ecological integrity through ecosystem restoration.

A. BENEFITS AND BENEFICIARIES

Beneficiaries are the communities residing in the project zone. Participatory mapping and planning have been conducted in each of the 34 villages to determine short- to medium-term development goals and to plan specific activities that can be implemented between the communities and the Katingan Mentaya Project. Nonmonetary benefits are provided through grant funding for long-term education and health programs (e.g., awareness raising, infrastructure development, sanitation projects) and grant funding for institutional strengthening and various training opportunities (e.g., skills, techniques). In addition, monetary benefits are provided through developing revolving funds for microfinance to support small-scale economic activities and funding small and medium enterprises with business objectives that are consistent with the project's overall objectives.

An emphasis has been placed on technical, material, and financial support for community-based business development such as the fabrication of composite flooring from rattan and bamboo, coconut palm sugar production, rubber and vanilla agroforestry, improved production of rice and other organic produce, fishponds, livestock management, and salvaged wood production. Training and support have also been provided to establish microfinance institutions in several villages. In more remote villages with less easy access to markets, benefits have focused on grants for improved services such as construction of latrines, solar energy, and access to clean water. In all cases, finance is provided as co-funding with villagers contributing, often from a Village Fund provided to them by the government.

B. INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

The Katingan Project is managed by an Indonesian company, PT Rimba Makmur Utama (RMU), through two Ecosystem Restoration Concession licenses (the first issued by Minister of Forestry Decree SK 734/

Menhut-II/2013 covering 108,225 hectares and the second issued by Capital Investment Coordinating Board Agency Decree 23/1/IUPHHK-RE/PMDN/2016 covering 49,620 hectares). No official regulations have yet been established for benefit sharing for such projects in Indonesia. Currently RMU maintains the sole responsibility for managing and disbursing funds used to support community development efforts. Decisions are made by RMU based on inputs from the participatory planning processes. In future, the possibility of funds being managed by an independent or semi-independent entity are being evaluated. In addition, the project is helping to develop the capacity for local institutions, such as cooperatives and NGOs, to help deliver results.

Benefits provided are consistent with government regulations stipulating that all village business development should be channeled through village-owned enterprises.

C. STAKEHOLDER PARTICIPATION

Benefits packages are designed by the villages in collaboration with Katingan Mentaya Project staff through participatory mapping and planning and respecting principles of free, prior, and informed consent. This approach is conducted iteratively to enable local people to critically consider potential impacts of activities and to negotiate their participation. In additional to regular meetings, community message boards, flyers, and local radio programs are used to provide information to the villages.

D. MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

RMU conducts regular monitoring of the forest cover using remote sensing and of the implementation and results of project activities.

While the project started in 2010, the first significant carbon revenues were received only from 2018. Benefit-sharing activities have been implemented using investment funding on a pilot scale. In addition, the government of Indonesia has not yet issued regulations on benefit sharing for this type of project. Benefit sharing will be adapted based on the results of the pilot activities and will be formalized once the regulations are clarified.

RESULTS REPORTED: From 2010 to 2017, the project generated avoided emissions equivalent to 21,918,156 tons of carbon dioxide equivalent (CO_2e); generated 33,805 hectares reduced forest loss and 496 hectares restored forest; employed 127 full-time equivalent employees (9 percent women); and improved livelihoods for 2,740 people, health services for 200 people (56 percent women), access or quality of education for 51 people (67 percent women and girls), access to drinking water for 256 people (50 percent women), well-being of 11,929 community members, and skills of 945 community members (34 percent women).

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Kasigau Corridor REDD+ Project

LOCATION: Kenya (Taita-Taveta County)

AREA: 203,784 hectares (30,168 hectares in Phase 1 plus 173,616 hectares in Phase 2)

YEARS OF OPERATION: 2005–present (with Phase 2 added in 2010)

SCALE OF FUNDS & BENEFICIARIES: 14 ranches (total 4,185 shareholder) and 6 community groups (with 92,500 people in 21,500 households)

GOALS: The four goals of the project are (1) to protect the dryland forests that form a wildlife corridor between the Tsavo West & Tsavo East National Parks, reducing human-wildlife conflict; (2) to conserve important biodiversity in these dryland forests; (3) to provide alternative sustainable livelihood and development opportunities; and (4) to prevent greenhouse gas emissions from slash-and-burn agriculture.

A. BENEFITS AND BENEFICIARIES

The primary behavior changes needed to meet these objectives vary: for communities, the strategies involve reducing slash-and-burn agricultural practices and the production of charcoal for communities; while for ranch owners, the strategies involve commitments not to poach wildlife, produce charcoal, log, clear land for agriculture, harvest firewood for sale, and/or conduct any other activity damaging to forests and biodiversity.

There are three categories of beneficiaries: (1) ranch owners, who are individuals or groups—private companies or directed agricultural companies—with membership based on share ownership; (2) the project implementer—Wildlife Works (WW)—which covers patrolling, monitoring, and employment; and (3) communities living in the project area.

Theoretically, the revenue is equally distributed among the three beneficiary categories mentioned above, with one-third of revenues going to each; however, low project revenue combined with high project cost has led to a different distribution. In practice, the ranch owners receive their third as contractually obligated (US$18,000–US$73,000/ranch/year, distributed differently on each ranch); half of the revenues go to project costs (including 320 staff salaries); and the remaining funding (roughly one-sixth) goes to communities (which averages to US$5–US$8 per person per year).

B. INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

Wildlife Works Sanctuary handles project implementation and the sale of associated carbon credits. Communities are not contractually bound; however, ranch owners are required to sign 30-year contractu-

al agreements, given that their permission (as landowners) is required to conduct the project. In terms of distributing the funds, one-third of the revenue is automatically distributed to ranch owners, then project costs are deducted, and the remainder—the profits—is split between the WW and the communities.

For communities, Wildlife Works Carbon Trust (WWCT) distributes benefits through Location Carbon Committees and community-based organizations; this structure was chosen instead of payments per household to maximize effectiveness. To implement these collective community projects, local institutions needed to be created and/or strengthened. Community-based organizations oversee implementation of the projects and submit proposals to the Location Carbon Committees, while in turn the Location Carbon Committees review the proposals and submit their selections for funding to the WWCT.

C. STAKEHOLDER PARTICIPATION

The WW organizes ongoing stakeholder education and input processes, with many modes of engagement and multiple options for providing feedback and submitting grievances. Additionally, the WW reports actual benefit distribution against the benefit-sharing plan to all stakeholders on a periodic basis. Legally, consent is required only from the ranch owners given they are the legal rights holders for the carbon. However, both the WW and the ranch owners recognized the importance of including the communities as key stakeholders.

D. MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

The project is monitored and evaluated through processes required by compliance with the Verified Carbon Standard (for carbon accounting) and the Climate, Community & Biodiversity Standards (for social and environmental aspects). The WW employs guards to patrol the project area and check for any illegal activities.

One project adaptation has been to document the agreements with the communities even though contracts are not required with them. This documentation for the community agreements has reduced confusion and increased trust among stakeholders in the project.

RESULTS REPORTED: Net estimated emission reductions of 2.75 million tons of carbon dioxide equivalent (CO2e) from 2005 to 2017 for Phase 1 area plus an additional 41.60 million tons carbon dioxide equivalent (CO2e) from 2010 to 2017.

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Makira Project

LOCATION: Madagascar (Analanjirofo, SAVA, and Sofia Regions)

AREA: Makira Natural Park 372,470 hectares and community-managed green belt 351,037 hectares

YEARS OF OPERATION: 2005–2018

SCALE OF FUNDS & BENEFICIARIES: 49,000 people estimated in the project zone in 2009, US$412,813 provided for community projects 2015–2017, unclear how many people have benefited directly

GOALS: The Makira Project aims (1) to avoid emissions of 38 million tons of CO2e over the 30-year project period; (2) to maintain ecological integrity of the Makira landscape and its connectivity with other protected areas of Northeastern Madagascar; (3) to ensure maintenance of ecological services; (4) to ensure the protection of its exceptional biodiversity with a high level of species endemism, which is certainly among the highest in the country, with large numbers of plants and animals found nowhere else in the world; and (5) to empower the surrounding local communities to manage their natural resources sustainably and address their food security and subsistence needs.

A. BENEFITS AND BENEFICIARIES

Fifty percent of the revenues from the sale of carbon credits generated by the Makira Project are allocated to support local communities in and around the Makira Forest in their natural resource management, forest conservation, and community-development initiatives. These funds for communities provide nonmonetary benefits for community projects identified by the communities or by the manager of Makira Natural Park, which have been identified in management plans linked to management transfer contracts (simplified management plans, as part of the contractual community forest management) or in the project design document of the Makira Project, or for conservation and natural resource management projects in the buffer zone around the natural park of Makira including funding for operational structures for community management including for community management associations (VOIs), platforms of VOIs, and federations of VOIs.

Seventy-five communities surrounding Makira Natural Park have established VOIs that have contracts with the government for the management of forest areas in the buffer zone and that are eligible to receive benefits. They have agreed to implement and enforce land use zoning and management plans that aim to reduce deforestation by limiting slash-and-burn agriculture, clearance of pastures, and small-scale illegal logging and illegal mining. Community projects include providing materials and training for beekeeping,

vanilla cultivation, improved rice cultivation, and health care and construction or rehabilitation of schools, health centers, and irrigated agriculture.

The remaining revenues from the sale of carbon credits are allocated to the government (20 percent), to the Wildlife Conservation Society (WCS) for the management of the protected area (20 percent), to the Makira Carbon Company for promotion and marketing of the credits (5 percent) and for third-party validation and verification of the credits (2.5 percent); and to the Tany Meva Foundation for the management and disbursement of funds for communities and management of the protected area (2.5 percent). By the end of 2017, at least US$3.8 million had been generated from the sale of carbon credits.

B. INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

The Makira Project is implemented on government-owned land including Makira Natural Park and the buffer zone where local communities have VOIs and signed forest management contracts with the government. The VOIs are represented on six VOI platforms for each sector of the project area, and the platforms, in turn, constitute a VOI federation.

Decree No. 2008-704 dated July 11, 2008, approved in a Council of the Government of Madagascar and further amended on July 16, 2012, specifies the roles and responsibilities as well as the carbon revenue sharing and management mechanism for the Makira Project. The WCS is the designated manager of Makira Natural Park and the Makira Carbon Company, a wholly owned subsidiary of the WCS, is responsible for the marketing and sale of verified emission reduction credits generated by the project. The Tany Meva Foundation was appointed in 2015 to manage and disburse funds allocated to communities and to park management from the sale of credits. Tany Meva requests proposals from all the VOI for the use of community funds, which are collected by the VOI platforms; screened for feasibility by a Local Technical Committee composed of the presidents of the six VOI platforms, the WCS, and Tany Meva; and then prioritized by the VOI federation. For more complex projects like school construction or irrigation canals, Tany Meva commissions a detailed work plan and budget. A steering committee composed of representatives of the Ministry of Environment responsible for Forest, the National REDD+ Coordination and Climate Change Coordination offices, the WCS, and the VOI federation reviews and approves annual work plans and budgets for the use of carbon funds for the communities proposed by Tany Meva.

C. STAKEHOLDER PARTICIPATION

Local communities are mostly engaged in the project and consulted through the VOI structures, including the representatives VOI platforms and the VOI federation. In addition, 34 park agents have been recruited from and live in the local communities; they who help greatly to facilitate the flow of information to and feedback from the communities. Communication is a significant challenge given the isolated nature of many villages, many of which are one to three days' walk from the nearest transport, and given also the low education and widespread illiteracy among the population.

D. MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

The WCS conducts a comprehensive monitoring program including periodic socioeconomic surveys including issues of health, education, production, revenues, security, and empowerment through detailed household interviews and focus group discussions with VOIs. Monitoring of forest cover and compliance with forest management contracts and zoning is ongoing through remote sensing and site visits. Lemur and fosa (endemic primates and carnivore) populations are monitored along with the incidence of poaching for bush meat.

The delivery of benefits from the carbon revenues to communities underway since 2015 has faced administrative and logistical challenges leading to limited and delayed disbursement. The Ministry of Environment decided in October 2018 to terminate the memorandum of understanding with the Makira Carbon Company and subsequently suspend the role of Tany Meva in the management of the community carbon fund. To ensure continuation of delivery of benefits to communities, responsibility was given to the WCS to manage the remaining community funds. Some improvements have been made to facilitate the disbursement process and others are planned.

RESULTS REPORTED: From January 1, 2005, to December 31, 2013, the Makira Project generated 2,148,104 tons of carbon dioxide equivalent (CO2e) of avoided greenhouse gas emissions. Positive impacts on local communities at least partially attributed to the project are most significant in the fields of access to microfinance, school attendance (increase from 76 percent to 96 percent) and capacity building, access to health care, new income-generating improved agriculture techniques (increase in average annual household income from US$159 to US$394), and increased participation of community members, including women, in decision making. Positive impacts on biodiversity are most clearly shown by the increase of frequency of seven out of eight-day active lemur species encountered in the project zone and the reduction of illegal activities leading to forest degradation.

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Community Forestry

LOCATION: Nepal (national scale)

AREA: 2,237,670 hectares as of May 2019, covering nearly 37 percent of the total forest area in Nepal

YEARS OF OPERATION: 1989–present

SCALE OF FUNDS & BENEFICIARIES: 2,907,871 million households (more than a third of the national population) in 22,266 Community Forestry User Groups, of which there are 1,072 women-only committees as of May 2019. US$13.7 million total annual profit was estimated for all CFUGs across the country in 2011.

***GOALS:** To achieve sustainable management of forest resources by converting accessible national forests into Community Forests in a phased and wise manner. Additionally, to improve the social and economic condition of the poor, Dalits (a socially marginalized group), indigenous peoples, and ethnic groups, and women.*

A. BENEFITS AND BENEFICIARIES

The government of Nepal instituted community forestry in the Forest Act of 1993. Community forestry transfers the use rights of forest resources from government to local communities through Community Forest User Groups upon approval of bylaws and forest management plans by Divisional Forest Offices. A Community Forest User Group has the full right to manage the forest and use its resources according to the forest management plan, and may involve conservation, timber extraction, cash crops, the rearing of livestock, and the collection of non-timber forest products. The Community Forest User Groups may use these products for their domestic needs and they have the right to sell forest products. The government taxes such sales at 15 percent for some commercially valuable species.

The 1993 Forest Act mandates that 25 percent of the income from management of the forest should be used for the protection and management of the Community Forest and the remaining amount for other development work. Guidelines for implementing community forestry require that 35 percent of the income be used to improve the social and economic condition of the poor, women, Dalits, indigenous peoples, and ethnic groups through livelihood improvement programs. In addition, Community Forest User Groups must pay 10 percent of their income to the local government and 15 percent of their income to the central government. The Federation of Community Forestry Users Nepal (FECOFUN) continues to advocate against this tax system, which they perceive as unfair, and is proposing a one window tax system to reduce conflicts and complexity as well as what they describe as an unrealistic tax system.

A 2013 survey found that forest management generates on average 640 paid person-days of work an-

nually per Community Forest User Group. At an average wage of US$2 per day, this represents the direct transfer of US$8.5 to US$12.8 per household per year. Community Forest User Groups generate substantial funds—an average of US$3,660 per year for those managing more than 100 hectares of forest. A significant proportion of this money is spent on community development, which can have a positive impact on the livelihoods of group members. The largest use of community forestry funds was for schools (mainly buildings) (30 percent), followed by poverty-reduction activities (17 percent), roads (16 percent), and other infrastructure such as electricity, temple buildings, drinking water, and sanitation.

B. INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

Community Forest User Groups are legal, autonomous corporate bodies, governed by a general assembly consisting of all households in the boundaries of the applicant community, and an executive committee chosen by the Community Forest User Group through consensus or election. User groups who want to manage a Community Forest must submit a written application to the government, which then sends a technical expert to help the communities prepare bylaws and a management plan, respecting the guidelines set out in the Forest Regulations 1995. Decisions must be made on a consensual basis, and boundaries with neighboring communities must be respected. The Community Forest User Groups must then prepare a management plan to govern the Community Forest, also assisted by government staff. The management plan describes the community forest area and outlines the activities that will take place within it over its 10-year lifetime (though this period can be extended). Activities are implemented according to the management plan, bylaws, and decisions of the full Community Forest User Groups assembly.

From 2014 the guidelines on community forestry require that a Community Forest User Groups management committee must contain at least 50 percent women representatives, with the remaining 50 percent including proportionate representation from the poor, socially marginalized groups, minority ethnic groups, and indigenous peoples. Either the chairperson or the secretary of the committee must be a woman.

C. STAKEHOLDER PARTICIPATION

The government worked with NGOs and the private sector to organize national workshops to develop the central policies and regulations now governing community forestry from 1987. The Federation of Community Forestry Users Nepal has played an important role in beneficiary participation in design of community forestry. The Federation of Community Forestry Users Nepal is a formal network of Community Forest User Groups that strives to promote their rights and strengthen their role in policy-making processes. Since its inception in July 1995, the Federation of Community Forestry Users Nepal has grown to include nearly 80 percent of the country's Community Forest User Groups comprising around 10 million people. The Federation of Community Forestry Users Nepal is run as a democratic network representing the Community Forest User Groups at each level, with an inclusive approach to decision making.

D. MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

The Government of Nepal Ministry of Forests and Environment monitors overall forest conditions across Nepal. In 2011, the government conducted a survey involving 137 Community Forest User Groups and 2,068 households across 47 districts, supplemented by seven detailed case studies, which collected detailed information on activities, income, and use of funds by Community Forest User Groups. Guidelines for community forestry have been revised on several occasions with significant input from Community Forest User Groups and other stakeholders.

RESULTS REPORTED: The Government of Nepal Ministry of Forests and Environment community forestry webpage (May 2019) states that impacts of Community Forests include restored degraded forest land; resumed greenery; increased biodiversity; increased supply of forest products; empowered women, poor, and the disadvantaged groups; promoted income-generation and community development activities; and improved livelihoods.

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Alto Mayo Protected Forest (AMPF)

LOCATION: Peru (Alto Mayo Protected Forest)

AREA: 430,000 hectares

YEARS OF OPERATION: REDD+ project started in 2008, running through 2028. Some activities, including conservation agreements, started in 2007

SCALE OF FUNDS & BENEFICIARIES: As of 2016, 848 settlers (60 percent of the population) had signed conservation agreements. To date, US$24 million in carbon credit revenue and US$14.7 million in investments has been provided by donors. It is projected that an additional US$9.1 million will be provided through 2022.

GOALS: The overall goal is to promote the sustainable management of the AMPF and its ecosystem services for the benefit of the local populations and the global climate.

A. BENEFITS AND BENEFICIARIES

Beneficiaries are settlers and communities who live inside and around the AMPF and its buffer zone. Beneficiaries sign conservation agreements that include (1) clear commitments to conserve the environment in accordance with the law and (2) incentives/benefits to enable compliance with these commitments. Each settler who signs a conservation agreement in the AMPF agrees to participate in conservation activities, such as training sessions, reforestation campaigns, and surveillance activities, as well as to report to the AMPF Head Office any illegal activities and the establishment of new settlements in the state Natural Protected Area. Additionally, they agree to implement only environmentally sustainable activities that are compatible with the conservation objectives of the AMPF and to limit these activities to authorized areas. The agreements provide a contract for the transfer of benefits in the absence of clear land tenure (in the AMPF the beneficiaries are illegal settlers). A key benefit is land security, as opposed to land tenure. For agreements with indigenous peoples' communities adjacent to the AMPF, benefits are aligned with their Life Plans.

Agreements have a standardized form but are flexible in terms of conservation commitments and benefits/incentives. Settlers can negotiate and help design the agreement. Most benefits relate to technical assistance to improve coffee cultivation and sale and other livelihood activities. Additional benefits relate to creating government service hubs and improving access to health and education services. It is unclear how the amount of benefits is related to the amount of reduced deforestation produced by a beneficiary. There does not appear to be a direct link.

B. INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

Management of the AMPF is coordinated through an Administration Contract held by Conservation International – Peru and signed with the protected areas authority, SERNANP.

Conservation International (CI) has the authority to sell carbon credits created through the project. From the amount generated, 20 percent is kept by CI headquarters for the generation of carbon assets (documentation, verification, carbon accounting, etc.), and for marketing and brokering sales. Of the remaining 80 percent, 35 percent goes to the local beneficiaries through the conservation agreements, 25 percent goes to technical assistance, 25 percent goes to AMPF payroll and administration, and 15 percent goes to CI Peru payroll and administration. A management committee makes decisions about the management of the protected area.

C. STAKEHOLDER PARTICIPATION

Each beneficiary can negotiate and voluntarily sign a conservation agreement, selecting certain benefit packages. Little consultation took place for the design of the program at the community level because settlement in the AMPF is illegal and therefore key parts of the operational framework were already enshrined in Peruvian law.

D. MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

Rigorous monitoring ensures compliance with conservation commitments and tracks environmental and social impacts. The project monitors deforestation, greenhouse gas emission reductions, and many social and environmental aspects for compliance with the Verified Carbon Standard and the Climate, Community & Biodiversity Standards. Conservation agreements, through their monitoring and renegotiation, are a form of beneficiary-by-beneficiary adaptive management.

RESULTS REPORTED: As of 2015, deforestation rates were reduced by 75 percent of baseline. By 2019, over 800 conservation agreements had been signed, 6.2 million Verified Carbon Units generated, and there were 240,000 indirect beneficiaries.

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Payment For Forest Environmental Services (PFES)

LOCATION: Vietnam (national)

AREA: 5.3 million hectares of watershed forest protected/managed up to 2015

YEARS OF OPERATION: 2011–present

SCALE OF FUNDS & BENEFICIARIES: From 2011 to 2017, US$400.9 million raised in revenue and US$298.8 million (6,574 billion Vietnamese dong) disbursed to 506,298 households receiving PFES payments.

GOALS: The goals of this project are (1) to improve forest quality and quantity, (2) to increase the national economic contribution of the forestry sector, (3) to reduce the state's financial burden for forest protection/management, and (4) to improve social well-being.

A. BENEFITS AND BENEFICIARIES

Providers or suppliers of forest environmental services implement forest protection contracts, while users or buyers of forest environmental services (hydroelectric plants, water companies, tourism operators) pay set fees for services.

Beneficiaries are the suppliers of forest environmental services and include village funds, groups of up to 20 households, cooperatives, and individual households. Beneficiaries must have forested land and a land title or a land-use-right certificate to participate. The area of forest is verified when a new supplier joins the program, after which they are subject only to potential spot-checking unless a formal complaint is lodged regarding unpermitted practices on the land.

The per hectare direct cash payments are calculated based primarily on the amount of revenue collected by the PFES in the province and the total forest area in the province included in the program. Some provinces also apply a K factor (or K coefficient) relating to different quality of forest (forest function, status/stock, origin, and workload level), but this is not uniform and requires more data to expand its application. The average household participating in the scheme receives US$82 per year. While roughly two-thirds of the hectares receive less than 200,000 Vietnamese dong per year (US$8.61), significant variation exists in payments per hectare in different provinces, with some receiving as little as $0.07 per hectare per year in years with low PFES revenue, while others receive as much as US$56.52 per hectare per year in years with high PFES revenue.

B. INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

The institutional arrangements predominantly rely upon the provincial Forest Protection and Development Funds (FPDFs), backed by the national-level Forest Protection and Development Fund (VNFF). The FPDFs manage the service buyers (signing contracts and collecting payments) and the service providers (preparing payment plans, monitoring, issuing payments), along with reporting up to the VNFF. The FPDF takes a 10 percent management fee and sets aside a 5 percent contribution to a reserve fund.

C. STAKEHOLDER PARTICIPATION

The communities where the system was first piloted were consulted and provided input on the design of the program; however, now that it is operational, the FPDFs make decisions relating to the design of the program and distribution of benefits while beneficiaries receive cash payments so they have decision-making authority for how the money is spent.

Relatively little detailed documentation exists, and beneficiaries are generally informed of and involved in the decision-making process only once the payment has reached the communities.

D. MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

Spot-checks are conducted to verify whether areas are still forested and observe what activities are taking place, but these are more quantitative than qualitative. There is no monitoring of the results of the PFES program in terms of improvements in the provision of ecosystem services or improvements in livelihoods and well-being.

RESULTS REPORTED: As of 2017, 5.3 million hectares of forest—around 42 percent of the area nationwide—have been protected through the PFES Program.

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Kariba REDD+ Project

LOCATION: Zimbabwe (Matabeleland North, Midlands, Mashonaland West, and Mashonaland Central)

AREA: 784,897 hectares

YEARS OF OPERATION: 2011–2041

SCALE OF FUNDS & BENEFICIARIES: 334,518 people

GOALS: The Kariba REDD+ Project aims (1) to reduce emissions from deforestation and forest degradation; (2) to maintain wood supply for domestic use; (3) to contribute to community development and poverty alleviation; (4) to improve access to social, educational, and health services; (5) to build community capacity to improve natural resource management and cope with climate change; and (6) to sustain and enhance biodiversity.

A. BENEFITS AND BENEFICIARIES

Beneficiaries are the communities living in the project area and the four Rural District Councils of Binga, Nyaminyami, Hurungwe, and Mbire. The project activities and benefits seek to reduce the conversion of forests to agricultural land and to grassland, resulting from creating pastures or over-harvesting wood products for fuelwood collection for domestic purposes, brick production, or tobacco drying. Nonmonetary benefits are provided to communities—for example, in the form of rehabilitation of health clinics and schools, subsidies for health care practitioners and teacher salaries, health care supplies and education materials, subsidies for school fees, or rehabilitation of bore holes for clean water. In addition, the project implements environmental management activities that also benefit the communities, including training and inputs for conservation agriculture, beekeeping, fuelwood plantations, early burning fire management, road maintenance and anti-poaching, most of which are implemented through local employment. Monetary benefits are provided to the Rural District Councils and leaseholders. Benefits are linked to an obligation to protect the forest but are not performance based.

Of the carbon revenues generated by the sale of emission reductions from the Kariba REDD+ Project, 30 percent go to the private sector project proponent Carbon Green Investment, and 70 percent go to the Kariba REDD+ Trust. The Kariba REDD+ Trust then disburses 30 percent of these funds to Rural District Councils, 20 percent to a Community and Project Sustainability Fund, 20 percent for environmental management, 20 percent to a leaseholder safari operator (for the two districts where there is one, or shared equally as an additional 10 percent each for the Rural District Councils and Community Fund otherwise), and 10 percent to a longevity fund. The longevity fund is set aside for future delivery of benefits after the REDD+ project terminates.

B. INSTITUTIONAL, FINANCIAL, AND GOVERNANCE ARRANGEMENTS

The land in the project area is communally owned and administered by Rural District Councils composed of democratically elected councils for each ward and chiefs (traditional leaders) based on the 1988 Rural District Councils Act, which established the communities represented by the districts as the legal beneficiaries of natural resources in their area.

The project proponent, Carbon Green Investment, established legal agreements with the Rural District Councils. Carbon Green Africa, a private company established in Zimbabwe and majority owned by Carbon Green Investment, is responsible for project management, development, implementation, and operation both from a technical and from a financial perspective. The 70 percent revenues from carbon credit sales destined for communities are managed by the Kariba REDD+ Trust overseen by a board composed of representatives of Rural District Councils and Carbon Green Africa. Due to lower than expected revenues from carbon credits sales, all of the 30 percent Carbon Green Investment share of revenues to date has been used in Zimbabwe to support the operation of Carbon Green Africa to implement project activities. Requests for community development projects are compiled by councilors in each ward and prioritized by Rural District Councils prior to submission to Kariba REDD+ Trust for final selection and implementation.

C. STAKEHOLDER PARTICIPATION

Formal consultations were conducted with Rural District Councils for the design of the project in 2011 and continue Rural District Council participation in the Kariba REDD+ Trust board and through numerous community meetings in each ward as part of project management. The Kariba REDD+ Trust is managed transparently, providing regular technical and financial reports to the Rural District Councils and the government. A newsletter is published for each district every month in English, Tonga, and Shona languages, providing information about general project progress, environmental awareness, grievances (if any), vacancies (if any), and general relevant topics.

D. MONITORING, EVALUATION, AND ADAPTIVE MANAGEMENT

Carbon Green Africa conducts regular monitoring of forest cover and of the implementation of project activities.

***RESULTS REPORTED:** From 2011 to 2016, the project generated 13,423,705 tons of carbon dioxide equivalent (CO_2e), trained 2,800 in conservation agriculture with at least 1,363 farmers benefiting from 20–181 percent increases in yields, provided beekeeping training and supplies to 287 beneficiaries, repaired and maintained 1,200 kilometers of roads with early burning along 800 kilometers 20–150 meters from road to create a fire break and a 20–25 percent reduction in fires, provided supplies and materials to 26 schools and eight health clinics, and repaired and maintained 198 boreholes.*

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Appendix 2: Summary Table of Good Practices, Illustrative Examples, and Reference to the FCPF and ISFL Requirements for Benefit-Sharing Plans

The table below summarizes the good practices identified in this analysis with corresponding examples from the case studies. References are provided in brackets to sections of the analysis where these examples are provided in more detail. To complement this, references to the FCPF and ISFL requirements for benefit sharing are provided for the four themes. These requirements for benefit sharing should be considered in whole, but are listed where they directly refer to the themes identified. Given that the FCPF and ISFL requirements for benefit sharing are not structured according to this report, there are instances where these requirements are relevant to multiple good practices and vice versa. For information on the FCPF and ISFL requirements and guidance on compliance with these requirements, refer to the FCPF's Methodological Framework, the ISFL ER Program Requirements, and the Note on Benefit Sharing for Emission Reductions Programs Under the FCPF and ISFL.

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
A. Benefits & beneficiaries		
A1. Identifying beneficiaries: Careful analysis should be conducted to identify which actors should receive incentives for behavior change to achieve the objectives of benefit sharing and which should be rewarded because of their rights and their contributions to generating the goods and services linked to results-based finance.	• Kasigau Project, Kenya: Some of the benefits go to the ranch owners based on their landownership rights and some of the benefits go to communities living in the project area who need to change their land use to reduce deforestation. [Section 4.2.2.5] • SISA, Acre, Brazil: Beneficiaries in the State of Acre are defined by the SISA legislation based on the provision of ecosystem services using the stock-and-flow approach; by rewarding stakeholder groups that contribute to protecting forests (stock) as well as to reducing deforestation (flow). The benefit sharing explicitly recognizes the role that indigenous peoples have played historically and continue to play in maintaining forests on their land and includes them as beneficiaries for reasons of equity as well as effectiveness. [Section 4.2.2.4, Box 4.2c]	FCPF: Criterion 30; Criterion 31 ISFL: 3.6.1; 3.6.2

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
A2. Eligibility criteria: Although land and resource tenure can provide a clear and legitimate basis for determining eligibility of beneficiaries, care should be taken to include key actors with overlapping rights and to recognize customary rights.	• •AMPF, Peru: Conservation agreements provide a model for addressing the absence of land tenure through the security of a contract. They provide a mechanism for the participation of illegal settlers in the AMPF through the establishment of legally binding conservation commitments by which land security was achievable if settlers complied with the regulations of the protected area. [Section 4.2.2.2, Box 4.2a] • •Makira Project, Madagascar: Where communities have customary collective rights on government land, a legally established association and a forest management contract can help establish collective rights and responsibilities as a basis for benefit sharing. [Section 4.2.2.2, Box 4.2a] • •PINFOR & /PINPEP, Guatemala: PINFOR required proof of title to at least 2 hectares, while PINPEP—the next phase of the program—requires legal right of possession, a form of recognition of customary tenure, to at least 0.1 hectare to enable inclusion of landowners with smaller holdings. [Section 4.2.2.2, Box 4.2a] • •PSA, Costa Rica: Formal title is a requirement for participation in the PSA, which excluded many people who have customary rights to land through long-standing use, often for generations, but do not have full land title, so the program was amended to accept proof of right of possession in lieu of title in some circumstances. [Section 4.2.2.3]	
A3. Barriers to participation: Eligibility requirements should not exclude target groups and benefit packages should be sufficiently attractive to encourage participation; special attention should be paid to vulnerable and marginalized groups and existing inequities.	• ERF, Australia: The high transaction costs for participation in the Carbon Farming Initiative proved challenging for smaller-scale projects to participate, so changes were made during the design of the subsequent ERF to facilitate aggregation such that the project proponent no longer needs to hold the carbon sequestration rights (i.e., own or have a property interest in the project area) but can be another entity that has a contract with the landowner. [Section 4.2.2.3] • PSA, Costa Rica: The PSA sets quotas for women and indigenous community groups to ensure that they receive a set share of the overall PSA benefits in addition to a more generous size allowance of 800 hectares per indigenous community contract (as opposed to a maximum 300 hectares for individual landowners). [Section 4.2.2.4]	
A4. Targeting benefits: Allocations, weighting, or quotas can be effective for targeting specific beneficiary groups and for meeting specific objectives.	• PSA, Costa Rica: The PSA targets beneficiaries that help meet development and biodiversity objectives by prioritizing areas of low development indices and high conservation importance using a point-system for weighting and prioritizing applications. The PSA also sets quotas for women and indigenous community groups to ensure that they receive a set share of the overall PSA benefits. [Section 4.2.2.4, Box 4.2d] • •Nepal: Community Forest User Groups are required to allocate at least 35% of their income to improve the livelihoods of poor people, Dalits (members of a socially marginalized group), indigenous peoples and ethnic groups, and women. Guidelines for implementing community forestry specify how poor and marginalized individuals and groups should be identified using participatory well-being ranking to identify those with limited access and control over resources. [Section 4.2.2.4, Box 4.2d]	

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
A5. Differentiated benefits: A differentiated approach can be effective, providing different types and/or amounts of benefits to different groups of beneficiaries to reflect their different rights and contributions with respect to the objectives of benefit sharing. This approach should consider monetary and/or nonmonetary and individual and/or community benefits as appropriate, bearing in mind that greater complexity could increase operational and transaction costs for delivery of benefits.	• SISA, Acre, Brazil: The benefit sharing explicitly recognizes the role that indigenous peoples have played historically and continue to play in maintaining forests on their land and includes them as beneficiaries for reasons of equity as well as effectiveness. The indigenous peoples get support for indigenous agroforestry agents and for cultural heritage activities, while other beneficiaries get technical training and economic tax and credit incentives. [Section 4.2.2.4] • AMPF, Peru: Illegal settlers needed to be engaged because their agriculture was directly causing deforestation in the AMPF, and the nearby indigenous peoples also needed to be engaged because they were indirectly contributing to deforestation by renting their land to outsiders who deforested the land. The illegal settlers receive rights to remain in the protected area and technical support for improved coffee farming, while the indigenous communities have prioritized support for retaining and recovering traditional practices. [Section 4.2.2.4] • Bolsa Floresta, Amazonas, Brazil: Different types of individual or collective action are incentivized by providing some benefits to individual households for sustainable production activities and some to communities to improve social conditions such as education and health. [Section 4.2.2.4] • Bolsa Floresta, Amazonas, Brazil: Women (mothers of families) receive a monthly payment as part of the Bolsa Floresta package and special social and environmental training and inputs—for example, on types of agriculture for which women are typically are responsible. [Section 4.2.2.4] • SBP, Ecuador: Smaller landholders and communities receive a higher per hectare payment. [Section 4.2.2.4]	
A6. Conitionalities for benefits: Specific outcomes can be facilitated by making benefits performance-based, by linking them to clear commitments in a conservation agreement, and/or by requiring an investment plan for the use of monetary benefits received. Conditions should be clear, with monitoring to assess compliance and consequences or penalties consistently applied when the conditions are not met.	• AMPF, Peru: Conservation agreements adjust incentives (reduce, increase) based on compliance with commitments in the actual contract. The size of the benefit packages depends on the direct and opportunity costs of changes in resource use, as well as conservation performance. Rigorous monitoring verifies both conservation and socioeconomic results. [Section 4.2.2.2, Box 4.2b] • SBP, Ecuador: Beneficiaries of the SBP are required to submit an investment plan to explain how the cash they receive will contribute to poverty alleviation and local development. [Section 4.2.2.9] • ERF, Australia: Project owners receive Australian carbon credit units based on the number of emission reductions generated verified by an independent auditor. Project owners may then compete through an auction process to sell the carbon credits to the government. Credits may also be sold on the secondary market or used for voluntary emission reductions. [Box 4.2h]	

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
A7. Participatory identification of benefits: Benefits should outweigh opportunity costs and the efforts and inputs needed to participate in the program, so a cost-benefit analysis for different stakeholder groups can be helpful. However, this may not be easy, so participatory identification of benefits—enabling the beneficiaries to decide on the benefits they receive—is often the most effective approach.	• Bolsa Floresta, Amazonas, Brazil; Makira Project, Madagascar; and Kariba REDD+ Project, Zimbabwe: Listening to beneficiaries and being able to adapt the benefits based on their inputs were among their most important lessons learned. [Section 4.2.2.9] • AMPF, Peru: It was hard to apply the standard conservation agreement approach that aims to benchmark incentives against the opportunity costs of changing behavior for the indigenous communities around the AMPF. These communities requested benefits related to the recovery of traditional knowledge (which is difficult to quantify in dollar terms) in addition to technical support related to agriculture (which can more easily be defined monetarily). [Section 4.2.2.8] • SBP, Ecuador: Each beneficiary must outline how they will use the monetary incentive in a family or community investment plan, which is a tool for more transparent decision making within communities (for indigenous peoples' collective benefits) and to reduce the risk of misinformation about or exclusion from program benefits. [Section 4.2.2.9, Box 4.2i	
A8. Monetary benefits: Monetary benefits can provide strong incentives by giving beneficiaries decision-making control about how they spend the cash they receive. Monetary benefits can be efficiently delivered where beneficiaries have bank accounts, and they are generally more appropriate where there is clear land tenure and landowners have the capacity to implement activities on their own land.	• Bolsa Floresta, Amazonas, Brazil: FAS has partnered with Bradesco Bank to enable easy registration for a bank account by beneficiaries who meet the Bolsa Floresta eligibility requirements, such that cash transfers are made even in remote areas with a lack of bank accounts and limited individual land tenure. Beneficiaries receive a debit card and can access their monthly payments when they go to the local municipal center. [Section 4.2.2.6] • Makira Project, Madagascar: The community forest management associations receive cash payments that are paid to the individuals who conduct patrols for surveillance and monitoring of Makira Natural Park. This is an example of cash being paid to individuals within an overall package of primarily nonmonetary community benefits, often for daily wages. [Section 4.2.2.6] • ERF, Australia: The Clean Energy Regulator invites bids from registered projects that have already shown they meet methodology and ownership requirements. Participants submit a bid specifying a price per ton of emission reduction and the lowest-cost projects are selected. Successful participants are paid the price that they bid once they submit audited reports demonstrating the number of emission reductions achieved after project implementation. [Box 4.2h]	

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
A9. Nonmonetary benefits: Nonmonetary benefits can be targeted to achieve social or environmental objectives but, to be effective, beneficiaries should identify which benefits are implemented and have the capacity to benefit from them. Capacity is also needed to deliver nonmonetary benefits, which can be more challenging than monetary benefits, both administratively and logistically.	Examples of nonmonetary benefits [Section 4.2.2.6]: • Infrastructure: Rehabilitation of schools and health clinics (Makira Project, Madagascar; Kariba REDD+ Project, Zimbabwe); infrastructure for irrigated rice cultivation (Makira Project, Madagascar); rehabilitation of bore holes (Kariba REDD+ Project, Zimbabwe); access to clean water (Katingan Mentaya Project, Indonesia); road maintenance (Kariba REDD+ Project, Zimbabwe); construction of latrines (Katingan Mentaya Project, Indonesia); solar energy (Katingan Mentaya Project, Indonesia); rehabilitation and construction of crop storage facilities, cocoa and fish-drying structures, markets, buildings for community meetings (Bolsa Floresta, Amazonas, Brazil); offices for community management associations (Makira Project, Madagascar); coffee-related storage and processing facilities, and eco-bathrooms (AMPF, Peru) • Services: Subsidies for health care practitioners and teachers' salaries (Kariba REDD+ Project, Zimbabwe); subsides for health care practitioners, health care supplies, and educational materials (Katingan Mentaya Project, Indonesia); subsidies for school fees (Kariba REDD+ Project, Zimbabwe); health care supplies and educational materials (Kariba REDD+ Project, Zimbabwe); government service hubs to improve access to health and education (AMPF, Peru); ambulance boats and radio equipment for emergencies (Bolsa Floresta, Amazonas, Brazil) • Inputs: Materials for beekeeping (Makira Project, Madagascar; Kariba REDD+ Project, Zimbabwe); vanilla cultivation (Makira Project, Madagascar; Katingan Mentaya Project, Indonesia); firewood plantations (Kariba REDD+ Project, Zimbabwe); organic gardening inputs (AMPF, Peru; Katingan Mentaya Project, Indonesia); bamboo and cashew cultivation (Katingan Mentaya Project, Indonesia) • Capacity building: For fuelwood plantations, early burning fire management, and anti-poaching (Kariba REDD+ Project, Zimbabwe); rice and vanilla production (Katingan Mentaya Project, Indonesia; Makira Project, Madagascar); rubber agroforestry (Katingan Mentaya Project, Indonesia); microfinance (Katingan Mentaya Project, Indonesia); fish ponds (Katingan Mentaya Project, Indonesia); coffee cultivation and cooperative development, and organic gardening (AMPF, Peru); participatory planning, financial management, and leadership of community associations, artisanal products, tourism, fisheries management, guarana, acai and banana cultivation, Brazil nut commercialization, community forest management, and timber production including support for certification (Bolsa Floresta, Amazonas, Brazil) • Enterprise support: Poultry production company (SISA, Acre, Brazil); native fish aquaculture company (SISA, Acre, Brazil); village enterprises for fabrication of composite flooring from rattan and bamboo, and for coconut palm sugar production (Katingan Mentaya Project, Indonesia); coffee cooperative development (AMPF, Peru) • Market access: Access to local markets for vegetables (Katingan Mentaya Project, Indonesia); access to international markets for coffee (AMPF, Peru), composite flooring, rubber and vanilla (Katingan Mentaya Project, Indonesia) • Securing land tenure: Supporting villages to get formal recognition and tenure over forest land (Katingan Mentaya Project, Indonesia); supporting illegal settlers to avoid eviction from a protected area by remaining in compliance with the laws of that area (AMPF, Peru)	

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
A9. *Continued*	• Revolving funds*: Village funds for microfinance (Katingan Mentaya Project, Indonesia) • Employment*: Daily wages for patrols and monitoring (Makira Project, Madagascar; Kariba REDD+ Project, Zimbabwe); for community fire patrol for four months of dry season (Katingan Mentaya Project, Indonesia); for road maintenance (Kariba REDD+ Project, Zimbabwe); for early burning fire management (Kariba REDD+ Project, Zimbabwe) * Although revolving funds and employment involve cash transfers, they are typically included as part of a package of nonmonetary benefits	
A10. Individual versus community benefits: Although benefits to individual households can be appropriate and effective in some contexts, community benefits can reinforce and reward collective responsibilities and can ensure that all community members—including the vulnerable and marginalized—share in the benefits.	• Bolsa Floresta, Amazonas, Brazil: The beneficiaries are living in protected areas where land is owned by the state, so there is no individual land ownership and an atypical mix of individual and community benefits are provided. [Section 4.2.2.5] • AMPF, Peru: Illegal settlers in the AMPF do not have individual land ownership but receive benefits as individual households through conservation agreements negotiated on a household basis. The program began at the individual level to introduce, test, and build support for the approach with people most open to collaboration with park authorities and is moving toward a model of signing communal agreements in order to engage all the residents in the area. [Section 4.2.2.5] • Katingan Mentaya Project, Indonesia: People in villages around the project do not have private land ownership so all benefits target the whole community, although some activities are piloted by individual "anchor farmers." If these farmers are successful, then others will be supported to adopt the new practices. [Section 4.2.2.5] • Kasigau Project, Kenya: Some of the benefits go to the ranch owners (landowners) who are individuals or groups acting as companies with membership based on share ownership, and some of the benefits go to communities living in the project area. The communities around the project have all opted to implement projects at the community level to be most efficient in their receipt of benefits, given that the alternative of individual household monetary benefits would have been low and the communities perceived a greater reward for communal projects. [Section 4.2.2.5] • Nepal: The Community Forestry program demonstrates another advantage of sharing benefits with communities rather than individuals, as poor and marginalized households were found to be more likely to share in benefits delivered to the community as a whole as a result of the elite capture that can occur when benefits are shared with individuals. [Section 4.2.2.5]	

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
A11. Revenue-generating benefits: Benefits in the form of revenue-generating activities are often popular and can help ensure long-term sustainability if there is good market access, but care should be taken in their design to link revenue-generating success to the maintenance of the forest or other environmental objectives to avoid perverse or unintended outcomes.	• Bolsa Floresta, Amazonas, Brazil: The representatives of the community associations decided to allocate more funds to revenue-generating activities and reduce the funds for social projects from in 2014. [Section 4.2.2.7] • Makira Project, Madagascar: Intensive Rice Cultivation System (SRI) and other cultivation and revenue-generating activities have seemed to be the nonmonetary benefits that have worked best, in part because the community members have the capacity to implement them. In contrast, infrastructure projects have been among the most challenging. [Section 4.2.2.7] • Katingan Mentaya Project, Indonesia: The project has emphasized community-based business development through the establishment of revolving funds for microfinance to support small-scale economic activities, as well as funding small and medium enterprises with business objectives that are consistent with peat conservation and restoration. The aim is for carbon finance to provide a bridge to a low-carbon economy that does not rely on continued deforestation. However, market access is key. [Section 4.2.2.7, Box 4.2f] • AMPF, Peru: The shade-grown coffee in the AMPF relies on maintaining the forest cover, and, in addition, the coffee growers retain their right to stay in the protected area only if they help protect the remaining forest. There are also market incentives to protect the forest, as the certified coffee commands a significant premium that would be lost if deforestation leads to a loss of certification. [Section 4.2.2.7]	
A12. Timing of benefits: The timing, duration, and consistency of benefits over time can have an important impact on their effectiveness, bearing in mind that some activities may require up-front investment (such as tree planting), whereas later delivery provides an opportunity to link benefits with performance.	• AMPF, Peru: If all benefits are delivered up front, there is no longer an incentive to comply. If monitoring and penalties for noncompliance are clear by decreasing or eliminating the benefits through a conservation agreement, the coupling between incentive and behavior can be maintained. It should be noted, however, that independent of timing, some benefits—such as a subsidy for a teacher's salary or delivery of a basic service—cannot easily (ethically or logistically) be adjusted. [Section 4.2.2.10] • Makira Project, Madagascar: Delays in the delivery of expected benefits were demotivating for the beneficiaries. [Section 4.3.2.3, Box 4.3b] • SBP, Ecuador: In mid-2015, the payments were temporarily delayed and were not reinstated until 2017 as a result of fluctuations in the price of oil that affected state revenues. These budgetary uncertainties and payment delays affected the level of trust that people had in participating in the programs, as it led them to question the long-term value of taking part and the commitment of government to maintain the stated level of benefits. Furthermore, the SBP has agreements with a term of 20 years, and the agreement is automatically renewed if the landholder does not opt out. Twenty years was seen as a period that was long enough to require changes in practices and outlook and would have a greater chance that conservation would continue after the initial term. [Section 4.2.2.10, Box 4.2j] • PINFOR/PINPEP, Guatemala: The National Forestry Institute (INAB)'s position is that the incentives provided should be short term since they are meant to promote the adoption of sustainable forestry practices that lead to long-term income-generation opportunities, so all forestry incentive programs provide payments for between 3 and 10 years. However, for plantations, short-term incentives leave a potential gap between the end of the incentives and the plantation reaching a mature age, and for natural forest protection, this creates a risk that a landowner ends up deforesting (even if it is illegal), because they do not want, or cannot afford, the unproductive asset. [Section 4.2.2.10, Box 4.2j]	

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
B. Institutional, financial, and governance arrangements		
B1. Legal framework: Benefit sharing should be grounded in a clear legal framework to support and enable the necessary agreements and collaboration	• SISA, Acre, Brazil; PSA, Costa Rica; and SBP, Ecuador: The legal provisions, strong political support, and positive experiences of beneficiaries have helped ensure longevity of these programs despite changes in political contexts over time. [Section 4.3.2.2] • SISA, Acre, Brazil and AMPF, Peru: Legal frameworks have different forms, ranging from laws and regulations–like the SISA law—to individual contracts and agreements—like the conservation agreements used in the AMPF. [Section 4.3.2.2]	FCPF: Criterion 30; Criterion 31; Criterion 32; Criterion 33 ISFL: 3.6.1; 3.6.2; 3.6.3; 3.6.4
B2. Flexibility to enable adaptation: Despite being based on a clear legal framework, some flexibility in the legal and institutional arrangements is needed—for example, defining them through regulations rather than laws—to be able to make adjustments in beneficiaries, benefits, institutional composition, and activities over time such that the program can respond to lessons learned and changes in context.	• ERF, Australia: Even though the ERF is established by law, some of the details are clarified in regulations, which allows some flexibility given that regulations can be more easily changed. [Section 4.3.2.2] • SISA, Acre, Brazil: SISA is a platform or framework with programs implemented and funds distributed through a variety of individual mechanisms, and is able to flexibly direct funds to a variety of different strategies and activities through these implementing agencies in a way that is flexible and more easily modified. [Section 4.3.2.2, Box 4.3a]	

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
B3. Service providers: Substantial technical and administrative capacity is needed to administer benefit sharing in a way that effectively and equitably distributes resources. Partnerships with nongovernmental organizations (NGOs), private sector actors, and others to provide services and build capacity can be helpful to improve efficiency and effectiveness while also benefiting from local knowledge and presence.	• Katingan Mentaya Project, Madagascar; Makira Project, Madagascar; AMPF, Peru; and Kariba REDD+ Project, Zimbabwe: In these projects it has been efficient and effective for NGOs or private sector actors with local presence to play a service provider role. [Section 4.3.2.3] • SBP, Ecuador: The program has established cooperative alliances with civil society organizations to increase its effectiveness. In collaboration with the Ministry of Environment, these organizations support local families and communities interested in participating in the SBP. [Section 4.3.2.3, Box 4.3c] • ERF, Australia: A new type of private sector has emerged to provide administrative services as a "carbon service provider" to support the development of projects and enable landowners to access finance from the ERF, as landowners do not generally have the time and skills to prepare the documentation needed. [Section 4.3.2.3, Box 4.3c] • PSA, Costa Rica: FONAFIFO has established collaborative agreements with numerous NGOs as part of the PSA program. NGOs give support to the PSA beneficiaries during the application process and can provide technical expertise on the development of the management plans, implementation of project activities, and the monitoring of compliance with the agreed-upon land use. [Section 4.3.2.3, Box 4.3c] • Kariba REDD+ Project, Zimbabwe & Makira Project, Madagascar: In each case, 20% of the revenues from carbon credit sales is shared with oversight bodies to enable them to play a critical support role—in Zimbabwe, the Rural District Councils, and in Madagascar, the local Waters and Forests agents; however, in practice, lack of capacity, involvement, and oversight from government staff (despite receiving funds) hampers project success. [Section 4.3.2.3]	
B4. Existing or new institutions: It is often most efficient and effective to capitalize upon existing institutions if they have the legitimacy, capacity, and thematic relevance to the programs—strengthening these where necessary—given that new laws and institutions require significant time, resources, and political will; otherwise, establishing new institutions may be more appropriate.	• Kariba Project, Zimbabwe: The Kariba REDD+ Project is based on the laws and by-laws that were established under the Communal Areas Management Program for Indigenous Resources (CAMPFIRE) program, which in the 1990s established that local communities represented by Rural District Councils are the legal beneficiaries of natural resources. [Section 4.3.2.1] • SISA, Acre, Brazil: The structure and framework for SISA were formalized by law in 2010 and included the creation of several SISA-specific institutions such as the Institute of Climate Change and Environmental Services Regulation (IMC). [Section 4.3.2.2] • Makira Project, Madagascar: The roles and responsibilities as well as the carbon revenue–sharing allocations and management mechanism for benefit sharing for the Makira Project were formalized through a national government decree. [Section 4.3.2.2] • Kasigau Corridor REDD+ Project, Kenya: Implementation of community development activities supported by the project required the establishment of new institutions like the Location Carbon Committee and community-based organizations to ensure the fair and transparent implementation of those resources. [Section 4.3.2.2]	

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
B5. Up-front finance: Significant financial resources are often required up front to cover the many costs associated with designing and initiating a program—conducting adequate stakeholder input, documenting baselines, establishing new institutions, implementing activities—before results-based payments can be made.	• PFES, Vietnam: International donors funded pilots to demonstrate success and raise awareness about payments for environmental services. With this, the Ministry of Agriculture and Rural Development was able to secure buy-in from various ministries at an early stage that were able to collectively allocate resources to set up the PFES and begin implementation before finance from private water supply companies, hydropower plants, and tourism companies began coming into the system. [Section 4.3.2.5] • Kasigau Corridor REDD+ Project, Kenya: Significant financial resources were needed at the beginning of the project to conduct community consultations, design the implementation strategies and benefit sharing, establish new multistakeholder governance structures, and complete the required processes to be able to raise finance from the sale of emission reductions. [Section 4.3.2.5] • SISA, Acre, Brazil: One of the biggest factors contributing to the success of the SISA program is the up-front funding from the REM program through the German government, which was critical to support enabling conditions and initial cash flow. [Section 4.3.2.5]	
B6. Transparency around financial management: Regular audits can build trust and participation in the program, but they can also increase overall operating costs. Adopting a simple approach to calculating, monitoring, and delivering benefit transfers helps enable wider public understanding.	• PFES, Vietnam: The program was originally designed with electronic payments used only for groups; however, with an increasing number of people with access to electronic banking, an electronic payments system to individual households is being piloted to improve transparency of financial management between provincial funds and beneficiaries. [Section 4.3.2.4, Box 4.3d] • Bolsa Floresta, Amazonas, Brazil: Information regarding types and amounts of benefits and numbers of beneficiaries in each participating conservation unit is publicly available on the FAS website along with a complete list of beneficiaries for the Bolsa Floresta Familiar subprogram. Furthermore, all financial activities involving public funding are audited by an external firm. This audit is then subject to approval by the FAS Supervisory Board and Board of Directors, before being reviewed by the Amazonas State Prosecutor and accounting court (tribunal du contas). [Section 4.3.2.4]	

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
B7. Transaction costs: Transaction costs should be assessed, both to reduce them where possible and to adequately budget for them so as to not undermine project efficiency and effectiveness.	• AMPF, Peru: Implementing a tailored benefit-sharing approach that responds to complex conditions at the local scale through conservation agreements necessitates relatively higher transaction costs because of the large number of geographically disbursed individual or grouped beneficiaries with unique context-specific opportunity costs of behavior change addressed via many different agreements. [Section 4.3.2.6] • Makira Project, Madagascar: The relatively low capacity of participants to engage in the program, in addition to their extreme geographic remoteness, makes delivery of in-kind benefits logistically difficult, causing transaction costs to exceed the overhead percentages for administration. [Section 4.3.2.6] • PINPEP, Guatemala: PINPEP necessitates many low-value transactions, with an overhead based on the percentage of funds administered as opposed to the number of contracts issued, so the overhead percentages for administration have not been sufficient to comfortably cover transaction costs associated with such a large number of small contracts. [Section 4.3.2.6] • PSA, Costa Rica: The program initially imposed very high transaction costs on participants, requiring applicants to fulfill several separate requirements, many of which had nothing to do with their ability to provide environmental services. These requirements are now much more streamlined by linking FONAFIFO's databases to those of other government agencies. [Section 4.3.2.6] • Bolsa Floresta, Amazonas, Brazil: FAS services extremely remote communities and incorporates nonmonetary training and social infrastructure programs, yet has managed to keep their overhead at 17%, including covering costs of fundraising, given: (1) a standard formula is applied for determining benefits for different beneficiaries and (2) FAS has collaborated with Bradesco Bank on new banking technologies to improve efficiency in the direct delivery of monetary benefits. [Section 4.3.2.6] • SISA, Acre, Brazil: A key factor in SISA's relatively low transaction costs—10–30%, depending on the donor, including administration and monitoring—was the incorporation of existing activities and projects into the SISA model. Efficiency was optimized in SISA not only by aligning with existing deep experience in community development projects, but also by capitalizing on the specific technical expertise of these already-established projects. [Section 4.3.2.6] • PFES, Vietnam: Sometimes households are organized into groups such that one transaction is divided among beneficiary households by a representative of the group, instead of having individual transactions for each household. Such aggregation of beneficiaries may reduce transaction costs. [Section 4.3.2.6] • ERF, Australia: High transaction costs for participation proved challenging for smaller-scale projects to participate in the Carbon Farming Initiative, so changes were made during the design of the subsequent ERF to facilitate aggregation and reduce transaction burden for smaller-scale project participants. [Section 4.3.2.6] • Kariba Project, Zimbabwe: The project has been able to deliver significant nonmonetary benefits to cover the costs of materials and labor; however, the carbon revenues allocated to the communities were insufficient to cover the true costs of implementation, so the projects were made feasible with additional support and oversight from the Carbon Green Africa team. [Section 4.3.2.6]	

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
B8. Grievance and redress mechanisms: Benefit-sharing mechanisms should have clear, accessible, impartial, culturally appropriate, easy-to-understand grievance and redress mechanisms that operate in a timely manner	• Kasigau Corridor REDD+ Project, Kenya: The project manager, Wildlife Works, implements an ongoing process of stakeholder engagement with multiple venues for providing input, including a formal system for submitting grievances. This formal set of procedures is well documented and consistently communicated, with specific measures taken to design the grievance mechanism to be accessible, easy to understand, and culturally appropriate. [Section 4.3.2.7] • SISA, Acre, Brazil: An independent ombudsman receives complaints from beneficiaries and ensures that they are addressed. [Section 4.3.2.7]	
C. Stakeholder participation		
C1. Stakeholder analysis: Prior to designing benefit sharing, all groups that may be affected by benefit sharing or can influence its outcomes should be identified and mapped to understand their needs and interests, their capacities and their rights, and variations within the groups and relations between groups, including any historical conflicts or alliances. This stakeholder analysis helps to improve the design of the consultation processes, to identify beneficiaries and appropriate benefits, and to develop governance and institutional arrangements. Stakeholder analyses should be updated periodically while benefit sharing is implemented and the context changes.	• Kasigau Corridor REDD+ Project, Kenya: Existing tribal conflicts and tensions between local communities, more recent migrants, and ranch owners no longer living locally generated a complicated web of stakeholders. Designing the project required a delicate balance of ensuring everyone's voice was heard while not appearing to give preferential treatment to any particular group. [Section 4.4.2.2] • AMPF, Peru: Negotiating conservation agreements with individual families, as opposed to with entire communities, involved significant consultation and dialogue with each individual family, providing a depth of material from which to generalize more replicable approaches later. [Section 4.4.2.2]	FCPF: Criterion 30; Criterion 31; Criterion 32 ISFL: 3.6.1; 3.6.2; 3.6.4

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
C2. Stakeholder consultation: Consultation of beneficiaries is critical to determine the type of benefits that are appropriate and how they should be delivered. Consultation of a full range of stakeholders—including beneficiaries—is also helpful with institutional and governance arrangements, processes for stakeholder participation, and monitoring and evaluation. Consultations are meaningful when stakeholder input influences the design of benefit-sharing arrangements, and requires sufficient time, resources, and willingness to share power and influence with stakeholders. Consultations should be conducted as part of an iterative process for design, enabling participating stakeholders to consider proposals and confer with others in their group before providing further input. This process is valuable not only during initial design but also periodically during implementation to support adaptations and improvements to benefit sharing. Consultation is not the same as obtaining free, prior, and informed consent, which is essential for the participation of indigenous peoples and other groups with collective rights to lands and resources in programs that affect them, whereby consent must be given through their own decision-making processes after consultation.	• SISA, Acre, Brazil: Deep stakeholder engagement is needed not only to design an appropriate benefit-sharing mechanism, but also to generate buy-in to support longevity and success of implementation. The SISA framework and legislation benefited from a comprehensive, transparent, and long-term participatory consultation process, which included making the proposal available for public comment through the state government portal in addition to soliciting specific input from hundreds of people through technical seminars, workshops, and one-on-one meetings with a variety of stakeholders. [Section 4.4.2.3, Box 4.4a] • ERF, Australia: The ERF was designed over several years based on experiences from the Carbon Farming Initiative through a series of formal consultations requesting written comments on terms of reference and then a green paper, before producing a white paper outlining the design of the program and responding to comments received. To learn from landowners, the government team responsible for the ERF visits areas with a lot of projects or where there are conflicts to meet with landowners informally to explain the rules and process and respond to questions. [Section 4.4.2.3, Box 4.4a]	

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
C3. Planning, time, and resources: Effective stakeholder participation requires significant time and resources and is often underbudgeted. A stakeholder engagement plan should include the steps involved and the resources, time, and other inputs needed.	• SISA, Acre, Brazil: The legislation was designed with inputs from targeted consultations with different stakeholder groups through workshops, seminars, and meetings, as well as online comment submissions. [Section 4.4.2.3] • ERF, Australia: The program was designed with inputs from a series of public online consultations through an iterative design process, complemented by additional informal consultations with landowners, a critical stakeholder group that did not engage as much in the online process. [Section 4.4.2.3]	
C4. Participation in governance: Including beneficiaries in governance structures with decision-making and oversight roles deepens the opportunities for effective participation in design and implementation of benefit sharing—ensuring that beneficiaries influence benefit sharing to respond to their needs and interests—and helps to share information with beneficiaries. Legitimate representatives should be identified by the group they represent.	• Makira Project, Madagascar: Beneficiaries participate in decision making about the nonmonetary benefits their community receives, and in prioritization of benefits across different communities. A formal tiered structure for community representation from local to national level helps to ensure effective participation. [Section 4.4.2.3, Box 4.4b] • Bolsa Floresta, Amazonas, Brazil: The over 40,000 beneficiaries of Bolsa Floresta are organized and represented through a tiered structure with elected officials at each level: the community level, the reserve level, and for the entire program across all 16 reserves. The governance of Bolsa Floresta includes a leadership meeting of 40 to 70 presidents, vice presidents, and treasurers of the grassroots organizations established for each of the 16 reserves. [Section 4.4.2.3, Box 4.4b]	

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
C5. Measures to ensure social inclusion: Specific measures should be adopted to facilitate and ensure the participation of women, indigenous peoples, and marginalized and/or vulnerable groups that may otherwise be excluded—for example, through separate meetings or other approaches that address barriers for participation, through quotas for participation in activities and governance bodies, through allocations of benefits, and by designing subprograms specifically targeting activities and benefits for certain groups.	• Nepal: The Community-Based Forestry Program includes proportionate representation of women and indigenous peoples; implements an approach that prioritizes those with limited access to and control over resources; and mandates an allocation of benefits specifically focused on marginalized groups, indigenous peoples, and women. [Section 4.4.2.4, Box 4.4c] • Katingan Mentaya Project, Indonesia: The project actively implements activities designed to reduce barriers that limit the participation of indigenous peoples and vulnerable and marginalized groups. Also, the microfinance component of the project is implemented almost entirely through women's groups. [Section 4.4.2.4, Boxes 4.4c and 4.4d] • SISA, Acre, Brazil: The program's Commission of Validation and Monitoring (CEVA) requires approval from two working groups before making decisions—one comprised entirely of indigenous peoples and another comprised entirely of women. There are also specific programs within SISA that target participation of indigenous peoples, including the Indigenous Land Management Program and the Indigenous Agroforestry Agents program. [Section 4.4.2.4, Box 4.4c] • PSA, Costa Rica: Contracts are awarded based on a point-system prioritizing areas of low development indices and high conservation importance, with minimum quotas set for both indigenous community groups and women. The program has also made special contractual arrangements to enable indigenous peoples to participate. [Section 4.4.2.4, Box 4.4c] • Bolsa Floresta, Amazonas, Brazil: One of the four subprograms—Bolsa Floresta Familiar—is designed specifically for women beneficiaries. Through this program, the female head of household receives a monthly cash transfer in exchange for good forest management practices, including zero net deforestation. [Section 4.4.2.4, Box 4.4d]	
C6. Disclosure: Public disclosure of information about the overall financial envelope for benefit sharing, the amounts distributed to each stakeholder group in different geographic areas, the per hectare or other rate used for monetary benefits, and all the nonmonetary benefits delivered promotes transparency and builds trust.	• SBP, Ecuador: The program requires that communities develop a financial and activity accountability report each semester which tracks progress against the community investment plan and that must be shared with community members and approved by the community assembly. [Section 4.4.2.5] • Nepal: Community Forest User Groups are required to hold a public hearing as well as public auditing at least once a year to inform users about group programs, income, expenditure, sale and distribution of forest products, group decisions, and implementation status. In addition, income, expenditure, programs, and decisions of the group are shared on a regular basis through posting of information in public places. [Section 4.4.2.5, Box 4.4e] • Kasigau Project, Kenya: The actual benefits distributed against the benefit-sharing plan are regularly reported to all primary stakeholders of the project, including information about the sales of the emission reduction units generated from the project. [Section 4.3.2.4]	

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
C7. Transparency and providing information: Beneficiaries and potential beneficiaries need to understand the purpose of benefit sharing, the opportunities to participate, the eligibility criteria, and the conditionalities for receiving benefits, the results achieved, and how to provide feedback or submit a complaint. This requires active dissemination of information tailored to each stakeholder group in a format that they understand—for example, using local languages, providing information through public meetings and stakeholder representatives, and paying special attention to provide information to women and vulnerable and/or marginalized people. Adequate, prior information is essential to enable potential beneficiaries to decide whether to participate in programs that affect them, and it is critical for obtaining the free, prior, and informed consent of indigenous peoples and other groups with collective rights to lands and resources.	• Kasigau Project, Kenya: Documenting a common, shared understanding of benefit sharing with the landowners with statutory rights but also with communities living on the land with customary rights was important to build trust and encourage stakeholder engagement. [Section 4.4.2.5] • Bolsa Floresta, Amazonas, Brazil: Decisions of the leadership council usually take at least a year, allowing time for discussion and feedback from the grass roots between the twice annual meetings. [Section 4.4.2.5] • Makira Project, Madagascar: The elected representatives of the community management associations participate in meetings to review and approve benefits and share this information with the people they represent. [Section 4.4.2.5] • Kariba Project, Zimbabwe: Information is shared in quarterly newsletters published in English, Tonga, and Shona, the local languages. [Section 4.4.2.5]	

GOOD PRACTICE	ILLUSTRATIVE EXAMPLES	FCPF & ISFL REQUIREMENTS REFERENCE
D. Monitoring, evaluation, and adaptive management		
D1. Socioeconomic monitoring: The inclusion of socioeconomic impacts in monitoring and evaluation systems, as opposed to solely environmental outcomes, is useful for improving effectiveness and can foster support from politicians, donors, and other stakeholders.	• Bolsa Floresta, Amazonas, Brazil: The monitoring of social impacts in the Bolsa Floresta program has been critical for the donors to be able to justify continued funding of the program. [Section 4.5.2.2] • AMPF, Peru: It was not until social surveys were done that the implementers understood that even though incomes were improving, beneficiaries were still dissatisfied given there were much more fundamental barriers to human well-being that needed to be addressed. The program had to branch out to helping the local population to get tacit approval from the government to live in the protected area, but it was only through social survey work that these benefit packages were adjusted. [Section 4.5.2.2, Box 4.5a]	FCPF: Criterion 30; Criterion 32 ISFL: 3.6.2; 3.6.4
D2. Simple approaches employing local people: Monitoring is best kept as simple and practical as possible while still being adequate. Beneficiary participation in monitoring activities in exchange for paid wages can also constitute an important local benefit.	• Bolsa Floresta, Amazonas, Brazil: One method for increasing stakeholder participation and ownership is to involve beneficiaries themselves in monitoring and evaluation efforts. In Amazonas, Brazil, including leaders and individuals from beneficiary communities in the planning and implementation of monitoring activities has not only strengthened participation in the program, but has also helped embed more of the communities' actual priorities and inputs in the process. In some cases, this has the added bonus in that paying jobs may be created for monitoring, which are an in-kind benefit funded, generally, through the implementing agency. [Section 4.5.2.2] • SISA, Acre, Brazil: The original SISA safeguard monitoring system included 52 indicators; however, after the first monitoring cycle, it was clear to stakeholders that the number of indicators and the focus on program processes needed to be adjusted. The number of indicators was reduced to adapt to local capacity, and indicators were reoriented toward impacts in beneficiary communities. [Section 4.5.2.2]	
D3. Adaptive management: Adaptive management of the design and implementation of benefit sharing arrangements based on the results of monitoring and evaluation is critical for improving effectiveness, efficiency, and equity over time. Piloting of benefit sharing can help facilitate adaptive management during the design phase.	• AMPF, Peru: The options provided for local people to select as nonmonetary benefits around the AMPF changed a lot over time as implementers gained a deeper understanding of the social roots of the environmental problems in the area. The program had to branch out from addressing only deforestation to helping the local population to get tacit approval from the government to live in the protected area, which enabled the settlers to gain compliance with government stipulations. [Section 4.5.2.2, Box 4.5a, Section 4.5.2.3, Figure 4.5a] • PSA, Costa Rica: Initially, the PSA was an untargeted program, but biodiversity and socioeconomic priorities have been incorporated into the application process to enable increasing targeting of the program over time. To most effectively improve biodiversity conservation as well as equity, FONAFIFO currently prioritizes areas where conservation hotspots have been identified, as well as counties where there is a relatively low Social Development Index. These priorities are adjusted every five years or so as other needs or gaps are identified. [Section 4.5.2.3] • PFES, Vietnam & PINFOR/PINPEP, Guatemala: Pilots were conducted not only to better understand how to design the program but also to build political will and buy-in among government and other stakeholders. [Section 4.5.2.3]	

Appendix 3: Guiding Questions for Interviews

Interviews were conducted with individuals involved in each of the cases. The aim was to interview at least one person involved in program design and management and, if possible, to conduct interviews with additional people who have a beneficiary perspective or a donor perspective. In several cases, government and/or project owner permission was necessary for participation in interviews for the analysis. Lessons learned were identified and documented for each of the cases based on the literature review and interviews, which provided a wealth of information about each case. Interviewees provided insights into challenges they have encountered, changes that have been made, and what they think has contributed to successes or problems.

Below are the guiding questions for the interviews. While the interview questions related to the four key themes, the format of the interview allowed the authors to follow up on interesting details; focus questions that most pertained to the interviewee's role, knowledge, and experience; and gave more flexibility for additional insights that arose. Because of the format of these interviews, in some cases not all guiding interview questions were asked or were relevant to all interviewed persons.

GUIDING QUESTIONS FOR INTERVIEWS

Name, title and organization:

Role in the initiative:

Number of years involved:

What do you think are the main lessons learned from benefit sharing/incentive allocation in your program that could be helpful for governments and others who are designing benefit sharing for jurisdictional-level results-based land use programs?

What have been the main challenges? How have they been or could they be addressed?

What have been the main factors contributing to success? What was done to build on them to strengthen the program?

Equity

To what extent was the benefit sharing/incentive allocation designed to address trade-offs between effectiveness (getting good results) and equity (ensuring that benefits are shared in a way that is perceived to be fair)?

Were any changes made to get better social outcomes or to build greater support and legitimacy? Or what changes could be made?

Are there any groups who have not been able to participate well? What was done or could be done to increase participation?

What have been strengths and weaknesses on stakeholder involvement in design and evaluation?

Effectiveness

What factors have helped or prevented the benefit sharing/incentive allocation to get good results? E.g., in terms of:

- Who is targeted? Eligibility criteria?
- Scale of benefits to individuals or allocation to different groups?
- Types of benefits provided—monetary and nonmonetary?
- Conditionality? (e.g., clear linkage to results, inputs for activities)
- Timing of benefits?
- Other

Were any changes made to get better results? Or what changes could be made?

What are the strengths and weaknesses of monitoring and evaluation? How could it be improved?

Efficiency

What legal and institutional factors have affected the efficiency and effectiveness of program? Why and how? What was done or could be done to address problems and build on opportunities?

Have there been challenges in how the funds were managed, and how benefits were delivered?

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