The Operationalization of Benefit-Sharing in REDD+

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July 2014: Specific benefit-sharing considerations have emerged in the context of the ongoing debate on the so-called 'non-carbon benefits' of REDD+. UNFCCC Parties have recognized the need to enhance the social and environmental benefits of REDD+ activities (e.g. poverty relief and biodiversity protection, see BENELEX Blog), and are presently engaged in a heated debate on what non-carbon benefits are, and how they should be incentivized and reported. While UNFCCC Parties are still negotiating the answers to these questions, standards developed in the context of so-called REDD-readiness processes already address the issue of non-carbon benefits, and recently turned benefit-sharing into a technical requirement for REDD+ payments. These standards therefore provide important elements to foresee how benefit-sharing may be operationalized in the REDD+ context. This blogpost reviews these recent developments and their implications for future benefit-sharing arrangements for REDD+.

The debate on non-carbon benefits under the UNFCCC
In 2013 UNFCCC Parties recognized the importance of incentivizing the ‘non-carbon benefits’ of REDD+ activities (Decision 9/CP.19, at 22). This term has been used generically to refer to advantages produced by REDD+ activities that go beyond carbon storage and related payments. While the discourse on non-carbon benefits has reached great levels of complexity outside climate negotiations, UNFCCC Parties are yet to define non-carbon benefits and decide whether they should be reported and monitored, and if so, how. They have also yet to decide whether non-carbon benefits should be the subject of REDD+ payments. These questions are intertwined with the discourse on safeguards that Parties must promote and respect in the implementation of REDD+ activities (BENELEX Blog). REDD+ safeguards explicitly provide that REDD+ activities should enhance ‘social and environmental benefits’ (Decision 1/CP.16, Appendix I, at 2e). These benefits are to be reported in the context of information on the implementation REDD+ safeguards (Decision 12/CP.17), which is a pre-condition to receive REDD+ payments (Decision 9/CP.19, at 4). The relationship between ‘social and environmental benefits’ and ‘non-carbon benefits’, however, remains unclear. While the two may be regarded as synonymous, the inclusion of non-carbon benefits in the REDD+ safeguards reporting system remains the subject of negotiation. In this regard, some Parties argue that non-carbon benefits are a collateral issue that should not be reported, and most crucially, should not be rewarded with REDD+ payments.

From a benefit-sharing perspective, this debate is laden with potentially momentous consequences. If Parties to the UNFCCC decide to include non-carbon benefits in the information system devised for REDD+ safeguards, this will become a significant tool for international scrutiny of whether developing countries receive any social and environmental benefits from REDD+ activities other than monetary payments. The matter was specifically addressed at a recent meeting of the UNFCCC Subsidiary Bodies, but a decision on the issue was postponed until 2015.

**REDD-readiness and non-carbon benefits**

REDD-readiness processes have largely pre-empted the conclusion of the debate on non-carbon benefits under the UNFCCC. As already observed in this blog, standards adopted by the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation (UN-REDD) include specific benefit-sharing requirements, also encompassing environmental and social benefits (UN-REDD Social and Environmental Principles and Criteria, Criteria 11 and 12). UN-REDD standards may be regarded as particularly progressive in their effort to interpret UNFCCC guidance in light of human rights law and practice, as well as guidance adopted under the Convention on Biological Diversity (CBD).

The matter of benefit-sharing has been addressed in a rather different fashion by the other main international process for coordinating REDD-readiness endeavors, the World Bank’s Forest Carbon Partnership Facility (FCPF). The FCPF has relied on World Bank Operational Policies, subjecting the protection of the rights of indigenous
peoples and local communities to a series of *distinguished* (Guidelines on Stakeholder Engagement). While these standards include specific benefit-sharing requirements (OP 4.10 – Indigenous Peoples, at 18), they feature significant grey areas concerning the identification of benefits and beneficiaries and do not attempt to integrate human rights and CBD guidance.

**REDD+ pilot payments and non-carbon benefits**

Unlike the UN-REDD, the FCPF was established with the additional objective to pilot payments for REDD+ activities in selected countries. The FCPF has recently adopted a set of standards for these payments (FCPF Carbon Fund Methodological Framework). The standards include the unprecedented requirement that partner countries prepare specific ‘Benefit-sharing Plans’, describing the categories of potential *beneficiaries*, the types and scale of potential *monetary* and *non-monetary benefits*, as well as criteria, processes and timelines for distribution and monitoring ((Id., Criterion 30, Indicator 31.1). Benefit-sharing Plans are to be designed in a *consultative*, *transparent*, and *participatory* manner, which should be ‘appropriate to the country context,’ and comply with relevant applicable laws, including ‘any legally binding national obligations under relevant international laws’ (Id., Criterion 31).

Most crucially, FCPF standards concretely answer the questions still pending in UNFCCC negotiations by drawing a clear-cut distinction between monetary and non-monetary benefits, on the one hand, and non-carbon benefits on the other. *Monetary and non-monetary benefits* are bundled together and defined as ‘goods, services or other benefits related to payments received or funded with REDD+ payments, or any other benefits that are *directly* related to the implementation and operation of a REDD+ program, provide a direct incentive to implement it, and can be *monitored* in an objective manner’ (Id., at 32). Both monetary and non-monetary benefits are to be specifically reported in Benefit-sharing Plans. Conversely, *non-carbon benefits* are defined as ‘benefits produced by or in relation to the implementation and operation of an emission reduction program, such as the improvement of local livelihoods, the building of transparent and effective forest governance structures, progress on securing land tenure, and enhancing or maintaining biodiversity and/or other ecosystem services.’ Non-carbon benefits are *not* to be reported in Benefit-sharing Plans (Id., at 25).

The FCPF has thus pre-empted UNFCCC Parties’ decision on the controversial issue of non-carbon benefits by establishing what they are (at least for the purpose of FCPF payments), and that they should not be subjected to the same reporting requirements as monetary and non-monetary benefits. While UNFCCC Parties have also substantially agreed on the need to distinguish between carbon and non-carbon benefits – and indeed this is what the debate on non-carbon benefits boils down to – the distinction made by the FCPF seems problematic. How, for example, can the improvement of local livelihoods be set apart from the non-monetary benefits of REDD+ activities? It seems that the distinction drawn in the FCPF standards will
saddle implementers with the intractable task of differentiating between benefits that are in practice indistinguishable.

In spite of these caveats, the standards adopted by the FCPF for pilot REDD+ payments are to be regarded as an important development. They represent a fully-fledged effort to answer questions that are presently under consideration by UNFCCC Parties, by imposing benefit-sharing requirements upon partner countries and adopting a series of definitions and reporting rules. These requirements are a first in the legal framework on REDD+ and constitute a concrete operationalization of benefit-sharing, by requesting that FCPF partner countries identify and report the monetary and non-monetary benefits arising from REDD+ activities, thus going beyond climate change mitigation to include equity-related considerations. The FCPF standards do not, however, seek to integrate CBD guidance and human rights considerations, but rather leave it to partner countries to interpret these in light of what they ambiguously define as ‘legally binding national obligations under relevant international laws’ (Id., Criterion 31).

Outlook

The discussion on non-carbon benefits in the context of UNFCCC negotiations is largely aimed at addressing the social and environmental impacts associated with the implementation of REDD+ activities. Given UNFCCC Parties’ limited guidance, the FCPF and the UN-REDD have filled the void by adopting standards that are very much the by-product of their governance structures and institutional cultures. There is a chasm between the guidance adopted by the two institutions, and numerous coherence and coordination questions remain to be addressed. In both contexts benefit-sharing is treated as a safeguard to address concerns associated with the social impact of REDD+ activities. The FCPF standards for REDD+ payments provide the most sophisticated evolution of this approach, whereby benefit-sharing has become a highly proceduralized technical requirement. These standards do, however, raise a series of difficult implementation questions associated with, amongst other things, overlaps with guidance adopted in the context of the CBD and human rights law and practice. While it is too early to say how these standards will be implemented, it is likely that FCPF partner countries will be faced with great challenges. Nevertheless, experience with FCPF payments will be an important testing ground to see how the matter of the social and environmental benefits of REDD+ can be dealt with in practice, providing important elements for UNFCCC Parties’ continued debate on the issue in 2015.

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