Report No: AUS0000589

World

Note on Benefit Sharing for Emission Reductions Programs Under the Forest Carbon Partnership Facility and BioCarbon Fund Initiative for Sustainable Forest Landscapes

January 2019

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Introduction

Benefit Sharing is an essential aspect of emission reductions programs (ER Programs) under both the Forest Carbon Partnership Facility (FCPF) and BioCarbon Fund Initiative for Sustainable Forest Landscapes (BioCF ISFL). Benefit Sharing Plans for these ER Programs incorporate Benefit Sharing Arrangements and other elements, the requirements for which are outlined in the FCPF Methodological Framework[1] and ISFL ER Program Requirements.[2]

The FCPF Methodological Framework and ISFL ER Program Requirements were not intended to be overly prescriptive in order to allow flexibility for Benefit Sharing Plans to develop according to the unique context of each ER Program. However, technical issues related to Benefit Sharing can be complex. Therefore, this note intends to provide Program Entities[3] with recommendations and additional information to consider when developing Benefit Sharing Arrangements and Benefit Sharing Plans.[4] Specifically, this note:

1. Clarifies terminology related to Benefit Sharing;
2. Specifies required Benefit Sharing documentation and timing; and
3. Provides Program Entities with recommendations and information to consider when developing their Benefit Sharing Plans, including examples of approaches that ER Programs are pursuing to date.

This note will be updated periodically with examples and information on approaches as additional Benefit Sharing Plans are reviewed and finalized to capture any lessons learned.

1. Explanation of Terminology

References are made to several Benefit Sharing elements in the FCPF Methodological Framework and ISFL ER Program Requirements. Some of these terms are defined in these documents (please see Glossary sections) but are further explained below in order to clarify their relationship to each other.

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[1] https://www.forestcarbonpartnership.org/sites/fcp/files/2016/July/FCPF%20Carbon%20Fund%20Methodological%20Framework%20revised%202016.pdf

[2] http://www.biocarbonfund-isfl.org/sites/biocf/files/documents/ISFL%20ER%20Program%20Requirements%20-%20Version%201.0%20final.pdf

[3] Program Entities are the entities selling ERs from an ER Program under an Emission Reductions Payment Agreement (ERPA) in the case of the FCPF and Emission Reductions Purchase Agreement (ERPA) in the case of the BioCF ISFL.

[4] In addition to this note, an analysis of best practices for benefit sharing in jurisdictional results-based land use programs is underway and will be independently produced. This analysis will provide additional examples that ER Programs can draw upon in the preparation of Benefit Sharing Plans.

Term	**Explanation**
Benefit Sharing	The sharing of Monetary and/or Non-Monetary Benefits with Beneficiaries under the ER Program in accordance with the Benefit Sharing Plan.
Beneficiaries	A subset or group of the ER Program's stakeholders (people involved in or affected by ER Program implementation) identified in the Benefit Sharing Plan to receive Monetary and/or Non-Monetary Benefits resulting from the ER Program.
Monetary Benefits	Cash received by Beneficiaries funded by payments received under an ERPA (ERPA Payments). These benefits, if any, must be included in the Benefit Sharing Plan.
Non-Monetary Benefits	Goods, services, or other benefits funded with ERPA Payments, or directly related to the implementation and operation of the ER Program, that provide a direct incentive to Beneficiaries to help implement the ER Program and can be monitored in an objective manner (e.g., technical assistance, capacity building, and in-kind inputs or investments such as seedlings, equipment, buildings, etc.). These benefits, if any, must be included in the Benefit Sharing Plan.
Non-Carbon Benefits	Any benefits produced by or in relation to the implementation and operation of an ER Program, other than Monetary and Non-Monetary Benefits (e.g., improvement of local livelihoods, improved forest governance structure, clarified land tenure arrangement, enhanced biodiversity and other ecosystem services, etc.). Such benefits are specified in a distinct section of ER Program Documents (ERPDs) and do not form part of the Benefit Sharing Arrangements or the Benefit Sharing Plan for the ER Program.
Benefit Distribution Mechanism(s)[5]	The system(s) or channel(s) through which Monetary and/or Non-Monetary Benefits are distributed.
Benefit Sharing Arrangement(s)	The arrangement(s) that describe Beneficiaries, Monetary and Non-Monetary Benefits, and the Benefit Distribution Mechanism(s). Benefit Sharing Arrangements describe the processes for the distribution of Monetary and Non-Monetary Benefits to Beneficiaries, including the types and proportions of benefits to be shared and the Mechanism by which such benefits will be distributed. Benefit Sharing Arrangements are included in

[5] Sometimes used interchangeably with 'Benefit Sharing Mechanism(s)', for example in the ISFL ER Program Requirements.

	ER Program Documents (ERPD) and form the basis of the development of the Benefit Sharing Plan.
Benefit Sharing Plan	A document that elaborates on the Benefit Sharing Arrangements described in the ERPD, stakeholder consultation processes, and how the Program Entity will communicate, implement, and monitor the Benefit Sharing process. The content required in the Benefit Sharing Plan is specified in the FCPF Methodological Framework and ISFL ER Program Requirements. The ERPA requires that the Benefit Sharing Plan is implemented in accordance with its terms.

2. Required Benefit Sharing Documentation and Timing

Program Entities are responsible for developing Benefit Sharing Arrangements and Benefit Sharing Plans in a consultative, transparent, and participatory manner appropriate to the context of the respective ER Program. The development of the final Benefit Sharing Plan can be an iterative process over time, often beginning with an articulation of the Benefit Sharing Arrangements.

The following documentation[6] is required for ER Programs in relation to Benefit Sharing:

- A description of the Benefit Sharing Arrangements must be included in the ER Program Document (**ERPD**)[7].
- At least an advanced draft Benefit Sharing Plan (see description below) must be made publicly available in English prior to **ERPA signature** and disclosed in a form, manner, and language understandable to the affected stakeholders for the ER Program[8].
- If feasible, the final Benefit Sharing Plan (see description below) is made publicly available in English prior to **ERPA signature** and disclosed in a form, manner and language understandable to the affected stakeholders for the ER Program. If only an advanced draft Benefit Sharing Plan can be made publicly available prior to ERPA signature, the final Benefit Sharing Plan will become a **Condition of Effectiveness of the ERPA**[9] (which must be fulfilled within a period specified in the ERPA, usually within 12 months of ERPA signature).

The FCPF Methodological Framework and the ISFL ER Program Requirements require that the Benefit Sharing Plan elaborates on the information available in the ERPD. It is expected that an **advanced draft Benefit Sharing Plan** will include a further detailed description of the content of the Benefit Sharing

[6] All documentation must be submitted to the FCPF or BioCF ISFL Facility/Fund Management Team (FMT) in English.

[7] FCPF Methodological Framework Criterion 29, FCPF ERPD Section 15, and BioCF ISFL ERPD Section 3.5. It has been acknowledged that for some programs, at the time of ERPD submission, Benefit Sharing Arrangements may not be finalized and all relevant mechanisms may not be yet in place.

[8] Fund participants and the World Bank (as Trustee of the FCPF or the BioCF ISFL) may decide to proceed with signing the ERPA in the event that a final Benefit Sharing Plan is not available prior to ERPA signature.

[9] Note that the ERPA itself becomes effective upon signature. However, a "Condition of Effectiveness" means that the respective party's obligations under the ERPA regarding the sale, transfer and payment for emission reductions (ERs) will only become effective upon the fulfillment of certain conditions by the Program Entity following ERPA signature. References to this can be found in the FCPF Methodological Framework (footnote 12) and ISFL ER Program Requirements (footnote 10).

Arrangements (Beneficiaries, Monetary and Non-Monetary Benefits, and Benefit Distribution Mechanism(s)), as well as monitoring provisions, and stakeholder consultations to date/any evidence of stakeholder buy-in. A draft Benefit Sharing Plan can be deemed as "advanced" once the World Bank has determined, following its own review and taking into account comments received from fund participants, that all fundamental issues have been addressed. **A final Benefit Sharing Plan** is expected to further elaborate on the advanced draft as relevant, including on the agreed Benefit Sharing Arrangements, additional evidence of stakeholder buy-in, and final detailed communication and monitoring provisions. A final Benefit Sharing Plan will also address all remaining issues raised, as relevant.

The timeline for the development and submission of Benefit Sharing Plan drafts may differ for different ER Programs. **Program Entities are encouraged to prepare Benefit Sharing Plan drafts as early as is feasible and must have in place at least an advanced draft acceptable to the Trustee prior to ERPA signature.** Some ER Programs may be able to prepare a final Benefit Sharing Plan at an earlier stage, for example at the time of ERPD submission, before a World Bank Decision Meeting, or before ERPA negotiations. Earlier submissions of Benefit Sharing Plan drafts are advisable because they assist assessment processes and ERPA negotiations.

It is also important to carefully manage the preparation process of the Benefit Sharing Plan to avoid raising unrealistic expectations of potential stakeholders. For example, if a Benefit Sharing Plan is prepared and consulted on too early when the ER Program measures[10] have yet to be fully defined, and the eventual Monetary and Non-Monetary Benefits or list of Beneficiaries need to be modified significantly later, it would be challenging to manage expectations (see section 3.2 for more information).

There may be some cases where an update to the final Benefit Sharing Plan is required during implementation of the ER Program, including, for example, when additional Beneficiaries have been identified (e.g., due to gaps in the original final Benefit Sharing Plan or changes in the jurisdiction over the lifetime of the ER Program), lessons learned on the effectiveness of the Benefit Sharing Plan have been documented, or extreme events have occurred in the ER Program area (e.g., natural disturbances). Such update(s) to the final Benefit Sharing Plan may require additional consultations with stakeholders and will be subjected to World Bank review.

Below is a general timeline of submission of documentation related to Benefit Sharing. While the timing may differ for some ER Programs, the indicative timeline below specifies the **latest point** at which documentation must be finalized.[11] Program Entities are strongly encouraged to complete documentation on Benefit Sharing as early as is appropriate to facilitate assessments and ERPA negotiations.

Documentation	**Latest point at which it must be available**	**Roles of different parties**
Description of ***Benefit Sharing Arrangements***	ERPD selection by FCPF Carbon Fund Participants into its portfolio or 'no	Program Entity prepares the description of the Benefit Sharing Arrangements in the ERPD (in accordance with the FCPF

[10] Policies, measures or projects to reduce deforestation and/or forest degradation and enhance and conserve carbon stocks that directly address the key drivers of deforestation and degradation, and are described in the ERPD (e.g., subsidies for reforestation, investments in agricultural intensification, land-use planning, etc.). Also referred to as 'Planned Actions and Interventions' by the ISFL.

[11] This timeline is consistent with World Bank Operational Policies and Procedures, though in the case of any inconsistencies, World Bank Policies and Procedures will prevail.

	objection' of BioCF ISFL ERPD by BioCF T3 Participants	Methodological Framework or ISFL ER Program Requirements), with advice from the World Bank task team. Fund participants (and Carbon Fund observers in the case of the FCPF), independent third parties (e.g., members of the Technical Advisory Team (TAP)), and the World Bank review and provide comments on the Benefit Sharing Arrangements described in the ERPD.
Advanced draft Benefit Sharing Plan[12]	Prior to ERPA signature if fund participants and the World Bank (as Trustee of the FCPF or the BioCF ISFL) decide to proceed with signing the ERPA in the event that a final Benefit Sharing Plan is not available. In the absence of a final Benefit Sharing Plan at ERPA signature, there will be a Safeguards Action Plan or an Environmental and Social Commitment Plan (ESCP), as relevant, which will specify timelines for the finalization of the final Benefit Sharing Plan.	Program Entity prepares a draft Benefit Sharing Plan, elaborating on the Benefit Sharing Arrangements described in the ERPD and in accordance with the FCPF Methodological Framework or ISFL ER Program Requirements, with advice from the World Bank task team. Prior to formal ERPA negotiations, the World Bank holds a Quality Enhancement Review (QER)[13], which provides a thorough and wide-ranging review on the draft Benefit Sharing Plan. The draft Benefit Sharing Plan is then shared with fund participants for feedback on fundamental issues that would prevent the Benefit Sharing Plan from being deemed an 'advanced draft' (and therefore must be addressed before ERPA signature).[14] Following the World Bank's review and fund participants' feedback, the Program Entity addresses at least all fundamental issues raised in a revised draft Benefit Sharing Plan. The World Bank checks the revised draft Benefit Sharing Plan to ensure that at least all fundamental issues have been appropriately incorporated and any non-fundamental issues to be included in the final Benefit Sharing Plan have been identified before deeming it an 'advanced draft Benefit Sharing

[12] As a reminder, an advanced draft Benefit Sharing plan includes a further detailed description of the Benefit Sharing Arrangements (Beneficiaries, Benefits, and Benefit Distribution Mechanism(s)), monitoring provisions, and consultations to date/any evidence of stakeholder buy-in.

[13] Moving forward, QERs on advanced draft Benefit Sharing Plans should be held before World Bank Decision Review Meetings.

[14] The World Bank will confirm if these issues are indeed fundamental and would prevent ERPA signature.

		Plan' and linking it on the FCPF or BioCF ISFL website[15]. The FCPF or BioCF ISFL Facility/Fund Management Team (FMT) informs fund participants (and Carbon Fund observers in the case of the FCPF) of their availability online.[16] All remaining issues, if any, will be addressed, as appropriate, in the final Benefit Sharing Plan (see next row).
Final Benefit Sharing Plan	If not prior to ERPA signature, within a specified time period (usually 12 months) following ERPA signature.	The Program Entity addresses any outstanding issues identified during the previous World Bank QER and fund participants' feedback (as specified in a Safeguards Action Plan or ESCP, as relevant) including any relevant comments received on the publicly available advanced draft Benefit Sharing Plan, in a final Benefit Sharing Plan. The World Bank checks the final Benefit Sharing Plan, following consultations with fund participants, to ensure that all relevant issues have been appropriately addressed before deeming it a 'final Benefit Sharing Plan'. Following this, the FCPF or BioCF ISFL FMT will share the final Benefit Sharing Plan with fund participants (and Carbon Fund observers in the case of the FCPF) for their information, informing them that it is final, addresses all relevant issues, and will be linked on the FCPF or BioCF ISFL website by a certain date.
Revisions to the Benefit Sharing Plan	As needed during ER Program implementation	If necessary, the Program Entity prepares an updated Benefit Sharing Plan. Such update(s) to the final Benefit Sharing Plan may require additional consultations with stakeholders. Any updated Benefit Sharing Plans will be reviewed and deemed acceptable by the World Bank, in consultation with fund participants, and linked on the FCPF or BioCF ISFL website.

[15] The Program Entity is responsible for making Benefit Sharing Plan drafts publicly available.

[16] As is the case with other documents disclosed by the World Bank, there may be comments on the advanced draft Benefit Sharing Plan by the general public, which the World Bank can pass on to the Program Entity for their consideration.

***Reports** from annual self-reporting by Program Entity and Third-Party Monitor and an annex to the ER Monitoring Report*	Prior to each ERPA Payment, starting with the second ERPA Payment	After the first ERPA Payment and prior to subsequent ERPA Payments, the Program Entity reports on the implementation of the Benefit Sharing Plan (either as part of Interim Progress Reports or ER Monitoring Reports). The World Bank will review reports from self-reporting and the Third-Party Monitor, as well as the annexes to the Interim Progress Reports and/or ER Monitoring Reports.

3. Recommendations and Considerations for the Preparation of Benefit Sharing Plans

3.1 ER Program Design and Incentive Mechanisms

Benefit Sharing Plans are essential for the sustainable implementation of ER Programs, in particular for addressing drivers of emissions from deforestation, forest degradation and other land uses, and for providing incentives to stakeholders for continued ER Program support and buy-in.

Developing Benefit Sharing Plans requires a good understanding of the ER Program's drivers of emissions from deforestation, forest degradation and other land uses and their prioritization; the types of stakeholders involved in addressing these drivers; and the incentives needed to reduce emissions and reverse trends. Whether an ER Program receives ERPA Payments for ERs from REDD+ ER Programs (under the FCPF Carbon Fund) or from multiple land-use sector ER Programs (under the BioCF ISFL), such as Agriculture, Forestry and Other Land Uses (AFOLU) categories, the underlying drivers of emissions may be similar. For example, unsustainable agricultural practices may contribute to deforestation, which would result in emissions both from the agricultural activity itself and the deforestation it may cause.

In any case, Benefit Sharing Plans can incentivize stakeholders to implement activities that would address these drivers and help generate ERs, especially if they are aware of how and when they could benefit from the ER Program. For example, some ER Programs have noted that benefits will be distributed to address improvements to agricultural productivity, reduce encroachment into forest areas, and provide of incentives for forest management and non-timber forest products. This is a good example of combining benefit types and directing them to relevant stakeholders to maximize impacts on drivers of emissions from deforestation, forest degradation and other land uses both within and outside the forest.

3.2 Stakeholder Consultations and Expectations Management

Stakeholder consultations are required for the development and finalization of the Benefit Sharing Plan as they create stakeholder support and buy-in for ER Program implementation, clarify roles, and provide an understanding of the kind of Monetary and Non-Monetary Benefits to be shared with Beneficiaries. As per the requirements in the FCPF Methodological Framework and ISFL ER Program Requirements, ERPDs (including the section on Benefit Sharing Arrangements) and Benefit Sharing Plans will include details on stakeholder consultations. Consultations related to Benefit Sharing should be done in alignment with or build on national REDD+ readiness processes, such as the Strategic Environmental and Social Assessment (SESA), for consistency and efficiency purposes.

Descriptions of the outcomes of these stakeholder consultations and how they are incorporated in the Benefit Sharing Plan are useful, particularly for stakeholders who did not participate. Given this, Program Entities are encouraged to include information in addition to the dates and locations of consultations, such as participating stakeholder groups, number of people, content of consultations or issues and concerns raised, and outcomes, as well as how these outcomes were incorporated in the Benefit Sharing Plan. If possible, it is also useful to note gender disaggregation of the participants and what information was shared in advance of the consultations.

The FCPF Methodological Framework and ISFL ER Program Requirements note that Benefit Sharing Plans should be developed in a consultative, transparent, and participatory manner and reflect inputs by relevant stakeholders, including broad community support of affected indigenous peoples. Evidence of stakeholder consultations and broad community support of affected indigenous peoples should be noted in Benefit Sharing Plans.

Program Entities have pursued a variety of approaches for timing stakeholder consultations in order to manage expectations for Benefit Sharing. Consultations must occur throughout the development of Benefit Sharing Arrangements in the ERPD and the Benefit Sharing Plans and should cover various aspects of Benefit Sharing as they develop. Given that a description of Benefit Sharing Arrangements is, to the extent known at the time, required in ERPDs, consultations must be held at least on these Arrangements and documented in the ERPD and this information must also be included in Benefit Sharing Plan drafts. As information on Benefit Sharing is developed or revised, consultations must occur. Conversely, in cases where minor revisions are made to Benefit Sharing Plans that do not substantively affect the consulted Benefit Sharing Arrangements, further consultations may not be required.

It is important to manage consultations in a way that does not unnecessarily raise stakeholders' expectations. Clear messaging on the following can help with this:

- **Level of detail and finalization of Benefit Sharing elements.** When the development of Benefit Sharing Arrangements is nascent, consultations may also focus on more general-level Benefit Sharing elements such as broad categories of Beneficiaries and distinctions between Monetary and Non-Monetary Benefits, for example. As more details are developed, consultations should include more in-depth discussions, for example on proportions of Monetary and Non-Monetary Benefits to be shared amongst Beneficiaries.
- **Expected ERPA Payments and associated risks.** It should be clarified during consultations that the carbon funds under the FCPF and the BioCF ISFL are results-based financing vehicles. This means that Benefit Sharing relies on the successful generation, verification, and transfer of ERs through successful ER Program implementation, which requires stakeholders to play a role in generating these results (in the form of ERs) and supporting their transfer to the respective carbon funds. Any potential risks to ER generation and transfer should be clearly communicated to stakeholders, including mitigation measures and expectations for Benefit Sharing in the case of ER Program under- or non-performance (see section 3.6 for more information).

In addition, with regards to managing expectations, Benefit Sharing Plans should note that commercial terms (e.g., price, volume, advance payments, etc.) are subject to ERPA negotiations.

3.3 Beneficiaries

Beneficiaries are a subset or group of the ER Program's stakeholders (people involved in or affected by ER Program implementation) identified in the Benefit Sharing Plan to receive Monetary and/or Non-Monetary Benefits resulting from the ER Program. Beneficiaries may include, but are not limited to, communities, civil society, and the private sector, including any nested REDD+ projects. Governments, as Program Entities and parties to the ERPA, may also retain a certain amount of ERPA Payments to cover their costs for implementing and/or managing the ER Program.

As stated in section 3.1 above, Benefit Sharing Plans can incentivize Beneficiaries to contribute to reducing emissions and the overall performance of the ER Program. Given this, Program Entities have considered various ways to identify and include key Beneficiaries in the Benefit Sharing Plan, including the following considerations:

- Are they likely to contribute directly to the reduction of emissions from deforestation, forest degradation and other land uses, ultimately delivering results;
- Are they likely to use the Monetary and/or Non-Monetary Benefits to sustain successful ER Program interventions;
- Have they undertaken concrete actions to reduce emissions, but ultimately under-perform due to circumstances such as force majeure, and therefore, may – regardless of their ultimate performance – require a portion of the Monetary and Non-Monetary Benefits to recognize their efforts, continue to incentivize their participation in the implementation of the ER Program, and/or help them overcome these circumstances; and/or
- Have they historically contributed (or are anticipated to contribute) to avoided emissions from deforestation, land degradation and other land-use practices (e.g., in some circumstances, indigenous peoples or land and resource tenure holders, including customary rights holders)?

These groups of Beneficiaries are neither mutually exclusive nor exhaustive, and, in the Benefit Sharing Plans reviewed to date, have been considered in combination in order to maximize support for the implementation of the ER Program and help incentivize its performance.

During the preparation of Benefit Sharing Plans, some Program Entities have identified challenges in channeling Monetary and/or Non-Monetary Benefits to identified Beneficiaries. For example, Beneficiaries may need to be formally organized in delimited communities with financial and governance structures in order to access Monetary Benefits. In these cases, some key stakeholders may be ineligible to access Monetary Benefits and may therefore be excluded from Benefit Sharing Arrangements, which could impact the performance of the ER Program. To ensure the Benefit Sharing Plan can be implemented as designed, Program Entities are encouraged to consider ways to overcome any exclusion of key stakeholders in Benefit Sharing Arrangements, as well as the channels required to reach Beneficiaries and any plans and timelines required to formalize Benefit Sharing Arrangements (see section 3.7 for more information).

3.4 Benefits

As Beneficiaries are identified, Program Entities also consider the form of benefits they are expected to share through the Benefit Sharing Plan, which include Monetary and/or Non-Monetary Benefits. Throughout this process, Program Entities weigh various considerations, which may include, but are not limited to, the following:

- Identification of forms of benefits that will incentivize Beneficiaries to continue to support the ER Program and its successful implementation;
- Outcomes of stakeholder consultations where different forms of benefits have been discussed and stakeholders have provided feedback on their expectations, preferences, and priorities; and/or
- An understanding of the forms of benefits that stakeholders are receiving under existing Benefit Distribution Mechanisms, like Payment for Environmental/Ecosystem Services (PES) schemes, and their impacts.

As part of this consideration, Program Entities consider whether Monetary or Non-Monetary Benefits, or a combination, will be shared with various Beneficiaries. This determination is highly context specific and will vary per ER Program. Analysis on the application of benefit types indicates that in some cases, while Monetary Benefits can incentivize some stakeholders, Non-Monetary Benefits may be more likely to benefit a broader range of stakeholders by creating positive livelihood improvements and options available to society for the future.[17] In any case, the forms of benefits identified in Benefit Sharing Plans are informed by the stakeholder consultation process and are to reflect Beneficiaries' expectations, preferences, and priorities and, thereby, which should incentivize them to continue to support and to stay engaged in ER Program implementation. Given this analysis, and subject to the outcome of the stakeholder consultation process, Program Entities are encouraged to consider utilizing Non-Monetary Benefits in their Benefit Sharing Plans.

Program Entities have also considered ways of reinforcing ER Program implementation by specifying that Monetary and Non-Monetary Benefits must be used to fund activities that further support ER Program implementation and, thereby, help reduce emissions. This can take several forms, including the creation of a revolving fund for sustainable land use activities, policy changes, investments in forests and sustainable agriculture, and/or the continued oversight and implementation of the ER Program activities. For example, some Benefit Sharing Plans specify that a majority of ERPA Payments will be used to provide Beneficiaries with a mix of Non-Monetary Benefits like capacity building, law enforcement, investments (seedlings, equipment, etc.), and monitoring for forest and agriculture sectors to further improve the avoidance of deforestation and forest degradation and the use of climate-smart land-use practices. By combining Non-Monetary Benefits in this way, the Program Entity anticipates that it will be able to reach more Beneficiaries than it would with Monetary Benefits. This approach can have compounding effects on the potential to generate additional ERs, and thereby, additional ERPA Payments, which can once again be shared and re-invested. Program Entities are encouraged to consider this type of approach depending on the context of its respective ER Program.

Some Benefit Sharing Plans include approaches to provide community-level Beneficiaries with a combination of different types of Non-Monetary Benefits for community development and further ER Program implementation support. In one example, 50% of such benefits for communities would be used to address drivers of deforestation (e.g., seedlings, trainings, etc.) and the other 50% would be used for community development projects (e.g., schools, trainings, etc.). Some Program Entities have identified through stakeholder consultations that within a community some stakeholders have an interest in sustainable land use activities, while others do not and are more likely to be motivated by community

[17] https://www.profor.info/sites/profor.info/files/REDD_Part%20I_0.pdf

development projects. This is an interesting example of mixing different types of Non-Monetary Benefits to effectively incentivize different Beneficiaries given the specific ER Program context.

Regardless of whether Monetary Benefits, Non-Monetary Benefits or a combination of both are pursued, it is highly recommended that Benefit Sharing Plans include information on eligible and/or ineligible uses (i.e., 'positive or negative lists') of such benefits. For example, some Benefit Sharing Plans specify the activities that will or will not be considered for support under a community fund that will provide Non-Monetary Benefits for proposals for sustainable land use activities. This provides a greater sense of clarity to Beneficiaries and other stakeholders on the intended use of benefits, and therefore their potential impacts. Benefit Sharing Plans should not include Monetary or Non-Monetary Benefits that would have significant negative environmental or social impacts. Program Entities will need to ensure that appropriate administrative procedures are in place to validate that both Monetary and Non-Monetary Benefits are used in accordance with any agreed positive lists or negative lists that apply to the Benefit Sharing Plan.

Non-Carbon Benefits

Non-Carbon Benefits are not part of Benefit Sharing and, therefore, are not required to be implemented as part of any Benefit Sharing Plan.[18] Non-Carbon Benefits can include improvements to livelihood opportunities, governance, and environmental services, amongst others, and are therefore important to the overall ER Program's success. Non-Carbon Benefits should be well understood as part of the broader context of benefits that each ER Program may provide to stakeholders and Benefits resulting from ERPA Payments should be designed to complement these to maximize the potential for the ER Program's impact and sustainability.

Program Entities may reference Non-Carbon Benefits in Benefit Sharing Plans, especially if they are essential in ensuring stakeholder participation in the ER program. In this case any such reference to Non-Carbon Benefits must be done only in an annex to the Benefit Sharing Plan in order to distinguish them from Monetary and Non-Monetary Benefits. The following text must be included in the beginning of such annex:

"The following Non-Carbon Benefits are listed in the ER Program Document (ERPD). These Non-Carbon Benefits shall not form part of the Benefit Sharing Plan itself (which is limited to Monetary and Non-Monetary Benefits only) but are listed in this annex for stakeholder information purposes only."

3.5 Benefit Distribution

The way in which Monetary and Non-Monetary Benefits are shared with Beneficiaries, including both their proportion and the Benefit Distribution Mechanism used, is critical to the ER Program's success because it can create incentives for Beneficiaries to help support ER Program implementation and help reduce emissions.

Considering the various Beneficiaries included in the Benefit Sharing Plan, Monetary and Non-Monetary Benefits can be shared in different proportions and combinations to incentivize participation in ER

[18] Under the ERPA, Program Entities are encouraged to report periodically on the achievement of Non-Carbon Benefits and are obligated to report periodically on the achievement of Priority Non-Carbon Benefits, but Program Entities will not be held accountable under the ERPA for the actual achievement of such benefits. However, in the case that Non-Carbon Benefits are included in a Safeguards Action Plan or ESCP, as relevant, for the ER Program, they are required to be generated and reported on.

Program implementation. For example, some Benefit Sharing Plans specify that: 1) a proportion of such benefits will be distributed equitably to all districts in the ER Program area to ensure all stakeholders see some level of benefits from the ER Program; and 2) additional benefits will be distributed according to a district's proportional performance in reducing emissions. In addition to this, some Benefit Sharing Plans also include provisions to distribute a small proportion of benefits to stakeholders who under-perform despite efforts to reduce emissions (e.g., in the case of force majeure). This combination of approaches aims to reach Beneficiaries more broadly to address underlying drivers of emissions from deforestation, forest degradation and other land uses through changes in behavior.

Beyond the categorizations of Beneficiaries, some Benefit Sharing Plans also specify how Monetary and Non-Monetary Benefits will be distributed within groups of Beneficiaries. In some cases, such benefits will further be shared amongst Beneficiaries according to their respective performance in ER Program implementation support (which could be determined through proxies or other means). For example, forest management units within a community may be designated to receive a specified proportion of the community's benefits under the Benefit Sharing Plan given their role in managing and protecting forests. In other cases, the distribution within a group of Beneficiaries is intentionally not based on performance in ER Program implementation support. For example, some Benefit Sharing Plans specify that community groups will use their share in ERPA Payments to implement Non-Monetary Benefits that impact the community as a whole, like a forest training program, improvements to the generation and marketing of non-timber forest products, schools, improvements to infrastructure, etc.

The General Conditions applicable to the ERPAs for ER Programs require that "a significant portion" of Monetary and Non-Monetary Benefits are shared with Beneficiaries, which include, but are not limited to, communities. The determination of the proportion of such benefits that Beneficiaries are expected to receive will be highly context-specific for ER Programs and will be informed by the respective stakeholder consultations.

The Benefit Distribution Mechanism (the system(s) or channel(s) through which Monetary and Non-Monetary Benefits are distributed) identified for the ER Program in the Benefit Sharing Plan can also help support ER Program implementation through the timeliness of sharing of benefits and the credibility, trust, financial soundness, and acceptability of the Benefit Sharing process. When developing Benefit Sharing Plans, Program Entities should review existing Benefit Distribution Mechanisms in the country or jurisdiction, including their legal and institutional frameworks. This process is particularly valuable because such existing mechanisms may be used for Benefit Sharing under the ER Program and/or illuminate lessons that may be incorporated in the ER Program's Benefit Sharing Plan. Existing funds and channels can be used to reach Beneficiaries at the national, subnational, or local levels, and depending on their proven success, may build trust and transparency for the Benefit Sharing process. Examples of such relevant mechanisms include, but are not limited to, existing PES schemes, conservation funds, REDD+ projects, jurisdictional results-based finance programs (including bilateral programs), reforestation funds, and others.

Benefit Sharing Plans should include information on Benefit Distribution Mechanisms at all relevant levels (national, subnational, local). Program Entities are encouraged to consider the most effective and low-cost way to reach Beneficiaries. Tools, like the PROFOR Options Assessment Framework[19], may be useful

[19] https://www.profor.info/content/assessing-options-benefit-sharing-tool

to Program Entities when identifying the potential use of such mechanisms. Consideration should also be given to the timeline for benefit distribution to Beneficiaries given results will be paid for ex-post and the flow of Monetary and Non-Monetary Benefits through the Benefit Distribution Mechanism may take additional time.

An example of one type of Benefit Distribution Mechanism included in some Benefit Sharing Plans is a fund that will support the implementation of proposals submitted by Beneficiaries. In this case, Beneficiaries submit applications for cash (Monetary) or in-kind (Non-Monetary) support for sustainable land use activities or community development projects. Information on defined application criteria, applicant eligibility requirements, and eligible and/or ineligible activities for these processes are included in the Benefit Sharing Plans for these ER Programs. In some cases, these funds can leverage Monetary or Non-Monetary Benefits received by specific Beneficiaries (e.g., private sector, communities, etc.) in the form of revolving funds, where Beneficiaries use these benefits as seed capital to draw on for specific needs. In the cases that these revolving funds are limited to benefits for sustainable land use activities or community development projects, this approach may directly incentivize those Beneficiaries that are motivated by this type of support. These types of funds could also be particularly useful for engaging with private sector Beneficiaries to further leverage private investments for sustainable land use; some Benefit Sharing Plans have specified that the private sector must match a specified proportion of Monetary and or Non-Monetary Benefits they receive through this type of mechanism. Where relevant and feasible, Program Entities are encouraged to consider utilizing a similar Benefit Distribution Mechanism to reach certain Beneficiaries, as appropriate.

Regardless of the Benefit Distribution Mechanism identified, Program Entities should consider issues of transparency and governance, which extends to the decision-making bodies involved in Benefit Sharing Plans. For example, some Benefit Sharing Plans identify a multi-stakeholder platform or board that will review proposals for and reports on the use of Monetary and Non-Monetary Benefits at lower levels. It is recommended that Benefit Sharing Plans include information on the selection criteria for these platforms/boards, governance structures, the make-up of stakeholders in these structures (including e.g., local communities, indigenous peoples, government, Civil Society Organizations, private sector, etc.) and responsibilities of these platforms or boards.

Benefit Sharing Plans should also specify the planned timelines for the Benefit Sharing process, which takes into account the anticipated timing of ER generation (including when underlying activities are expected to start and end), ER verification, and ERPA Payments (including payments for transferred ERs and any agreed advance payments). Risks to these timelines, as well as potential impediments to the Benefit Sharing process, should be identified to help manage Beneficiaries' expectations.

3.6 Management of ER Program Performance Risk

While each ER Program aims to achieve certain results in the form of generated, verified and transferred ERs, there is a risk that ER Programs may under-perform or not perform at all, for example due to unforeseen events and/or ER Program under-performance within the ER Program area. Throughout consultations, anticipated results and corresponding ERPA Payments are typically discussed with stakeholders, which may create expectations among Beneficiaries regarding the amount of Monetary and Non-Monetary Benefits available for Benefit Sharing under an ER Program. Risks of ER Program under-performance or non-performance and efforts to mitigate these risks should be clearly communicated throughout this process.

To manage expectations and plan for unforeseen circumstances, Benefit Sharing Plans should address what will occur in the case of ER Program under-performance or non-performance, including:

- **How Monetary and Non-Monetary Benefits will be shared if results are insufficient to meet needs or expectations.** Benefit Sharing Plans should anticipate cases of shortfalls in results-based ERPA Payments due to ER Program under-performance or non-performance. Specifically, Benefit Sharing Plans should outline the processes that will be undertaken if this occurs (who will be prioritized to receive benefits, how this will impact benefit distribution proportions, etc.).
- **Managing disparities in ER Program performance across Beneficiary groups.** There is a possibility that for a given reporting period, some Beneficiaries may contribute to reduce emissions and others may contribute to increase emissions to the point that the overall ER Program's results are diminished or net-zero. Benefit Sharing Plans should include considerations for managing expectations, particularly for those Beneficiaries that have helped contribute to reduce emissions, and how benefits are planned to be distributed under this scenario. These measures should speak to plans to mitigate ER Program under-performance risk overall.

Some Benefit Sharing Plans include contingency plans to address these circumstances throughout the lifetime of the ER Program, including identifying alternative sources of finance and establishing a buffer reserve from generated ERPA Payments to address potential future ER Program under-performance or non-performance. The majority of Benefit Sharing Plans reviewed to date include a buffer, which reserves a small proportion of ERPA Payments either on the gross ERPA Payments received or after operational and/or fixed costs have been funded. The use of the buffer varies per ER Program but is generally envisioned to be used in cases of force majeure and/or ER Program under-performance in a reporting period. In any case, Benefit Sharing Plans should specify the process for the buffer, including how it is established and managed, the circumstances under which it is used, and how benefits are shared from the buffer. Program Entities are encouraged to consider this approach to manage ER Program performance risks and stakeholder expectations.

3.7 Fiduciary and Administrative Responsibilities and Costs

Information on implementation arrangements for ER Programs are referenced in various program documentation, including ERPDs. It is recommended that this information, including the following issues, also be reflected in the Benefit Sharing Plan:

- **Ability to reach relevant Beneficiaries and the distribution channels required to do so.** In some cases, Program Entities plan to distribute Monetary and/or Non-Monetary Benefits to communities that cannot be readily reached by existing financial channels. For example, it may not be possible to transfer funding to a district government responsible for further distributing Non-Monetary Benefits. These issues should be identified in Benefit Sharing Plans and the efforts and associated costs for addressing these should be clear.
- **Institution(s) responsible for Benefit Sharing.** The specific institutions responsible for Benefit Sharing should be identified, including those that will receive ERPA Payments and to which institutions ERPA Payments will be distributed (and for what purpose). It should be clear how funds will flow from the institution receiving the ERPA Payments to the final Beneficiaries. The capacities of all identified institutions to receive/distribute, monitor, and report on Benefit Sharing should also be detailed in Benefit Sharing Plans. If there are capacity building measures

to be implemented during ER Program implementation, such measures should be identified in a Safeguards Action Plan or ESCP, as relevant.

- **Governance and decision-making for Benefit Sharing.** As stated in section 3.5, Program Entities should consider issues of transparency and governance, which extends to the decision-making bodies involved in the Benefit Sharing process under a Benefit Sharing Plan. For example, some Benefit Sharing Plans identify a multi-stakeholder platform or board that will review proposals for and reports on the use of benefits at lower levels. It is highly recommended that Benefit Sharing Plans include information on the selection criteria for these platforms/boards, governance structures, the make-up of stakeholders in these structures (including e.g., local communities, indigenous peoples, government, Civil Society Organizations, private sector, etc.), and responsibilities of these platforms or boards.
- **Costs of implementing the Benefit Sharing Plan.** While financing plans request this information,[20] it should be clear that costs include requirements for consultations, communicating elements of the Benefit Sharing Plan and results of its implementation, establishing systems to distribute benefits, financial management procedures from receipt of ERPA Payments to distribution and receipt of Monetary and Non-Monetary Benefits, responding to grievances, and monitoring its implementation (see section 3.8 for more information).
- **Impact of any advance payments on Benefit Sharing.** Subject to ERPA negotiations, Program Entities may request advance payments to financially support ER Program implementation before the first payment for transferred ERs is made (Upfront Advance Payments) or in between payments for transferred ERs (Interim Advance Payments). If this is the case, and the provision of advance payments is agreed during ERPA negotiations, Benefit Sharing Plans must specify how these advance payments will impact the total Monetary and Non-Monetary Benefits available to Beneficiaries given that such advance payments are part of the overall financial envelope available to ER Programs and will be deducted from any future payment made for transferred ERs under the ERPA. Therefore, Benefit Sharing Plans should include information on how Benefit Sharing will take such advance payments into account.

3.8 Monitoring Provisions

Benefit Sharing Plans include information on monitoring provisions throughout its implementation. While these provisions can take various forms, Program Entities will be required to report on the implementation of their Benefit Sharing Plan in an annex to Interim Progress Reports, if applicable, and ER Monitoring Reports as well as through annual self-reporting and third-party monitoring of the ER Program. Benefit Sharing Plans should note these provisions as part of the monitoring approach. Program Entities are also encouraged to consider opportunities for participatory monitoring by Beneficiaries, if relevant.

ER Programs must have a Feedback and Grievance Redress Mechanism (FGRM) that stakeholders can access throughout the implementation of the ER Program. The same FGRM can also be utilized for feedback on the implementation of the Benefit Sharing Plan. Regardless of the FGRM being utilized in relation to Benefit Sharing, the FGRM should be identified in the Benefit Sharing Plan, including any links to relevant documentation.

[20] For more information on financing plans, refer to the Guidance Note on the Preparation of Financing Plan of REDD+ and Landscape Emission Reduction Programs.

As with environmental and social safeguards, the World Bank's role with respect to the Benefit Sharing Plan is to confirm that the agreed safeguards process and the Benefit Sharing Arrangement (as specified in the Benefit Sharing Plan) are functional and effective and not to trouble-shoot or verify that every Monetary and Non-Monetary Benefit was distributed to each and every category of Beneficiaries or that individual activities funded by Monetary and Non-Monetary Benefits (Benefit Sharing Plan activities) have complied with World Bank safeguards. As with the ER Program itself, safeguards will be applied in a manner proportional to the activities proposed.

Third party monitors, as well as self-monitoring and World Bank oversight and FGRM will be used to assess the proper implementation of the Benefit Sharing Plan and application of relevant World Bank social and environmental safeguards to the Benefit Sharing Plan activities. Third party monitoring can take various forms but typically would involve a combination of independent verification of self-reporting data provided by the ER program and annual audits of a sample of ER program activities.[21]

3.9 Communicating/Disseminating the Benefit Sharing Plan

Benefit Sharing Plans also include information where they will be made publicly available and how they will be shared with relevant stakeholders, including Beneficiaries. Descriptions of this can refer to websites, media coverage, regular meetings, consultations, etc. Considerations should be made for the communications needs of Beneficiaries and how disclosure of Benefit Sharing Plans will address these. For example, Beneficiaries could have needs related to the language (local dialects, etc.), form (written, visual, audio, etc.), and manner (in meetings, through radio programming, newspapers, etc.) in which Benefit Sharing Plans are disclosed.

[21] Please refer to the Good Practice Note on Third-Party Monitoring: http://pubdocs.worldbank.org/en/578001530208566471/ESF-GPN-Third-Party-Monitoring-June-2018.pdf