4.1 Supporting SFM through benefit-sharing arrangements

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Forest partnerships and benefit-sharing arrangements have gained prominence in recent years. More forest areas are being designated for use by local communities and indigenous peoples. Private investors are interested in establishing and maintaining positive working relationships with local communities in order to gain access to natural resources, local skills and labour. And there is growing recognition that the eventual success of afforestation and reforestation activities and programmes to reduce greenhouse gas emissions from deforestation and forest degradation (REDD+) — including sustainable forest management (SFM) and forest restoration — will require the effective cooperation and support of forest-dependent people.

The authors spoke with local communities and other stakeholders and found that these partnerships can contribute to development.1 In Nicaragua, partnerships for environmental services have motivated farmers to adopt integrated agricultural practices that increased carbon sequestration while improving livestock productivity (Chandrasekharan Behr et al. 2012). In Uganda, benefit-sharing arrangements linked to a carbon sequestration scheme resulted in financial payments for the local community and had positive spillover effects for local banks and retailers. The arrangement also had indirect co-benefits resulting from greater tree planting. In Bolivia, a partnership between communities and a private company for provision of timber has resulted in financial benefits for the communities. The private sector also provided training support for the communities and helped commercialize lesser-known timber species, allowing the communities to derive income from them (World Bank 2009).

Partnerships and their associated benefit-sharing arrangements can also have negative impacts. These occur when the arrangements allow benefits to be captured by the more powerful members in the partnership, deprive people of rights, result in the use of cash

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for nonproductive consumption, involve high transaction costs, or maintain low-wage labour and inequitable land distribution. In cases where schemes require some initial capital resource or land, some partnerships exclude disadvantaged community members.

This article focuses on partnerships that work and that result in sustainable resource use. The findings shared here are based on a thorough review of more than 50 case experiences and analysis of primary data from nine cases in east Africa and Latin America.

**Partnerships: objectives and parties involved**

Partnerships form around various objectives, including provision of environmental services or raw materials, conservation, or harvesting of forest products. A range of partnership models exist:

- transfer of payments for ecosystem services (PES), such as watershed services;
- linking communities and companies through an outgrower scheme or social agreement associated with a forest concession;
- jointly managing forest resources or participatory management of the resources, as in the management of state forest reserves in Tanzania and Uganda; and
- conservation arrangements, such as those for the sustainable use of wildlife.

The various partnership types provide a range of incentives to achieve objectives. Incentives include shared revenue, non-monetary incentives (such as technical assistance), or contribution of the cost of inputs. These are broadly considered benefit-sharing arrangements.

The parties involved in partnerships and the related benefit-sharing arrangements include an external party and a local party. The former often provides funding or an investment. The local beneficiaries often provide resource inputs, services or access rights to forests in exchange for monetary or non-monetary incentives. In addition, partnerships may involve external parties that assist with administrative matters, capacity building, implementation and monitoring.

**Identifying beneficiaries**

Most countries have multiple legal systems with different origins. In such legally pluralistic societies, a number of non-state bodies of law operate at the same time; they often govern actions at the local level. Examples include international law; religious law, such as Islamic law; and project law (rules enforced within the project area).

Perhaps the most important non-state law is customary law, which is a part of the de facto legal framework in many developing countries. A variety of customary land tenure systems can coexist in an ethnically diverse country, reflecting both local culture and local land-use patterns. Many of the world’s forests — and other resources of importance for achieving REDD+ — are affected by community claims of customary land tenure rights.
(for example, in the Democratic Republic of Congo, Liberia and Panama). Customary land tenure is most extensive in Africa, where it determines most rural land use and some urban land use. It is also found in many areas of Latin America, especially where indigenous peoples live. Customary land tenure is also found in Southeast Asia, notably in Indonesia and the Philippines, and in numerous Pacific Island nations (Bruce 2012).

For partnerships to be sustainable, they require all local beneficiaries to be identified. This will be important to prevent conflicts and work effectively in complex situations at the local level. Determining the appropriate local partners will require consulting with a broad range of stakeholders.

When rights are unclear the identification of local partners or beneficiaries should be pragmatic. It should take into account existing property rights and deal with customary claims, even where these are not recognized by national law. Identification of beneficiaries should also recognize the existence of potentially illegal interests in income from the resource.

**Key steps for identifying beneficiaries**

Project planners must develop an understanding of what legitimacy means in the context. The notion of legitimacy should be tied to identifying people whose claims and use of natural resources should be recognized and addressed and whose use of natural resources needs to be made more sustainable through incentives. This will provide a framework for consultation and negotiation with the various stakeholders.

A participatory approach that involves local stakeholders, experts and government should be used to identify beneficiaries (see Box 1). This approach would include three main tasks:

- assessment of the legal framework and property rights relevant to forest resources;
- assessment of perceived rights and interests (this would include claims to land and resources that have not been made for some time); and
- identification of communities and other stakeholders and the benefits they derive from the natural resource.

Project planners should classify the stakeholders and the benefits they derive from forests according to the legal basis of their claims. This determines the extent to which certain kinds of benefits and compensation may be due by law versus those that need to be negotiated. Potential REDD+ beneficiaries could be classified based on the type of claim:

- property or other legal rights (including those who have customary rights recognized by national law);
- customary claims to such rights that are not recognized by national law; or
- established benefits from the resource.
Box 1. Identifying beneficiaries, Makira Forest Protected Area Project

The Makira Forest Protected Area Project in Madagascar aims to avoid deforestation of state forest land. Madagascar has a pluralistic legal regime governing land. To identify local stakeholders, project planners used information about the communities obtained from a series of socio-economic assessments, surveys, discussions with community members and regional workshops.

The consultation process identified three categories of village communities at different distances from the protected area and with different reliance on the forest resources. The state was also a stakeholder. The project assessment found that village use and stewardship of forests varied significantly within a cluster of villages. It also found that the non-forest-user communities might be stakeholders even if they did not bear the costs of the changes in land use imposed by the project. Although there were good reasons to provide some project benefits to non-forest users, project designers wanted to distinguish them from those primary stakeholders who would be required to change their uses of the forest.

Source: Bruce 2012

The process of identifying beneficiaries should focus on existing benefits. It should also consider the property rights underlying these benefits when planning partnerships and new benefit sharing.

Non-governmental organizations (NGOs) can help to assess rights and benefits, advocate for local communities, and raise awareness and build capacity for local communities and leaders. Facilitation by intermediaries such as these is in the immediate interest of the partnership’s sustainability and the external party should be ready to invest in and monitor them. A degree of caution is needed, however; if too many intermediaries are involved, benefits for individuals and communities may be diluted to the point where they become ineffective.

Although there is guidance on the use of consultation in identifying beneficiaries and designing benefit streams (UN-REDD Programme 2009; FCPF 2009b), other key elements also need to be addressed. The topic of land tenure and land institutions needs greater attention and as a recent publication has indicated (FCPF 2009a), there is need to document uses and rights. Project planners have failed to advise countries that prior to local consultation and negotiation there is a need for in-depth studies of the legal framework and other systems governing resource access and use.

Good partnership processes

Several factors support the success of projects (Chandrasekharan Behr et al. 2012; World Bank 2009). Based on experiences at the country level, there are five key requirements for successful partnerships:
• They require effective human relationships. Participants should aim to build trust and mutual respect and support communication.
• They require a basic level of good commercial practice. The project must be practical; participants should have a common understanding of the project and have similar expectations. Participants should be able to verify that others are fulfilling their commitments. The project should have a sound legal basis, consistent with recognized rights to land. Both sides should enter the partnership freely and see it as a way to achieve desired goals.
• They require initiative and commitment. Participants must be willing to take responsibility for implementation. Leaders must be able to persuade others to cooperate. People must be dedicated enough to accept delays, setbacks and sacrifices, keeping long-term results in mind.
• They benefit from stable social structures. Good community institutions assure continuity even while individual participants come and go. Third-party managers, implementing agencies or verifiers can increase the likelihood of success by providing key benefits or services.
• They are adaptive. Over the course of a project, things will seldom go completely as planned. Participants must be ready to learn from experience, respond to the unanticipated, be patient, be flexible, and even be willing to renegotiate terms from time to time.

Two examples illustrate how these factors work in practice: Tasbaiki Wood Bank in Nicaragua; and Jozani-Chwaka Bay National Park, Tanzania.²

*Tasbaiki Wood Bank*

In Nicaragua, the Tasbaiki Wood Bank supplies certified wood from three local forestry cooperatives to three small furniture manufacturers. Chandrasekharan Behr et al. (2012) found low levels of community satisfaction and social, environmental and economic benefits. Locals noted a lack of communication and trust among the partners (human factors); impractical arrangements for distributing benefits and misunderstandings about the partners’ roles (commercial factors); and unhappiness with community representatives and the overall function of the Wood Bank, the organization set up to manage the project (initiative and social structure factors).

*Jozani-Chwaka Bay National Park*

In Zanzibar, Tanzania, the Jozani-Chwaka Bay National Park shares admission revenues with farmers and villages affected by the park. Most of the residents surveyed were satisfied with the partnership. Focus groups credited good communication and a reasonable level of trust (human factors) and open bargaining to create the arrangement and relatively easy verification of compliance (commercial factors). Strong leaders from both partners and a supporting NGO helped establish the partnership (initiative), and a farmers’ organization
and village conservation council are involved (social structure). Finally, the partners have been patient and flexible, revising the benefit-sharing formula in the local people’s favour when early returns were too low (adaptiveness).

**How contracts can be used**

A contract is a document whose main purpose is to set out the agreed terms of a partnership. Putting agreements in writing can lead the sides to explore benefits and risks in detail, impress upon them that they are making a serious commitment, confirm the terms to answer any future questions, and explain the partnership to outside parties.

In all cases — but especially when rights are unclear (Box 2) — a carefully negotiated and thoroughly understood agreement can create clear, shared expectations about process and benefits for all parties (Bruce 2012).

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**Box 2. Working with unclear carbon rights**

Lack of clear carbon rights did not prevent Ecotrust, a national NGO, from forming a partnership with local communities to sequester carbon. Trees for Global Benefit (TfGB) is a sub-national PES scheme in Uganda that provides payments to households for carbon sequestered. TfGB is implemented by Ecotrust. In Uganda, the **Forests Act** defines forest produce as “…anything which occurs or grows in a forest…,” but in the forest produce section does not specify carbon among the items included. Recognizing this, TfGB required participating households to own the land where they would plant trees in order to participate in the scheme. The terms of the agreement were detailed in a contract.

Source: **Nsita 2010**

A contract or agreement has several main objectives:

- to identify the resource;
- to record the basic intent of the project and fundamental understandings reached;
- to record the parties’ understanding of the legal position; and
- to establish a process for handling contingencies, including what should happen if the parties discover at some point that their actual rights to the resources differ from what they assumed when they made the agreement.

The exact content of contracts will be determined by the nature of the partnership. The level of detail and formality may vary in different contexts.

The agreement should be practical and flexible; a number of agreements may be needed (see Box 3). Transparency is important to prevent later misunderstandings.
Box 3. Using multiple linked agreements in Ethiopia

In Ethiopia, the Humbo Community-Managed Natural Regeneration Project (CDM project) aims to reforest state-owned communal forest land. The project is structured around a series of negotiated contracts. The government devolved authority to community cooperatives to manage and use the forest resources. The parties agreed that the cooperatives owned the rights to the sequestered carbon, a position that was consistent with the legal analysis conducted and expressly agreed to by government officials and a government lawyer.

As part of this project, the cooperatives contracted with the project manager, World Vision Ethiopia, to sell it the emission reductions. World Vision, in turn, developed an Emission Reduction Purchase Agreement with the World Bank. The parties also reached agreement that World Vision Ethiopia would transfer its rights and obligations regarding the sale of carbon to a local trust in 2013.

Source: Bruce 2012

Contracts should clearly identify the interests to be recognized and the lands involved; specify which uses may continue and which may not; and specify the compensation, financial or other (Bruce 2012; World Bank 2009). Contracts can provide a remarkably flexible approach to addressing the issues around legitimate beneficiaries. Contracts should frame incentives for the affected communities and make enforcement of use restrictions more manageable.

Contracts should also consider what will happen at the end of the partnership. This may involve clarifying who will own partnership resources and who is responsible for the condition of partnership lands.

Contracts should be carefully reviewed to assure that they are legally valid. Contracts cannot change the law and must comply with it, and must affect only the parties who sign them. It is important to include all interested stakeholder groups in the negotiation and signing of contracts.

Additional considerations

Regardless of the purpose of the partnership or parties involved, some general considerations apply to all arrangements for sharing benefits:

- Allocate resources to develop a rigorous baseline and business case up front. This helps to track the impact of an activity (especially a performance-based activity) and helps participants understand the feasibility of the project.
- Ensure that eligibility criteria are not unduly exclusionary. One of the shortcomings of PES schemes was that their eligibility criteria excluded certain segments.
of the community. This can result in disagreements among communities about the distribution of benefits and become a cause for tension, discontent and sometimes conflict.

- Provide payments that assist with the cost of up-front investments. Having payments or a mechanism to obtain financing to cover the costs of these investments will increase the engagement of local stakeholders.
- Provide consistent monetary and non-monetary benefits over the duration of the activity. It is important to ensuring that the benefits that are provided to participants early in the partnership are either sustainable or that clear criteria justify who receives specific benefits.
- Provide appropriate monetary benefits and consider a blend of individual and communal benefits. This requires distinguishing between individual and communal benefits and then collectively determining the correct combination. Having a known equation for benefit sharing can enhance transparency and build trust.
- Time payments to suit local conditions and ensure transparency. The frequency of payments and how they are handled should be transparent and should suit all parties. This and the previous consideration will not only improve transparency, but also avoid reinforcing inequities.
- The recognition of rights can itself be a key benefit.
- Augment financial benefits with technical assistance. This offers options for the future through training and other technical assistance. Building the capacity of the local partner helps generate long-term satisfaction.
- Ensure flexibility in the benefit-sharing mechanism, so that distribution of benefits can be revisited periodically.
- Enforce the arrangements.
- Work with local partners who are well organized and can establish effective benefit-sharing arrangements that minimize the number of intermediaries involved in transferring funds to local partners.
- Have clear roles for different institutions. This minimizes the possibility that a confusing policy and legal context will leave both the local and external partner without clear guidance on how benefit sharing or partnerships need to be implemented. Conduct social audits to ensure that benefit-sharing arrangements are not being captured by the more powerful members of the local partner group.
- Ensure that monitoring takes leakage (the possibility that the project will lead to activities that cancel out its benefits) into account.
- Keep monitoring simple and achievable.
Conclusion

Partnerships between local and external parties provide opportunities for SFM. Investing time and resources to identifying beneficiaries, adopting a process that meets the needs of all parties involved, can help establish and foster a long-term partnership. Contracts are practical instruments for partnering communities and external parties in situations where rights are clear and equally effective when rights are unclear. By creating shared values, partnerships and benefit-sharing arrangements in the forest sector can support sustainable forest management and broader development and growth opportunities for all parties involved.

Endnotes

1. For more information on these studies please see www.profor.info/profor/node/2010.
2. Chandrasekharan Behr et al. (2012) include more information about these and seven other cases that illustrate how these factors work.
3. More details on good practice are found in World Bank 2009 and Bruce 2012.
4. More details on these overall considerations are available in Chandrasekharan Behr et al. 2012.

References


