

# UN-REDD PROGRAMME



## UN-REDD Programme: Targeted Support to Bhutan TOR for Identifying Options for a REDD+ Compliant Benefit Distribution System for (Watershed Management Division, MoAF) (team of 2 consultants) Bhutan National REDD+ Readiness Process

### 1. Background

Determining how best to allocate benefits from efforts for reducing emissions from deforestation and forest degradation (REDD+) is one of the fundamental components underlying an incentive based mechanism such as REDD+. The design of Benefit Distribution Systems (BDS) for REDD+ describes the process of allocating international finances that flow into a developing country, down to local communities, households and other stakeholders involved in undertaking REDD+ activities. The aim is to ensure that REDD+ incentives reach those actors involved in driving deforestation and compensate those actors that may incur costs from implementing REDD+ activities that, for example, may restrict use of forest resources.

How this process is designed and implemented is crucial for the success of a REDD+ mechanism, as it links to effectiveness in reducing emissions and the equity outcomes of REDD+. There is clear rationale for benefit sharing in REDD+, including:

- *Sharing of benefits can help to enhance sustainability:* In many instances, careful attention to the distribution of benefits between stakeholders and the encouragement of local-level stewardship of natural resources has been essential to achieve sustainable development objectives (Wells and Brandon, 1992; Fisher et al., 2005). Moreover, in some contexts high levels of poverty can create pressure on forests, so sharing benefits with poor and marginalized people can help enhance sustainability (Soriaga and Walpole, 2007).
- *Improved participation and reduced conflict:* From the perspective of affected communities, it allows them to become partners in projects and potentially empowers them in decisions that affect them. From a government perspective benefit sharing is a practical policy tool to achieve greater social inclusiveness and balance social, economic and environmental factors in planning, design, implementation and operation of REDD+ projects. From an investor perspective, benefit sharing could help to reduce risks associated with the project (e.g. non-permanence). (IIED, 2009).

- *Clear benefit sharing arrangements in REDD+ could help to address past shortcomings in financial management linked to forests and increase trust.* For example, there are frequent cases surrounding the failure of investors and governments to honour financial commitments over the long term (IIED, 2009).
- *Responding to the Cancun safeguards and the requirements of international REDD+ funds:* The Cancun REDD+ safeguards require countries to demonstrate *inter alia* “full and effective participation of relevant stakeholders”, “transparent and effective national forest governance structures” and “actions to address the risk of reversals” in their national REDD+ systems. All of these are linked to effective BDS. Most donors providing start up finance for REDD+ also include objectives to promote equitable benefit sharing, and such criteria could be included in future REDD+ funding mechanisms such as the Green Climate Fund.

The UN-REDD Programme has integrated activities on benefit distribution as a core element of its five year Programme Strategy<sup>1</sup>, supported by its Global programme Framework Document 2011-2015<sup>2</sup>, with UNDP the lead agency. The general approach is to clarify key issues related to benefit-sharing systems in terms of three main questions (Peskett, 2011<sup>3</sup>).

1. What are the benefits being shared? [i.e. *what* is being shared?]
2. Who are the actors sharing the benefits and particularly, who are those receiving the benefits? (i.e. *who* are the [eligible] beneficiaries?)
3. What are the rules governing how benefits are shared? [i.e. *how* are benefits shared?]

UN-REDD is supporting Bhutan through a package of Targeted Support activities during 2012. Under the UNDP component of these activities, one focus is on the development of options for benefit distribution. This will build on activities and analyses already undertaken by UN-REDD in Asia-Pacific on this issue. Since one of the objectives of the UN-REDD Programme is to learn lessons that may be more widely applicable, activities undertaken in Bhutan will be coordinated with similar activities in other countries in South Asia.

Furthermore, two UN-REDD agencies, UNDP and UNEP are also collaborating in implementing the “Poverty-Environment Initiative” (PEI) in Bhutan. Among the main activities of the PEI in Bhutan is environment-climate-poverty mainstreaming in policies and plans; and development of pro-poor benefit sharing mechanisms and guidelines (including a watershed management plan in Wang Watershed and Punatsangchhu basin; and a study outlining benefit sharing mechanisms on eco-tourism, hydro-power, and drinking water).

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<sup>1</sup> Five Year Strategy, UN-REDD Programme, 2011-2015. Available at [http://www.unredd.net/index.php?option=com\\_docman&task=doc\\_download&gid=4598&Itemid=53](http://www.unredd.net/index.php?option=com_docman&task=doc_download&gid=4598&Itemid=53)

<sup>2</sup> « Support to National REDD+ Action : Global Programme Framework Document – 2011-2015 », UN-REDD Programme, 2011, Available at [http://www.unredd.net/index.php?option=com\\_docman&task=doc\\_download&gid=5534&Itemid=53](http://www.unredd.net/index.php?option=com_docman&task=doc_download&gid=5534&Itemid=53)

<sup>3</sup> Peskett, L. 2011. Benefit Sharing in REDD+. Washington D.C.: World Bank.

## **2. Objective of consultancy**

The Objective of the consultancy is to develop proposals that will ensure that the initial National REDD+ Strategy in Bhutan incorporates effective measures share REDD+ benefits in an effective, efficient, transparent and equitable manner, and in a way that fully reflect national and international requirements; and to develop pro-poor benefit sharing mechanisms and guidelines so as to promote environment-climate-poverty mainstreaming in policies and plans.

## **3. Tasks to be performed**

In order to achieve the stated Objective, a team of two national consultants is anticipated, who will work as a team. The following indicative activities are anticipated for each consultant, but the actual division of labour will be the responsibility of the consultants themselves:

### Consultant 1:

- 1 (a). Work with the UNDP (UN-REDD) Technical Advisor on Benefit Distribution and Regional Coordinator to ensure that activities undertaken in Bhutan are coordinated with activities in other countries so as to add value to and generate lessons from analyses undertaken in Bhutan;
- 1 (b). Plan and undertake an analysis of options for an efficient, transparent and equitable REDD+ benefit distribution in Bhutan that will be consistent with benefit distribution for other ecosystem services – utilizing the questions provided in Annex 2 as a guide;
- 1 (c). In collaboration with Consultant 2, prepare an initial report on options for REDD+ benefit distribution (integrated with benefit distribution for other ecosystem services), and identifying policy and institutional issues that need to be resolved;
- 1 (d). Design and implement a wide stakeholder consultation process to review and validate the results of the initial assessment (this may be combined with work being undertaken in parallel on anti-corruption measures);
- 1 (e). Based on results from the consultation, prepare a final report describing options for REDD+ benefit distribution (integrated with benefit distribution for other ecosystem services); a preliminary budget for further activities to resolve policy and institutional issues; and extracting lessons that may be applicable in other countries.

### Consultant 2:

- 2 (a). Review existing reports and analyses of payment for ecosystem services in Bhutan (especially in relation to the Wang Watershed<sup>4</sup>) and benefit distribution systems in all sectors – utilizing the questions provided in Annex 1 as a guide;
- 2 (b). In collaboration with Consultant 1, develop an initial proposal for an efficient, transparent and equitable benefit distribution system for the Wang Watershed that is consistent with options being developed for REDD+ benefit distribution;
- 2 (c). Design and implement a stakeholder consultation process, including both national level consultation (which may be combined with activities 1 (d) above), and local consultations in the Punatsangchhu basin to review the initial proposal;
- 2 (d). Based on results from the consultation, prepare a final report describing proposal for an efficient, transparent and equitable benefit distribution system in the Wang Watershed that is consistent with options being developed for REDD+ benefit distribution.

#### **4. Outputs**

The outputs will consist of:

- a) A preliminary report (under activity 1 (c), above) to be used as the basis for broad consultation;
- b) A preliminary proposal (under activity 2 (b), above) to be used as the basis for broad consultation;
- c) A final report, incorporating feedback generated through the consultation process, describing options for REDD+ benefit distribution (integrated with benefit distribution for other ecosystem services); a preliminary budget for further activities to resolve policy and institutional issues; and
- d) A final proposal (under activity 2 (d), above), incorporating feedback generated through the consultation process, for an efficient, transparent and equitable benefit distribution system in the Wang Watershed that is consistent with options being developed for REDD+ benefit distribution.

#### **5. Duration and timing**

The national consultants will each contribute 60 working days to this work, commencing in July, 2012. The first two outputs will be due after 35 working days, and the last two outputs after 55 working days, with an additional 5 days for final revisions and other activities.

#### **6. Qualification**

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<sup>4</sup> See, in particular, “Designing a National PES Approach in Bhutan: Feasibility Assessment and Proposal”; FAO Multi-Donor Partnership Programme

The consultants require an advanced degree in social science field and a degree or extensive experience in natural resources management is highly desirable. The priority will be given to consultants with relevant experience in practice or research in the area of participatory management of forests or other natural resources.

## **Annex 1: Questions to analyse existing benefit sharing systems**

### ***Overarching questions***

1. What is the objective of the BDS?
2. Why was it developed?

### ***What are the benefits being shared?***

1. What types of benefits are being shared in the BDS (e.g. cash, in-kind etc.)?
2. Have benefits and costs been analysed and are they well understood? If not, what are the risks of net costs for beneficiaries?
3. What was the process for determining the form of benefits in the BDS (e.g. through participatory assessment)?
4. Are there percentage allocations of benefits between different levels of the system? How were these arrived at?

### ***Who are the beneficiaries?***

1. How are beneficiaries/stakeholders in the BDS defined?
2. Are there eligibility criteria for identifying beneficiaries (e.g. land tenure, carbon ownership etc.)?
3. Has stakeholder mapping been carried out in order to identify stakeholders? How was this process conducted?
4. Does the system identify and target vulnerable stakeholders (e.g. indigenous peoples; women)? If so, how are these identified (e.g. through means testing)?
5. Are there any provisions for 'non-beneficiaries' that may be affected by the programme but not officially eligible for receiving benefits?

### ***What rules exist for governing the benefit sharing mechanism?***

1. How are benefits shared between the different levels of the system?
  - a. Between which institutions?
  - b. When are they shared?
2. Who manages the system at the different levels?
3. Are there provisions for ensuring accountability and transparency in the system? If so how do they work and how do they relate to various laws? E.g:
  - a. How is benefit distribution monitored?
  - b. Is a participatory monitoring system in place?
  - c. Is there any scope for complaints from beneficiaries or other stakeholders to be heard and acted upon?
4. How are connections made between benefits and performance? E.g. are there compliance measures, such as the withdrawal of benefits?
5. Are there risk management approaches in place (e.g. in case benefits are not realised or beneficiaries become reliant of benefit streams)?

## Annex 2: Questions regarding the design of a REDD+ BDS

### ***Overarching questions***

1. What are the main drivers of deforestation and the most likely effective strategies for addressing these drivers? (If a REDD+ strategy exists, what does it define as potential approaches?)
2. Within these strategies, how does benefit sharing play a role? (e.g. if land tenure reform is a proposed approach, who are the likely winners and losers and how may benefits need to be shared?)
3. Is a national PES-type payment system suitable in the country context? If not, what are the alternatives in order for meeting REDD+ objectives?

### **National**

#### ***What are the benefits that should be shared?***

1. What should be the process for determining the form of benefits in the BDS (e.g. through participatory assessment)?
2. Should there be percentage allocations of benefits between different levels of the system? How were these arrived at?
3. Are there existing policies, laws or regulations that will need to be taken into account in the design of these systems?

#### ***Who should the beneficiaries be?***

1. Which agency or fund should be the recipient of REDD+ revenues? One option is the National REDD+ Fund, but there are other options, each of which needs to be analyzed in terms of strengths and weaknesses.
2. Who owns the carbon? Are the existing policies, laws or regulations that enable benefit sharing linked to different ownership regimes (e.g. usufruct arrangements)?

#### ***What rules exist for governing the benefit sharing mechanism?***

1. What are the relevant laws for receipt of international revenues or translating positive incentives into benefits, and are they adequate for a REDD+ compliant benefit distribution system in terms of accountability, transparency and equity?
2. What should be the respective roles of different ministries, including the Forest Agency, the Ministry of Finance, and other relevant institutions?
3. What compliance measures can and should be put in place to ensure that cases of non-performance are dealt with appropriately?

### **National - Sub-national transfers**

#### ***What are the benefits that should be shared?***

1. Are transfers to sub-national agencies (for onward transmission to beneficiaries) required; or can this be handled by national agencies?

2. What percentage of the revenues should be retained by the central government? What should be the process for making this decision?
3. For what activities are the funds being retained? The costs of operation of the agency/fund responsible for administering the revenues is an obvious example, but the actual costs of operation should be reported. Retention for activities not directly related to REDD+ implies that they are no longer performance-related and will reduce future such revenues.

***Who should the beneficiaries be?***

1. For those revenues transferred to sub-national entities, which entities should be the recipients?
2. What are the criteria that make them eligible?

***What rules exist for governing the benefit sharing mechanism?***

1. As for management of funds by the central government, what accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent and accountable?
2. What accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent to allow those making the payments to satisfy themselves that the payments are related to performance?
3. Should disbursements to sub-national entities be based on performance?
4. If so, how will performance be measured? One option is the use of sub-national (provincial) RELs/RLs, but other options may exist.

**Sub-national**

***What rules exist for governing the benefit sharing mechanism?***

1. How should be the benefit distribution to the ultimate beneficiaries be structured? Options include payments to forest user groups, households, or to individuals, which have different strengths and weaknesses, and it may be the case that such a structure should vary, for example, for particular indigenous groups, reflecting their own cultures.
2. Are benefits to lower level bodies still be distributed based on performance? If so, how should performance be measured?
3. At how many levels can performance-based benefit distribution realistically be made?
4. As for higher levels in the system, what accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent and accountable?
5. How to create safeguards against land-grabbing, corruption and negative social impacts?
6. What recourse mechanisms should be in place in case of complaints of inequity or malfeasance?
7. How to handle non-performance – should there be specific penalties set?