

DESIGNING BENEFIT DISTRIBUTION SYSTEMS



REDD+ can only succeed if performance-based payments are effectively and equitably distributed. The UN-REDD Programme has assisted the Government of Viet Nam to identify key issues that need to be addressed in the design of a REDD+ compliant benefit distribution system (BDS). Such a system needs to embrace key principles required under REDD+ (see below). Over several months, a team of national and international specialists assessed challenges that need to be overcome in establishing such a system and provided policy recommendations for a REDD+ compliant benefit distribution system.

In 2011, Viet Nam will be finishing the Quick Start Phase of the UN-REDD Programme, and entering into Phase 2. The preparatory work on the BDS is expected to lay the ground for a successful design that will be tested when Phase 2 starts piloting performance payments.

PRINCIPLES OF REDD+ BDS

REDD+ monetizes the carbon stored in forests, and creates incentives for reducing deforestation and forest degradation, conservation, carbon stock enhancements and sustainable management of forests. To be effective, benefits need to be channeled to forest owners and users, especially forest-dependent communities, through a system that embraces the following principles:

Equity: refers to fairness in terms of the distribution of costs and benefits. In the past, there was frequently a tendency for poor local stakeholders to receive disproportionately lower benefits and to shoulder higher costs.

Transparency: refers to availability of relevant and up-to-date information and the capacity for all stakeholders to comprehend how and why benefits are transferred. Transparency is a fundamental safeguard the risk of corruption.

Additionality: captures the idea that stakeholders should be rewarded only for actions that they would not otherwise have taken. Application of the principle of additionality ensures the efficiency of the system, in that the total cost is not inflated.

Performance-relatedness: is required to ensure that action to reduce emissions actually occurs achieve results. This represents a departure from traditional approaches that focused predominantly on activities.

Lesson 1: REDD+ revenues need to be managed in a way that conforms with the principles of equity, transparency, additionality and performance-based results.

This could require a different financial system to the normal government budgetary system, since a REDD+ Fund will require participatory governance to ensure transparency. This means that all major stakeholder groups, including the ultimate beneficiaries, need to be engaged in the governance of REDD+.

Lesson 2: Regular independent, external audits of the National REDD+ revenues (and any revenues managed at sub-national levels) and their distribution are essential. Again, the principle of transparency, as a safeguard against corruption, requires such an approach.

Lesson 3: Mechanisms such as conditional cash transfers (CCTs) need to be used to ensure linkage to performance. In order to ensure continued stakeholder support and engagement, evidence of future payments rewarding performance needs to be apparent. CCTs have achieved such a result in other sectors such as education and health, and should be adapted for the implementation of REDD+.

Lesson 4: The benefit distribution system needs to be integrated with MRV processes. In order to ensure additionality, the entire REDD+ system including arrangements for monitoring, reporting and verification (MRV) needs to be integrated.

Lessons 5: Benefit distribution for national REDD+ systems are likely to be more complex than those for project-based approaches, due to the greater number of stakeholders involved.

A project-based approach can involve direct contracts between sellers and buyers. Under a national REDD+ system credits will accrue at the national level, so benefit distribution is more complex. This could involve sub-national implementation within a national framework.

Lesson 6: Benefit structuring should be delegated to local governance structures

In Viet Nam there are differences in cultures and social norms across the country. Therefore, decisions on issues such as cash versus non-cash benefit transfers, and communities versus individuals households as the ultimate beneficiaries, should be delegated to local, participatory governance structures. Such structures need to be subject to checks and balances to prevent abuses or unfair decisions.

Lessons 7: Enhanced co-benefits can be incorporated into benefit structuring.

The use of weightings (termed R-coefficients) can allow co-benefit, such as biodiversity conservation, or poverty alleviation, to be integrated into REDD+ systems. For example, overall payments for performance in reducing emissions may be weighted positively for areas with high biodiversity or high levels of poverty.

