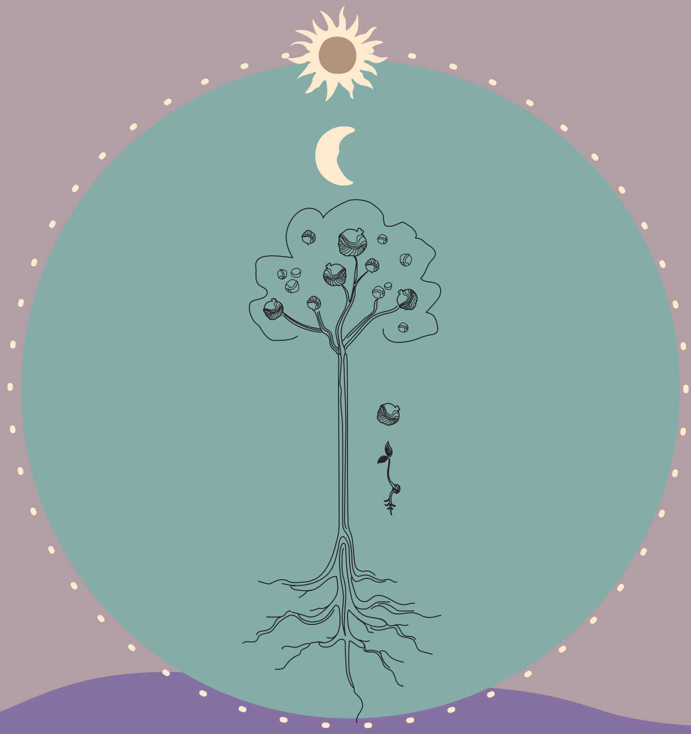

BENEFIT SHARING

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BENEFIT SHARING

2025

BROCHURE 7

Benefit Sharing

This brochure aims to explain the concept of benefit sharing, its principles, mechanisms, and good practices in environmental projects, especially in the context of REDD+ (Reducing Emissions from Deforestation and Forest Degradation). It seeks to provide guidance on how to ensure a fair and transparent distribution of the results generated by these projects, ensuring that Indigenous Peoples and Local Communities (IPs & LCs) receive adequate compensation for their contributions to conservation.

This brochure is the seventh volume in the series "Understanding Climate Finance," produced by Forest Trends' Communities and Territorial Governance Initiative in partnership with Greendata and with support from the Walmart Foundation. To access the other chapters, visit the [Forest Trends website.]

1

Introduction to benefit sharing

In the previous volume, we learned about Free, Prior and Informed Consent (FPIC) as a fundamental right of communities. In this volume, we will explore how the benefits of environmental projects can be shared fairly and effectively among the different actors involved.

Benefit sharing is a fundamental principle that ensures IPs & LCs, as well as other actors directly involved in and affected by environmental projects, **receive a fair share of the generated benefits**. Recognized in the Nagoya Protocol of the Convention on Biological Diversity (CBD) and in the guidelines of the United Nations Framework Convention on Climate Change (UNFCCC), this practice promotes equity, inclusion, and sustainability.

These benefits can be monetary, including financial payments, revenue sharing, or economic incentives, or non-monetary, such as community infrastructure projects, territorial protection and monitoring activities, training, strengthening of local governance, or access to essential services. To function effectively, proper benefit sharing requires **participatory and transparent processes, an explicit definition of rightsholders and beneficiary parties, well established eligibility criteria, and monitoring and accountability mechanisms that ensure fair distribution and continuous oversight of transfers.**

What are the CBD and THE NAGOYA PROTOCOL?

The Convention on Biological Diversity (CBD) is an international agreement created in 1992 during the United Nations Conference on Environment and Development, held in Rio de Janeiro, Brazil, also known as Rio-92. Its main objective is to protect the planet's biodiversity, or the variety of life forms, promote the sustainable use of natural resources, and ensure that the benefits derived from this biodiversity are shared fairly among everyone involved.

From this agreement, the Nagoya Protocol was created and adopted in 2010. This protocol establishes rules for the fair and equitable sharing of benefits generated by the use of genetic resources (such as medicinal plants, seeds, and associated traditional knowledge). This means that if a company or institution uses biodiversity resources from a country or traditional territory, it must obtain prior consent from local communities involved and share the gains or benefits obtained from such use, whether through payment, technical support, training, or other agreed upon forms of compensation.

This is fundamental for REDD+ projects, which involve forest conservation and can generate financial gains from environmental services even if it does not directly involve the use of genetic material, as it ensures that the peoples and communities protecting the biodiversity of the area where the project is being implemented are recognized and receive fair benefits. In the case of REDD+ projects, these principles are established by the United Nations Framework Convention on Climate Change (UNFCCC).

2

Principles of benefit sharing

The principles guiding benefit sharing are aligned with international human rights standards, as well as social and environmental safeguards, which include:

- **Equity** which prioritizes those who face the highest opportunity costs, such as IPs & LCs.
- **Transparency** which requires clarity in criteria, decision making, and the use of resources.
- **Inclusion** which ensures the active participation of women, young people, and marginalized groups.
- **Cultural appropriateness** which ensures that benefits are compatible with the values and ways of life of the communities.
- **Sustainability** which focuses on long-lasting impacts, such as education and sustainable economies.

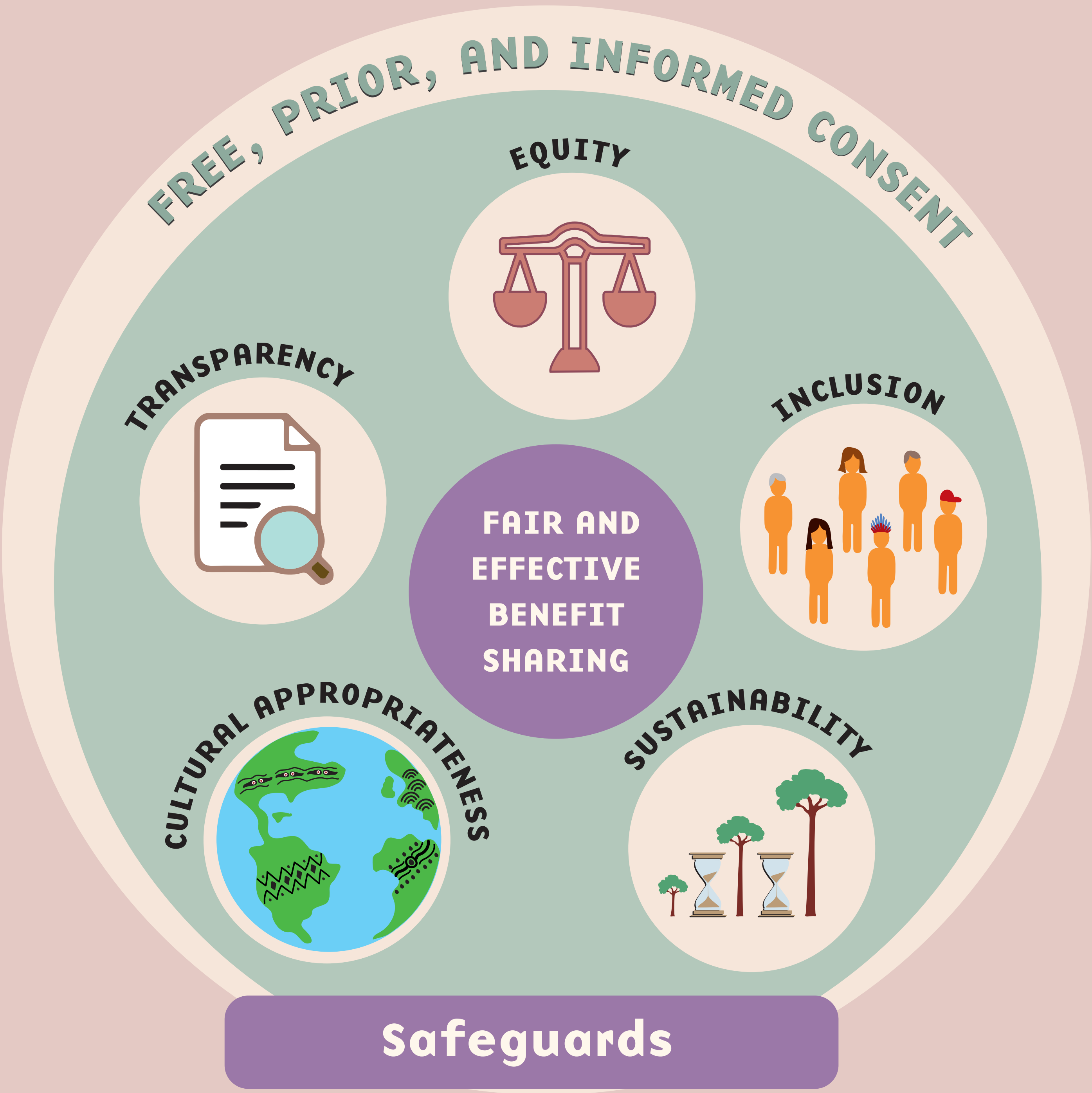
FPIC is also a key element. It ensures the consent of communities before and during the definition and implementation of benefit sharing. Strong governance, with formal agreements, audits, and conflict resolution, is essential to ensuring that benefits are delivered in a fair and effective manner.Considering that benefit sharing is one of the elements in the implementation of REDD+ projects,

it must also follow what is established in the set of **Cancún Safeguards,** as they guide the implementation of climate actions in a fair, transparent, and culturally appropriate manner. In particular, it relates to the following safeguards:

- (b) by requiring transparent and effective forest governance structures, ensuring clarity in the management and use of resources;
- (c) by respecting the knowledge and rights of Indigenous Peoples and members of local communities, ensuring that distribution mechanisms are conducted in accordance with their values, laws, and own systems;
- (d) by promoting the full and effective participation of relevant actors, with emphasis on the inclusion of Indigenous Peoples, local communities, women, and youth in decision making processes.

Furthermore, it must be aligned with safeguard (a), by complying with national forest policies and international obligations, and directly contribute to safeguards (e), (f), and (g) by strengthening actions consistent with the conservation of natural forests and biological diversity, directing benefits toward sustainable, long-term practices that reinforce well-being and territorial protection, and by ensuring biodiversity conservation while avoiding risks of reversal and leakage. For more information on the Cancun Safeguards, see Brochure 2 of this series.

PRINCIPLES OF BENEFIT SHARING



3

Benefit sharing mechanisms

For the principles of benefit sharing to translate into concrete good practices and ensure effectiveness and fairness, it is necessary to adopt strategies that combine financial, social, and institutional mechanisms, tailored to the realities of the communities. These mechanisms must strengthen the autonomy of the involved peoples and communities, guarantee equitable distribution, and ensure that the outcomes generate real impacts on collective well-being. Some of the main benefit sharing mechanisms are:

- **Direct payments**, such as periodic transfers to families and local organizations, strengthening the commitment to territorial conservation and the promotion of community well-being.
- **Non-monetary benefits,** such as the construction of spaces for community gathering and training, infrastructure for the collection, storage, and processing of seeds, production of seedlings, and non-timber products, with the aim of supporting sustainable production and forest area maintenance.
- **Community funds,** including direct resources for the peoples and communities, allowing each to autonomously decide how to use the resources in local projects.

Formal distribution agreements are fundamental security and transparency instruments that ensure an effective benefit-sharing mechanisms. These agreements are negotiated based on FPIC and consent, and explicitly define who receives and what, how, and when they receive, ensuring that processes are conducted with participation and legitimacy.

Benefit sharing must include **transparency and monitoring systems** that guarantee trust in the process. Such systems may include public records, independent audits, and periodic reports on the use and application of resources, strengthening accountability and allowing continuous adjustments to ensure that benefits reach communities in a fair, effective, and sustainable manner.

FLOW OF BENEFIT SHARING MECHANISMS

FORMAL DISTRIBUTION AGREEMENTS
Negotiated during FPIC

GENERATION OF CREDITS OR FINANCIAL RESOURCES
Example: REDD+ projects

IMPLEMENTATION OF BENEFIT SHARING MECHANISMSDE BENEFICIOS

TRANSPARENCY AND MONITORING
Audits, public records, and reports

DIRECT PAYMENTS

BENEFITS

COMMUNITY FUNDS

BENEFITS DELIVERED WITH EQUITY AND LOCAL AUTONOMY

4

Implementation

The implementation of benefit sharing involves multiple steps and requires coordination between different actors, such as IPs & LCs , governments, civil society organizations, and technical partners. To ensure its effectiveness, it is essential to:

- **Begin FPIC at the outset of the process** to ensure that communities fully understand the information, risks, and benefits involved, in an accessible manner and in their own time, so that they can make free, conscious, and informed decisions.
- **Collectively define the beneficiaries, benefits, and priorities** based on clear, fair, and culturally appropriate criteria.
- **Establish transparent management mechanisms,** such as local committees or management councils to oversee and decide on resource use.
- **Integrate benefit sharing with existing public policies,** leveraging synergies and promoting complementary actions in health, education, sustainable production, and infrastructure.
- **Monitor results** with social, environmental, and financial impact indicators.

5

Challenges of benefit sharing

Despite its importance, benefit sharing faces several challenges that can compromise its effectiveness and fairness. Among these are:

- **Power inequality:** In many cases, governments or companies hold more power than local communities, which can hinder fair negotiations.
- **Lack of transparency:** The absence of clear information on criteria, financial flows, and decision-making processes can lead to mistrust and conflict.
- **Risks of corruption:** This risk increases in the absence of independent control mechanisms and effective community participation in decision-making.
- **Identification of beneficiaries:** There may be internal disagreements, land disputes, or exclusion of vulnerable groups.
- **Financial sustainability:** Many projects depend on carbon markets, which are volatile, compromising the continuity of benefits.
- **Cultural appropriateness:** Benefits imposed from the outside, without dialogue and respect for traditions, may be irrelevant or even have negative impacts on traditional ways of life.

To overcome these challenges, it is essential to invest in strengthening the experiences and skills of peoples and communities, ensure broad and representative participation of all stakeholders, and establish governance mechanisms that are transparent, inclusive, and adapted to the local context.

CHALLENGES AND PATHWAYS TOWARD FAIR BENEFIT SHARING

CHALLENGES

- POWER INEQUALITY
- LACK OF TRANSPARENCY
- CORRUPTION RISKS
- IDENTIFICATION OF BENEFICIARIES
- FINANCIAL SUSTAINABILITY
- CULTURAL APPROPRIATENESS

PATHWAYS

- STRENGTHENING LOCAL CAPACITIES
- BROAD AND REPRESENTATIVE PARTICIPATION
- TRANSPARENT GOVERNANCE MECHANISMS

BENEFITS

FAIR AND EQUITABLE BENEFIT SHARING

6

Case Studies

Some examples of benefit sharing in forest and ecosystem conservation projects involving peoples and communities include the ***Bolsa Floresta Program*** in Brazil, which holds periodic community assemblies and uses public reports for accountability. Despite these mechanisms, the program also faces challenges, such as the lack of formal land-use documentation and questions regarding its additionality and long-term sustainability. This highlights that success depends not only on community engagement but also on a solid institutional structure, stable financing, and continuous monitoring.

In countries such as Peru, Ecuador, and Mexico, national forest conservation programs—such as the ***National Forest Conservation Program*** (Peru), ***Socio Bosque Program*** (Ecuador), and ***Payments for Environmental Services Program*** (Mexico)—implement community mechanisms to decide on and monitor the distribution of incentives. However, these programs also face recurring criticisms, such as delayed payments, fraud in the allocation of plots or concessions, and difficulties in monitoring and verification, factors that can undermine community trust and the integrity of the processes.

These examples demonstrate that, even in the face of challenges, participatory governance models and transparency in benefit mechanisms **strengthen the legitimacy and effectiveness of conservation policies,** promoting social justice, sustainability, and trust among governments, communities, and institutional partners.

7

Future prospects

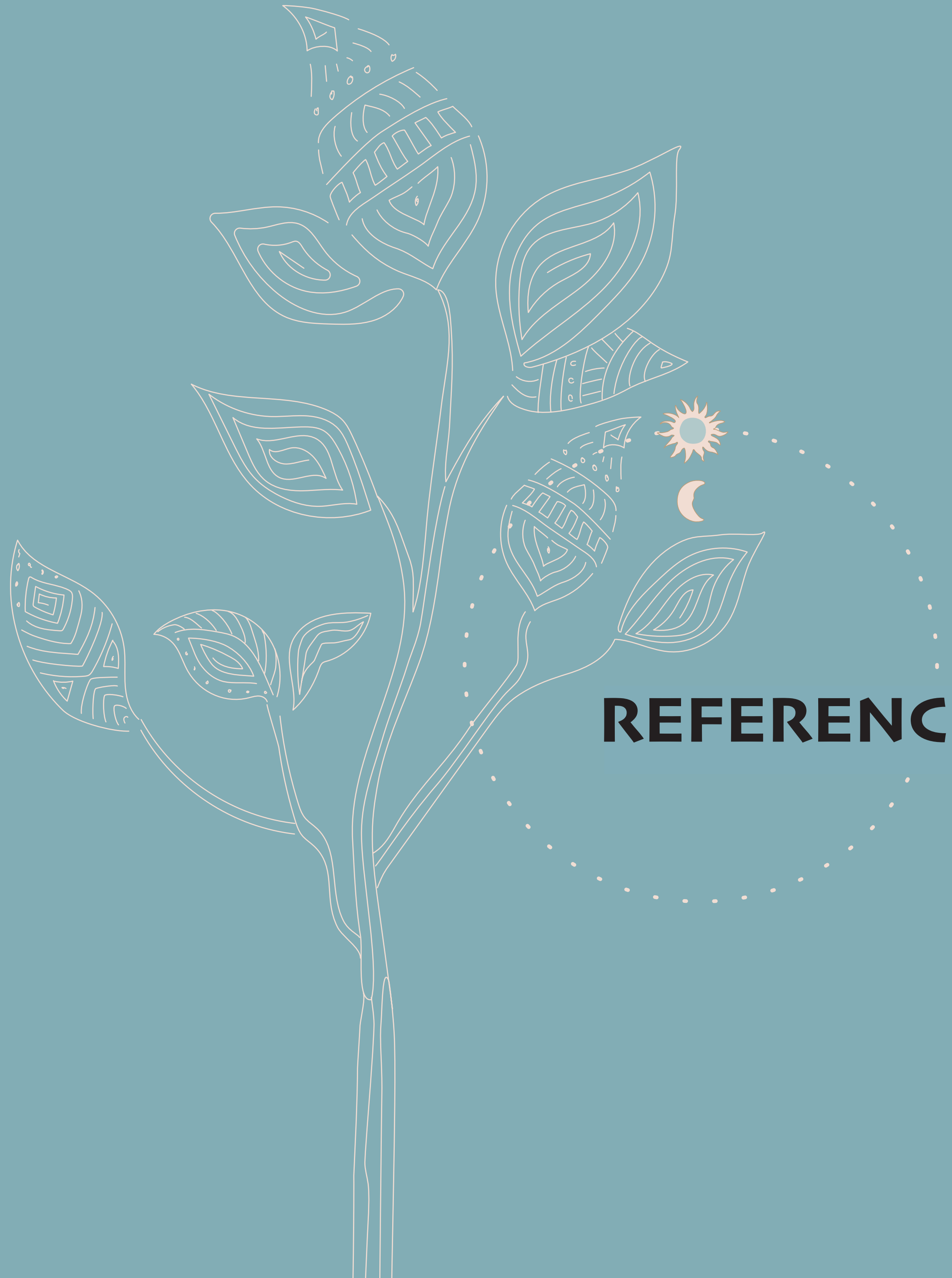
The future of benefit sharing is directly linked to **strengthening governance,** including IPs & LCs in decision making, and integrating with international instruments, such as Article 6 of the Paris Agreement, which regulates global carbon markets.

Among the main trends and opportunities are:

- **Digitization and transparency:** Digital platforms can make resource-flows more traceable, combating corruption and facilitating social control.
- **Capacity building:** Training and technical support programs can strengthen communities' autonomy in resource management.
- **Intersectoral integration:** Benefit sharing can be expanded to sectors such as mining, renewable energy, and infrastructure, while respecting community rights.

- **International cooperation:** Collaboration networks between countries and communities enable the exchange of good practices and access to new financing.
- **Financial resilience:** Hybrid funds, combining public and private resources, can help maintain benefits even in contexts of carbon market instability.

These perspectives show that sharing benefits fairly is not only an ethical duty, but also a strategic path to achieving lasting and socially legitimate environmental outcomes.



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