AGRICULTURE & RURAL DEVELOPMENT
NOTES
Rethinking Forest Partnerships and Benefits Sharing

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Rethinking Collaborative Arrangements with Local Partners

Making Partnerships Work in Forest-Based Carbon Activities

Cooperation with forest-dependent people is vital to the effectiveness of programs and mechanisms that seek to capitalize onthe carbon sequestration potential of forests and to reduce emissions from deforestation and degradation (REDD). REDD requires transferring benefits from reduced emissions to those who use and access forests. Afforestation and reforestation activities as source of emission reduction credits both on the voluntary market and through the Clean Development Mechanism (CDM) often occur on the land of smallholders and communities. Sustainable forest management (SFM) and forest restoration initiatives engage communities in forest planning and management. Even where forest-dependent people have only limited ownership rights, forest-based carbon activities become largely, and in some instances entirely unworkable without their active support.

Projects that do not benefit the local partners involved, or that fail to earn the trust of those communities are unlikely to succeed. Long-term and stable partnerships between outside parties (e.g., investors, government, NGOs, or donors) and local partners therefore warrant priority in both the design and the implementation of carbon-related forest interventions. Among the most promising types of arrangements to formalize these partnerships are benefit-sharing arrangements.

A World Bank study—***Rethinking Forest Partnerships and Benefit Sharing: Insights on Factors and Context that Make Collaborative Arrangements Work for Communities and Landowners***—presents an analysis of the elements of successful natural resource based partnerships, including benefit-sharing arrangements. These arrangements can make local partners stakeholders with an active interest in the project's outcome, and can be used to compensate them for any local costs that may be incurred in providing the global public good of reduced greenhouse gas emissions.

PROCESS VS. CONTENT IN AN AGREEMENT

The process of reaching agreement with a local partner is as important to the success of a partnership as the content or legal form of the agreement itself. Project sponsors and community supporters therefore need to think beyond the technical parameters of the project. Successful partnerships must weigh biophysical and economic issues as well as business practices, laws, social relations, and cultural factors.

This applies both to making and maintaining agreements. In keeping a long-term agreement, the sides frequently must come together, renegotiate bits and pieces, and revise their relationship to account for new information or changing conditions.

The Clean Development Mechanism mandates some process elements; among other things, it requires project developers to provide local stakeholders with a clear description of the project, to accept local comment, and to document how the developer took local comments into account (Conference of the Parties, Kyoto Protocol, UNFCCC, Decision 3/CMP.1, Annex 37 (Montreal, 2005)). While "stakeholders" may be a larger class than just the local participants, going beyond the CDM minimum consultation requirements with direct participants and benefit recipients could contribute to strengthening partnerships. Full, two-way engagement and negotiation can build foundations of communication, mutual respect, and trust. These will pay dividends throughout the course of the project.

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THE KEY FACTORS

Effective and lasting collaborative arrangements tend to be characterized by a number of features analyzed in academic literature on law, negotiation, and conflict resolution. Rethinking Forest Partnerships and Benefit Sharing examined twelve factors which are listed below in an indicative order of significance for making and maintaining agreements. While different combinations of these factors proved important in different types of collaboration, the first four emerged as nearly universally important.

Communication. Communication should be among all parties on all aspects of the partnership, throughout the duration of the agreement, without physical, behavioral, or cultural barriers. This facilitates transparency.

Trust. Most partnerships are based on commitments to deliver payments or products in the future. To enter into partnership each party must trust that the other party will keep their end of the deal. Over the course of long-term collaborative arrangements certain commitments may be violated. The partners involved will need to rebuild trust to fix the resulting problems.

Mutual respect. Neither side should come to the table from a position of superiority or inferiority, nor leave the table feeling that the will of their counterparts was imposed or that some larger advantage and disadvantage provided unfair leverage.

Practicality. All participants must have the technical knowledge, capital, equipment, infrastructure, or simply labor and time to fulfill their obligations. Skills required can range from bookkeeping, to forest management and conflict resolution.

Full, interest-based bargaining. The parties should negotiate with each other and feel they understand the other's motives to their own satisfaction. The local partner should be engaged in negotiating the details of the partnership. Negotiations should focus on interests — not solely on what things people want, but why they want them. Such negotiations allow greater latitude for reaching agreement. When transaction costs are too high to tailor the agreement and standardized contracts are necessary, a good practice is to engage a sample of potential partners — through workshops, interviews, surveys, or other means — to develop the contract template.

Shared expectations. Parties share common expectations about the undertaking and a mutual understanding of their own and each other's responsibilities. If you ask each to describe the agreement, their stories must mesh.

Verifiability. For purposes of transparency, the obligations should be verifiable and easy to determine if partners are fulfilling theirs. Measures such as milestones to demonstrate progress towards a distant goal, or recordkeeping that satisfies outside investors or regulators can facilitate verifiability.

Legal validity. The promises and duties of all sides in the collaborative arrangement should be written out — in a contract, a charter, a regulation, or some other formal, comprehensive, and legally valid and enforceable document. Often the costs and risks of going to court are so high that agreements are not enforced through the formal judicial system. Regardless, the process of reaching a written agreement builds common understandings of responsibilities. The written agreement also serves as a reference to the details of the arrangement over time.

BOX 1: SHARING BENEFITS – PROS AND CONS OF CASH PAYMENTS

Some project designers chose cash where the output was a market commodity that was easily measured and produced by individual or small team effort. Some used cash payments for environmental services, based on keeping the land in particular uses.

However, cash is sometimes a problem. Cash payments can be difficult to trace and verify, unless they are made through a banking system or placed in a trust subject to outside auditing. When cash goes into the hands of community leaders, communities are not always able to hold them accountable. Corruption becomes a concern. If the payments go to heads of households, they may not benefit the women or youths.

A community may prefer the alternative options listed in the text of this brief. Often these arrangements can advance the long-term prospects of the community and contribute to poverty alleviation more sustainably than cash payments.

Legal validity can also require verifying and clarifying the local partner's underlying rights to the resource. In certai situations, the benefit that the local partner values most in a collaborative arrangement is acknowledgement of its rights to the land.

Shared understanding about agreements. The parties should share a sense of what it means to make and maintain an agreement. They should understand and accept how the other party views the agreement. All partners must comprehend the commitments being made, and share a common view of the importance of specific provisions in the agreement, e.g., deadlines, abiding by local laws, submitting reports, and so forth.

Self-determination. The decision to enter into a partnership should be informed. Neither party should feel compelled to negotiate but rather come of their own free will. If they were persuaded by an outside party to attend and agreed to see what was being offered, the offer should not be viewed as an ultimatum. The choices, and the accountability for making the choices, must belong to the local partner.

• **Incentives.** The collaboration must be worthwhile not just to the local partner, but also to the particular people who have the power to help or hinder the project.

Past issues resolved. Agreements underpinning collaborative arrangements should address any past conflicts between the participants, and attempt to resolve them. Partners must deal with preexisting problems and reasons for distrust of similar arrangements, including past conflicts among the parties involved. This is particularly so if past issues concern rights to land.

These factors apply to partnerships as inputs, outputs, and outcomes (see table on inputs and outcomes In Summary of finding).

BENEFIT SHARING – THINKING BEYOND COMPENSATION

Capturing carbon delivers a public good but often imposes a local cost.

Benefit sharing arrangements can transfer benefits due to local partners that bear these costs. Appropriate benefit sharing supports long-term viability, reduces risks, and extends the development impact of the activities through its contribution to poverty reduction.

The best way to share benefits depends on the local context. Benefit sharing should be open, verifiable, and should serve legitimate beneficiaries. Ideally, it should look beyond compensation, towards promoting broader social and economic development (see Box 1). Benefit sharing arrangements reviewed in Rethinking Collaborative

Arrangements included:

- Cash payments to local partners for land leased, commodities delivered, or environmental services provided.
- Combinations of cash payments with technical assistance or services for commodities or environmental services.
- Provision of alternative benefits for land, commodities, or environmental services. These alternative arrangements included:
    - Market vouchers
    - Productive goods (e.g., beehives)
    - Access to new land
    - Extension services
    - Credit
    - Opportunities for employment
    - Decision making power over land and resources, including clarification and acknowledgement of the local partners' ownership rights.

This note was prepared by Kenneth Rosenbaum (Sylven Environmental Consultants) and Diji Chandrasekharan Behr (World Bank) with editorial inputs from Gunnar Larson (World Bank). It is based on the economic and sector work entitled *Rethinking Forest Partnerships and Benefit Sharing: Insights on What Makes Collaborative Arrangements Work for Communities and Landowners* financed by the Trust Fund for Environmentally & Socially Sustainable Development (TFESSD).

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