REPUBLIC OF UGANDA
MINISTRY OF WATER AND ENVIRONMENT

Information Brief No. 1

UGANDA NATIONAL REDD+ PROGRAMME

BENEFIT SHARING ARRANGEMENTS FOR UGANDA

1. Introduction

The purpose of this Information Brief is to support the current dialogue in Uganda regarding appropriate mechanisms and considerations for an effective and equitable REDD+ scheme that suits the country's development priorities.

The package provides information on the on-going discussions on benefit sharing mechanisms for REDD+. It addresses the following elements:

- What are the benefits that will be shared in the context of REDD+ (in terms of the revenue flowing from carbon, delivered as either cash or in kind' benefits such as social infrastructure)?
- Who are the beneficiaries?
- What are the mechanisms for sharing the benefits?
- What transparency measures will be put in place?

The way in which benefits (and costs) are shared is likely to be a key factor in developing REDD+ systems that are sustainable in the long term.

Studies conducted across the country relating to benefit sharing indicate that it is critical to ensure that benefits reach those actors most affected by REDD+ policies, such as the forest dependent poor, indigenous communities among others.

Examples of the benefits associated with REDD+ (detailed inhere) could include:

- Direct payments for the carbon stored in trees,
- Indirect income from employment, or,
- Non-monetary benefits such as infrastructure investments, wealth creation or improved local environmental quality.

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2. Description of Benefit Sharing Approaches for Uganda

In the Ugandan REDD+ context, benefit sharing is generally understood as allocating, administering, and providing benefits to multiple actors for REDD+ activities or results through some form of positive incentive, opportunity, payment, or other compensation – whether financial or non-monetary.

Such arrangements are structured through negotiated contracts - as is the case for payments for ecosystem services and/or centrally managed funds. The arrangement is also similar to the case in Tree Fund and the National Environment Fund.

3. The Benefits

All REDD+ stakeholders will need to be motivated to participate and a key incentive often discussed is the monetary rewards expected to flow from carbon-based payments. Another aspect discussed is whether the formal holder of carbon rights should retain all the revenue attached to them. What seems to be clear is that revenue from the sale of carbon should be used to maximise benefits for local communities (especially social infrastructure).

There is a wide range of benefits, including monetary and non-monetary, and both direct and indirect. The key benefits are summarized as follows:

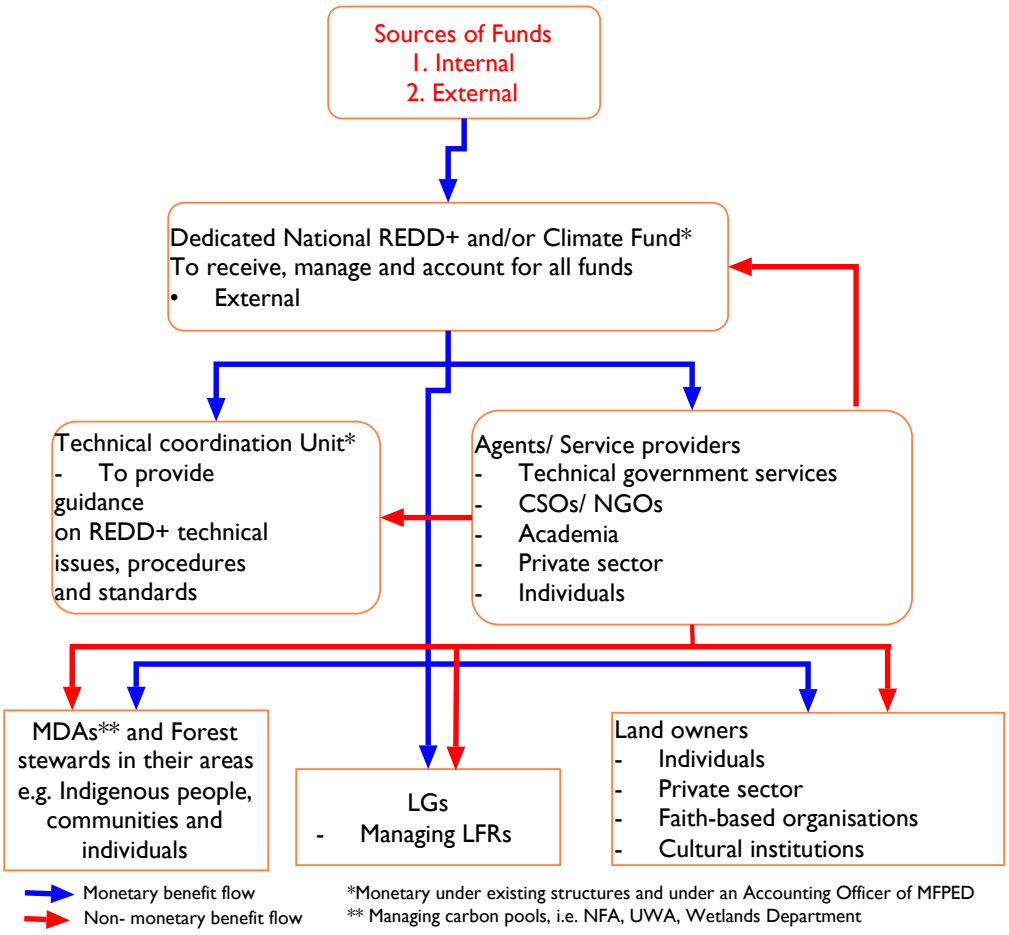
a) Monetary benefits

- Cash,
- Economic flow - for example on benefits from tourism,
- Tax incentives,
- Access to credit on preferential terms,
- Salaries and allowances.

b) Direct benefits (non-monetary)

- Capacity building through training and extension service provision (governance, bookkeeping, nursery and plantation management, environmental management plans),
- Community infrastructure like schools and clinics,
- Legal access to fuel wood and non-timber forest products,
- Rent-free land for commercial plantations,
- Alternative livelihoods (community nurseries, Shea-nuts, beekeeping, coffee, timber, fuel wood, fruit, carbon credits),

Figure 1: Visualizing the structure of the proposed BSA model.



- Support for acquiring communal and freehold land titles,
- Community nurseries,
- Ecological restoration and monitoring of priority habitats,
- Land-use planning and improved land/forest-tenure,
- Improved market access and business networks.

c) Indirect Benefits (non-monetary)

- Reforestation of degraded areas, reduced floods, reduced drought and reduced landslide risk,
- Improved resilience to seasonal variations in weather,
- Health benefits (cleaner air from more efficient cook stoves),
- Improved water quality and quantity due to improved catchments,
- Decreased human-wildlife conflict,
- Increased support for biodiversity conservation,
- Improved working relationships (including cross-boarder issues)
- Improved working conditions for employees,
- Travel opportunities to share knowledge and experiences,
- Pride, prestige and social status.

Any benefit sharing arrangement can include both monetary or non-monetary benefits. Uganda's arrangement combine both monetary and non-monetary benefits. The institutions, systems, capacities and incentives to deliver the benefits are different and these need to be discussed.

4. Proposals for a national REDD+ benefit-sharing mechanism

Some of the proposals for benefit sharing arrangements are summarized below:

i. The central government may create a national fund to receive payments from international sources for the national-scale reduction of emissions from deforestation and degradation. It would have to commit to distribute these payments to District Local Governments and other actors at district level working with districts, based on the emission reductions reported and monitored at the district level. Cost effectiveness may also be a criterion to determine which districts receive funding from the central government.

ii. The benefits distributed by districts to the local level could be either monetary or non-monetary and would be allocated based on the efforts made to:
    a. address the drivers of deforestation and degradation;
    b. reduce barriers to sustainable natural resource management; and
    c. support sustainable rural development and green, climate resilient, economic growth.

iii. Local stakeholders could develop their own investment plans for reducing deforestation and degradation. In this case, local stakeholders would also define who the beneficiaries will be and how the benefits will be shared.

iv. Multi-stakeholder committees would be formed at the district level to select investment plans based on District REDD+ strategies, guided by the central government.

v. A safeguards system would be put in place at all levels to guide the development and implementation of investment plans, government policies and benefit-sharing.

Uganda does not have an off-the-shelf model for benefit sharing, but may consider a number of benefit sharing schemes fitting different REDD+ initiatives to operate.

Some of these arrangements may be formal government schemes, others may be private schemes responding for instance to voluntary carbon markets. Voluntary carbon markets naturally don't fall under a government management (or delegated) benefit sharing arrangement as this is an arrangement between the initiative holder and the one buying the carbon credits.

The two national models that have the biggest merits to consider for REDD+ benefit sharing arrangements model for Uganda are the fiscal transfer system model through a conditional grand arrangement specifically for REDD+ and the REDD+ fund model by integrating REDD+ in the National Tree Fund (NTF).

This is in addition to others models that are discussed here under.

(i) Integrating and mainstreaming REDD+ into sectoral/district plans, budgets and national multi-sectoral rural development programs.

The integration and mainstreaming of REDD+ into national programmes and projects would allow Local Government, and local community groups to prepare for result-based national level benefit sharing arrangements. There is an enormous potential to mainstream REDD+ into existing programmes, but this would require some additional funding. Mainstreaming REDD+ provides Uganda an opportunity to invest in a measurable way in green and climate smart and resilient development.

(ii) National Tree Fund Arrangement or REDD+ Fund

Government of Uganda legislated for establishment of a National Tree Fund under Section 40 of the National Forestry and Tree Planting Act. The fund was meant to provide a financing mechanism for promoting tree planting and growing at national and local levels, and to support tree planting and growing efforts of non-commercial nature, which are of benefit to the public.

The fund was established by parliament in 2003. In 2008, cabinet approved the operationalization of the fund with some funding. A levy of 0.005 per cent of the market value of resources generated out of hydro-electricity and production of hydrocarbons is to be paid into the fund.

Considering that the Tree Fund is already provided for under the Act, it would take less time to operationalize since there would be no need to build consensus that involves lengthy processes including consulting with stakeholders.

To roll out the fund requires setting up the fund management structure consisting of different stakeholders who would ensure its independence. In order for the fund to house the REDD+ Benefit Sharing Arrangement (BSA), its Secretariat should be outside the government establishment.

Uganda could build on Rwanda's experience with the National Fund for Environment and Climate Change, known as FONERWA. FONERWA has to-date mobilized over US$ 88 million internationally and is building a good track-record based on performance to mobilise more.

(iii) The Payment for Environment Services contract

Payment for Environmental Service (PES) schemes involving individual farmers, communal land associations or private forest owners (plantations or natural forests) could be used to achieve REDD+ objectives. At the heart of any REDD+ project and initiative lies a Payment for Environment Services (PES) type contract. It is the PES contract that defines the REDD+ activity, type of benefit needed and how this will be generated and delivered.

The type of benefit is identified and agreed on within the PES Agreement that needs to be established in any REDD+ arrangement (with LGs, local communities and individuals). The contract can be with a local government, Community Based Organisation, Communal Land Association or with a village community. The contract defines activities and BSA type, monetary or non-monetary. Groups or individuals can receive benefits and the BSA model needs to be able to administer this.

(iv) Conditional Grant - Fiscal Transfer System from Central Government

A conditional grant for REDD+ funding arrangement is an option with many strong building blocks, but for it to be functional there are a number of enabling actions that need to be taken:

- Establish and strengthen an inter-ministerial national steering committee to enhance coordination and joint action among the relevant ministries, support policy formulation and oversee implementation of REDD+,
- To enhance coordination and leadership, it may be necessary to integrate REDD+ as a major strategy into a National Climate Change and Resilience drive in the second National Development Plan (NDP II). Uganda Government at the highest level would declare Green Economic (rural) development as a key pillar in its development policies with the ambition for rural transformation and to mobilising important additional resources from international green climate funds,
- The Ministry of Finance would need to create a dedicated unit managing the "conditional grant REDD+ funding arrangement." This unit would work closely with the Forest Sector Support

Department (FSSD) and possibly Ministry of Agriculture to monitor REDD+ / Climate funds,

- There is need for recruitment of more staff under FSSD to fill the existing vacant positions; and upgrade the technical skills of the existing staff while targeting REDD+. This requires additional resources allocation by Ministry of Finance,
- Strengthen the policy framework with clear guidelines of the role of civil society, government agencies and other actors implementing REDD+ with specific reference to the Presidential Investors' Round Table; a forum that the none state partners use to influence policy to allow shifts in the way conditional grants can be allocated or disbursed,
- A Conditional Grant REDD+ funding arrangement held within the public finance sector would need effective non-state partner participation for decision making, channelling of funding and monitoring,
- There is need for recruitment of more staff under District Local Governments (LGs); and upgrade the technical skills of the existing staff while targeting REDD+; build technical capacity of LGs in information and financial management, including provision of accompanying tools and equipment for processing information. Earmarked long-term additional funding to LG would be necessary to facilitate this. Besides filling vacant positions as approved by Public Service, REDD+ program could consider hiring project staff on short term e.g. 5 years. In addition, integrating REDD+ in existing upcoming programs would benefit from staff of those programs to advance the REDD+ interventions,
- It would be necessary to strengthen the capacity of Ministry of Local Government to ensure effective supervision and subsequently functional cooperation between the sub national and and national level,
- Diversify communication languages to include key ones such as Luganda, Luo, Runyakitara, Ateso and Lugbara and strengthen linkages with other institutions such as churches and cultural institutions to enhance communication to a wider audience.

Mainstreaming REDD+ requires a high level policy decision and some additional funding. It would support communities and Local Governments preparing for engagement in REDD+ and climate resilience. This in itself could be a trigger for transformational change especially on how government agencies and development partners work.

9. Categories of stakeholders and the roles they play in benefit sharing arrangements

1. Landlords

- Provide land for forestry
- Keep safe custody of land
- Take decision (who, when, how to use land)
- Resolve conflict over land

2. Household (community) farmers

- Plan, plant, manage and market forest produce
- Take decisions on what to plant
- Conserve natural forests on own land

3. Local Government technical extension staff

- Mobilise, train and advise farmers
- Provide technical input into policies and bye-laws
- Offer technical backstopping to farmers

4. Local Government council leaders

- Mobilize and sensitize communities
- Monitor and supervise area based projects
- Lobby for forestry in plans and budgets

5. Ministries, Departments and Agencies

- Policy formulation
- Standards setting
- Formulate regulations
- Provide technical information
- Monitor and supervise LGs

6. Religious Leaders

- Pass on information to communities and followers

7. Cultural Leaders

- Social mobilization from cultural angle
- Discipline errant clan members
- Promote afforestation
- Provide information

8. NGOs/CBOs

- Community mobilization
- Make demonstrations
- Demand services from technical departments
- Initiate new project ideas
- Provide some input

9. Service Providers (including private sector)

- Supply inputs, services
- Link farmers to markets
- Keep savings and land (Banks, Savings and Credit Cooperatives SACCOs)

10. Regulatory and enforcement agencies

- Make enabling legislations
- Approve sector budgets
- Enforce laws

11. International community/donors

- Mobilize and allocate resources to forestry
- Train and monitor programmes
- Advocate for forestry

12. Buyers/Traders

- Pay fair price
- Buy and sell forest products

14. Degraders/Charcoal burners

- Degrade forestry resources
- De-campaign government programmes

Conclusion

It is important to build a strong institutional framework that can ensure effective and transparent implementation. Any formal BSA adopted will require a legal text establishing or formalising it.

One cannot make BSAs for the diversity of models that exist without an agreed upon arrangement nationally. It is important to bear in mind that when the central government agrees to share revenue with local grants, it agrees upon conditional transfers, and backs them by law.

For REDD+ to be successful and attain the set objectives it needs clear guidelines and appropriate policies. Conflicts already occur under existing forestry programmes, REDD+ may magnify these conflicts further. There is need for reforms that will avoid some of the current conflicting legal provisions, and overlapping mandates among ministries, departments and agencies.

Donors will have a strong interest in ensuring that REDD+ targets are met. REDD+ needs to be measurable and transparent. Local government institutions and civil society will need skills (eg accountability and financial management capacity) to manage a REDD+ BSA.
Weak forest institutions/governance means that PES is vulnerable to elite capture; and consequently, increased conflicts among the stakeholders thereby failing to attain the REDD+ objectives.

There is need to ensure buy-in and build broad support throughout Uganda for the National REDD+ Strategy and BSA models chosen.

There is need to put in place guidelines and regulations on how to manage and access REDD+ funds, define type of benefits and sharing arrangements that ensure equity, efficiency and effectiveness.

Mainstreaming within existing and planned programmes would be the first, thus building on existing programmes to invest in building capacity for performance based REDD+ and climate resilience.

There is need to set up the national REDD+ BSA that has been adopted and test it for a period of three years. Uganda should allow itself three to five years to further build and fine-tune its chosen model.

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