

# Defined Benefit-Sharing Frameworks

## Full Description

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**S4: Defined benefit-sharing frameworks.** Given the increasing importance of stakeholder engagement in ERC projects, governments may further support the value realization of local ERCs through clear frameworks regarding how stakeholders, especially local communities, are engaged, protected, or compensated. Clarity of benefit-sharing mechanisms along the ERC value chain will help provide project developers forward visibility for their investments and resource deployment and potential buyers in valuing the locally generated ERCs with co-benefits signed off by the government.

### Guideposts for best practice

- Established framework for the benefit-sharing mechanism or flow of funds for key stakeholders outside of the project developer entity (e.g., impacted communities, local governments, national governments), and aligned to a proper market-based assessment of the value contribution thereof; and including protections against predatory contracting (e.g., long lock time, benefits independent of ERC value fluctuation, etc.)

### Sequencing for roadmap

<b>Impact</b>	Medium-Stakeholder engagement and protection increasingly becoming critical for buyers to minimize reputational risks	
<b>Resources needed</b>	Medium-Establishing such frameworks would require careful planning and coordination among government bodies and potentially a similar level of robustness as that for adopting standards	Phase 3: Enabling long-term sustainability of the ERC ecosystem

In addition, clear communication of frameworks and institutional arrangements for stakeholder incentives is crucial for the success of emission reduction programs, whether the country chooses to roll out its own crediting system or not. Transparency mechanisms should be established to ensure the integrity of the benefit-sharing plan and execution, which will incentivize stakeholder participation and secure supply. The following are key elements of effective benefit-sharing mechanisms that can serve as a guide:

Cornerstones for benefit-sharing mechanisms	Description	Sample Benefit Sharing Plan for Vietnam's North Central Region for the period 2019-2024 (results-based program with World Bank)
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**Input:  
Consultation and design process**

Decision making for benefits sharing often starts with consulting on overall objectives to ensure that the interests and needs of all stakeholders are considered and that benefits are shared in an equitable and transparent manner.

Key components of the existing benefit-sharing plan were created as an output of **village-level consultations** of households, focus group discussions, workshops, and interviews with 737 ethnic minority persons in the relevant provinces in the North Central Region.

**Output: Legal frameworks and institutional arrangements**

Benefit sharing should be grounded in a clear legal framework to support and enable the necessary agreements and collaboration, including categories of beneficiaries, types of monetary/non-monetary benefits, rationale for performance-based allocation, etc.,

Benefit-sharing plan provides **clear disbursement plans for relevant stakeholders** (2018-2014), including but not limited to local communities (~70% monetary benefit), project developers (15-20% monetary benefit), and central to provincial-level government partners (10-15% monetary benefit) depending on performance.

**Output: Technical and administrative capacity**

Substantial technical and administrative capacity is needed to administer benefit sharing in a way that effectively and equitably distributes resources.

Roles and responsibilities clearly stated. Sub-units within **Ministry of Agriculture and Rural Development and Administration of Forestry to lead operation**, with support from other agencies.

**Output: Financial management transparency**

Transparency around financial management, including regular audits, can build trust and participation in the program; Adopting a clear approach to calculating, monitoring, and delivering benefit transfers helps enable wider public understanding.

**Output: Grievance and redress mechanisms**

Benefit-sharing mechanisms should have clear, accessible, impartial, culturally appropriate, easy-to-understand grievance and redress mechanisms that operate in a timely manner.

**Calculations** of budget disbursement for stakeholders clearly found in Benefit Sharing Plan document (pre-calculated based on expected proceeds from results-based payment, totaling to USD51.5Mn).

**Financial monitoring** based on financial report, internal audits (done by Finance Department of Ministry of Agriculture and Rural Development, first cross-checked by Vietnam Administration of Forestry, then by World Bank), and independent audits.

**Disbursement** - REDD+ Fund opened an account to receive and disburse result-based payments under program guidelines at Bank for Agriculture and Rural Development or Vietnam Bank for Social Policies; Beneficiaries also opened bank accounts at provincial and district levels to directly receive transfer of funds.

Grievance and redress mechanisms created at different levels:

**Village level:** Grassroots mediation groups will be responsible for receiving, classifying and organizing grievance redress procedure.

**Commune level:** Communal mediation group to cooperate with the forest management board and state forest company to handle grievances related to benefits sharing.

**District and provincial levels:** One appointed officer from the Department of Justice to inform stakeholders to receive, verify, and resolve complaints related to benefits sharing.

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