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## Lessons from local environmental funds for REDD+ benefit sharing with indigenous people in Brazil

Maria Fernanda Gebara, Luiza Muccillo, Peter May, Claudia Vitel, Lasse Loft and Angelo Santos

### Key lessons

- While the constitutional rights (e.g. property rights) of indigenous peoples (IP) are strong in Brazil and may help to overcome their vulnerability, they are rarely enforceable and do not offer sufficient safeguards.
- Informed consultation and a structured free, prior and informed consent (FPIC) process that considers cultural issues are fundamental to ensuring acceptance and consent by IP.
- Local environmental funds can be a tool for increasing autonomy and decentralization while sharing benefits with IP and financing long-term and specific demands that can change over time.
- Safeguard strategies implemented by the Amazon Fund to avoid conflicts of interest may result in restrictions on the participation of IP, having implications related to the legitimacy of decision-making in the distribution of benefits.
- The absence of timely financial flows to meet IP needs may be a considerable risk since it can encourage environmentally damaging activities.
- Relying on the voluntary market may be risky for IP initiatives because of market instability and possible lack of funding.

### Introduction

REDD+ activities may pose both risks and opportunities for IP. It has been argued that successful REDD+ benefit sharing with IP will depend upon their level of consultation and participation, the definition of property and carbon rights, institutional capacity and implementation, and monitoring of safeguards (Brown et al. 2008; Griffiths 2008; Macchi et al. 2008; Sunderlin et al. 2008; Cotula and Mayers 2009; Phelps et al. 2010; Luttrell et al. 2013). This infobrief presents initial lessons from two cases in Brazil for the design of local environmental funds to improve REDD+ benefit sharing for indigenous groups.

One of the most pressing issues when it comes to benefit sharing with IP concerns which actors should have the 'right' to benefit from REDD+. Given IP's historic roles in conserving the forests, they should be assured rights to REDD+ benefits (Moutinho et al. 2011). The recognition of the historical role of traditional peoples in conserving forests would avoid 'perverse incentives' that would actually motivate increased deforestation if benefits are distributed only to those actors who commit to reducing future emissions (Richards and Jenkins 2007). Besides the recognition of 'rights', another major challenge is the definition of arrangements and mechanisms for management and sharing of benefits. In Brazil, one of the mechanisms advocated for dealing with this

challenge is local environmental funds, as they normally increase autonomy and decentralization in terms of decision making and resource allocation (Schellnhuber et al. 2001; Moye 2002), which is essential when dealing with IP.

The first section of this brief discusses the current status (at national level) of relevant issues for benefit sharing with IP in Brazil that may be applicable for other countries, such as property rights, safeguards and FPIC. The subsequent section presents two cases of local environmental funds for REDD+ benefit sharing with IP, showing the institutional arrangements created by them and identifying important risks and challenges while designing these funds. In conclusion, we summarize the key lessons learned from local environmental funds for REDD+ benefit sharing.

### Challenges facing IP in Brazil regarding benefit sharing at the national level

#### Background

Indigenous reserves account for 21% of all public lands or 9% of the national territory in Brazil (Larson et al. 2010). There is wide recognition of the role of IP in protecting the Brazilian Amazon (ISA and Forest Trends 2010) and a number of laws and legal decisions protect IP rights, such as property and FPIC

rights. Recent discussions have defined principles and criteria for benefit sharing and FPIC in REDD+ that are applicable for indigenous territories and some of these are being incorporated in the national REDD+ strategy. These discussions provided a good starting point for the creation of more participative REDD+ benefit sharing and FPIC mechanisms. However, some issues are yet to be addressed, particularly concerning access to benefits, and improved implementation of benefit sharing and FPIC rules.

Following national redemocratization in 1985, Brazil was one of the first countries in the Amazon basin to recognize IP rights (ISA and Forest Trends 2010; Van Dam 2011). The 1988 constitution assures preservation of customs and firm protection of land rights through official demarcation of tribal territories (Article 232). According to the constitution, the demarcated territories remain vested in the state (Article 231), however, indigenous tribes have permanent possession and exclusive usufruct rights, recognizing that tribal customs and beliefs are closely tied to their ancestral lands. The constitution nonetheless establishes significant limitations on these rights by, among other things, retaining inalienable federal title over the land, and retaining water and mineral rights (Article 231). Unfortunately, bills currently under consideration in the National Congress threaten to modify or extinguish rights acquired by IP over time.

## IP rights

Based on these constitutionally guaranteed rights and the historic role of IP in conserving their territories, civil society organizations argue that carbon rights, and benefits from marketing of environmental services should also accrue to IP (ISA and Forest Trends 2010; Moutinho et al. 2011). A federal legal opinion (AGU-AFC-1/2011) holds that provision of environmental services associated with indigenous territories could be constitutionally subject to commercial agreements on the part of indigenous groups and that the carbon credits generated in indigenous lands belong to IP.

The main legal document that protects IP rights, in terms of benefit sharing, is Provisional Measure no. 2186-16/2001. The measure defines rules for access to genetic resources for scientific research, technological development, bioprospecting, benefit sharing and access to and transfer of technology. According to the measure, IP have the rights to receive benefits arising from third-party economic exploitation of biodiversity directly or indirectly associated with traditional knowledge. Although the measure is an important step toward the recognition of traditional knowledge and biodiversity benefit sharing rights, these rules are not monitored and enforced (Heringer 2007), suggesting a lack of effectiveness. The absence of institutions and appropriate rule enforcement reflects a lack of political will or motivation for guaranteeing benefit-sharing rights.

This gap between the recognition of rights and their enforcement is also relevant to the local level implementation context. In Brazil, IP leaders (normally the chiefs of a tribe or specific clan) must authorize any project in their territory as being in the collective interest (Article 231). This rule reinforces the safeguard of FPIC, as required by the United Nations Framework Convention on Climate Change (DEC.1/CP.16, UNFCCC 2010). Nevertheless, the government

already stands accused of riding roughshod over this rule in order to accommodate 'national priority' infrastructure projects such as hydroelectric dams opposed by IP (Rojas Garzón 2009) suggesting that constitutional rights do not offer sufficient safeguards.

## REDD+ and benefit sharing in indigenous lands

IP's have had a cautious response to REDD+ opportunities. Their primary concern has been with the adequacy of REDD+ safeguards. For example, leaders of IP organizations were involved, together with other civil society actors, in developing a set of 'Social and Environmental Principles and Criteria for Development and Implementation of REDD+ Programs and Projects in the Brazilian Amazon' (Bonfante et al. 2010). Among these safeguards are (i) recognition and respect for the rights of possession and use of land, territories and natural resources; and (ii) fair, transparent and equitable benefit sharing for those who have the right to use the land and/or resources and those who implement activities that promote REDD+.

This principles and criteria document, and its respective consultation process, exerted significant influence on the construction of the national REDD+ strategy being developed by the Ministry of Environment (Shankland and Hasenclever 2011). In recognition of the substantial participation of different social actors in the development of this document, the Ministry of Environment adopted it as a starting point to debate the national safeguard information system, still under development. The national REDD+ strategy will initially concentrate on policies and measures for protected areas, including indigenous lands, whose principal national benefit sharing mechanism will be the Amazon Fund (Government of Brazil 2013).

In addition, several meetings were promoted by different IP organizations, such as Coordinator of the Indigenous Organizations of the Amazon Basin (COICA), which debated criteria for benefit sharing with IP in Brazil. The Amazon Environmental Research Institute (IPAM) recently published a compilation of these criteria (summarized in Table 1). It is important to note, however, that this compilation has served as a basis for discussion between academics, civil society and IP, but has had little impact on REDD+ policy-making processes yet.

In 2012, the National Indian Foundation (FUNAI), the federal agency responsible for managing indigenous lands, reported that companies and/or individuals approached more than 30 ethnic groups to propose REDD+ initiatives for prospective carbon credits within the voluntary market. In most cases, FUNAI has declared such agreements null, considering them insufficient in light of the constitution and federal legal opinion mentioned above. This was a good example of how constitutional rights were effective in protecting IP in relation to private investors who wish to benefit from REDD+. However, it does not offer a solution to IP being cajoled into participating in third-party project agreements in the first place. This could become a source of unmet expectations and conflict between tribal groups and the state. In addition, financial risks for investors in carbon projects involving IP in Brazil increased after FUNAI declared a number of contracts to be void.

**Table 1. Criteria for REDD+ access and benefit sharing with IP**

Distribution of benefits	Internal distribution of benefits is to be determined by each IP group, respecting their specificities; Formal discussions and decision-making processes should be performed by one or more local IP bodies, and promote clear communication, and effective participation and consent of those involved, as well as a fair distribution of benefits Benefits should strengthen the collective thus rejecting any mechanisms that exclusively benefit individuals or elites Benefits must reach all IP, even those without forest cover in their territories or those less threatened.
Use of benefits	Institutional strengthening of organizations contemplating structuring and formalization in order to ensure autonomy Support the implementation of environmental and territorial management plans Strengthen IP resource uses, customs and traditions, with special attention to the guarantee of territorial rights Technical training of IP leaders and organizations to support their participation in discussions on policies focused on REDD+ and the management of natural resources Invest in priority areas, like health and education.
Access to benefits	Benefit sharing schemes should consider indigenous-specific policies and culture to promote the autonomy and governance of IP, through direct access to resources, without intermediaries.

Source: Adapted from Nery et al. 2013.

## Local environmental funds for REDD+ benefit sharing with IP in Brazil

As previously stated, besides the challenges about recognition of 'rights' another major issue is related to the arrangements and mechanisms for management and sharing of benefits. In Brazil, one of the mechanisms advocated is local environmental funds. Such funds are devised to receive and allocate benefits according to long-term objectives and risks. REDD+ initiatives call for long-term commitments, which require adequate management of financial benefits to prevent and minimize risks, and to provide guarantees to buyers or investors under certain circumstances (e.g. fires). In addition, environmental funds are not necessarily limited to REDD+ financing. They may attract both public and private sector funding, while benefits can be delivered in the form of money, goods or services. Such options for expenditure of funds improve the prospects that IP needs are fulfilled and, with appropriate governance arrangements, may lead to more equitable and long-term benefit sharing. Finally, local environment funds allow for more decentralization in terms of decision making and access to benefits, which promotes autonomy (Schellnhuber et al. 2001; Moye 2002).

Environmental funds are financing mechanisms that emerged and began to operate globally in the 1990s. The variety of options for structure, operation and funding mechanisms assures that each fund can adapt to the context of national and local laws and conditions (Oleas and Barragán 2003). Unlike the majority of project-based approaches, funds are instruments for the medium and long term, and aim to ensure the financial sustainability of local development initiatives. Each of these instruments has its own institutional arrangement—specifying the actors involved and the rules applicable to their operation—which should be validated by local stakeholders. Environmental funds can be classified in many ways, given the different structures by which they are organized. The main differences between them are associated with legal, financial and governance features.

Funds are also categorized according to the financial transactions they perform such as cash funds, sinking funds, endowment funds and revolving funds (Sampaio 2006). 'Cash' funds have the simplest form of operation and use their assets to directly support projects, whether on a 'sinking' or 'revolving' basis. Sinking funds are extinguished after depleting their resources. Revolving funds are those that make grants from a cash fund, but require that users repay or have other strategies for replenishment through long-term financing, such as endowment funds. In endowment funds, most resources are immobilized and only the interest is spent. Revolving funds are replenished sequentially by injection of new resources (Sampaio 2006).

Since their inception, environmental funds have attracted considerable expectation and optimism (Bayon et al. 1999). On the financial side, they can provide long-term sources of finance for conservation and sustainable development, tools for leveraging additional resources, and cost-effective instruments for managing funds. On the environmental side, these funds are seen as a way to finance national environmental strategies and strengthen the capacity of local environmental organizations. Environmental funds are also said to offer new possibilities for public-private partnerships and decentralization of decision-making (Starke 1995; Meyer 1997). These funds, however, may tie up scarce capital to generate relatively small amounts of money—at least on an annual basis. Also, environmental funds add another management layer between financing organizations and beneficiaries, increasing administrative costs. From the perspective of some donors, the independence of environmental funds can mean less control over allocation of resources (Bayon et al. 1999).

In the two case studies below, the specific funds were designed to ensure financial sustainability and enhance the governance of indigenous territories—securing, among other things, the availability of resources for implementation of long-term development agendas, and the institutional strengthening of local organizations. In addition, the funds aim to contribute to

the strengthening of indigenous land use rights. Finally, the funds presented here are intended to act as financial mechanisms for fundraising initiatives for REDD+ and sharing the benefits arising from carbon credits generated. However, their design followed different pathways and levels of IP participation (Table 2), indicating lessons for future REDD+ strategies involving the creation of funds.

## Lessons from the Paiter Surui Fund

The Surui Forest Carbon Project (SFCP) aims to reduce greenhouse gas emissions in the Sete de Setembro Indigenous Land, on the borders of Rondônia and Mato Grosso states. The design of the Paiter Surui Fund aimed to guarantee long-term equitable distribution of benefits from the project to the four patrilineal Paiter Surui clans: Gameb, Makor, Kaban and Gamy (Funbio 2013). The Brazilian Biodiversity Fund (Funbio) and Metareilá (the first Surui association) jointly devised the governance framework and rules for the fund's operation, while Funbio was also responsible for raising initial resources. The two fund organizers held a number of participatory and informational meetings in 2010–2011, leading to the development of a local governance scheme. The priorities of investments are outlined in the '50-Year Life Plan'.<sup>1</sup> Resources for the fund can come from various donors, but to date they have only received funds from Natura, a leading national cosmetics company and the Carbon Neutral Company.

The SFCP was initiated in 2009, with the FPIC process as its touchstone, which is considered fundamental to ensuring the project's acceptance by the indigenous population. A consultation strategy was developed, responding to the diffuse political representation of the Surui tribe, combining traditional chiefs (*labiway-ey*), numerous village leaders (*caciques*) and leaders of tribal associations. In March 2009, the leaders came together in a general assembly in the city of Cacoal to discuss the tribe's economic and environmental options, including the prospect of commercializing carbon credits as a means to finance its local development plan. Nearly all those present (95%) agreed to pursue this option of financing (ECAM 2010), suggesting that a well-structured and participative process of informed consultation can lead to a high level of consent. This was the first time that an extensive FPIC process arose to approve a REDD+ project on indigenous lands in Brazil. The Surui case, is thus critical to increasing trust and acceptance of REDD+ within indigenous groups in Brazil. By adopting a participative design and implementation process, REDD+ initiatives may avoid conflicts.

The consultation process involved a multidisciplinary perspective based on anthropological and cultural approaches and was carried out through fieldwork, cultural observation, group meetings and semi-structured interviews. The preparation of a technical paper about the process of obtaining FPIC was important to reveal to the public the ways in which the Paiter Surui acquired knowledge about REDD+ and carbon credits. The methodology recognizes and reinforces the self-determination of IP by observing relevant cultural issues and thus enabling IP to

better evaluate such initiatives based on their own perspective of how local development should be pursued.

The Surui Fund will initially operate as a revolving fund, which calls for a long-term fundraising strategy. In the future, it is intended that the fund operate as an endowment fund, immobilizing a large volume of resources and using only revenues received as a result of interest on investments. This operating format has limits, since the maintenance of a balance between the availability and demand on financial resources depends on attaining an adequate volume of fixed capital. Its application, however, could be a great opportunity for securing long-term financing of recurrent costs and the sustainability of the fund.

The Surui Fund's deliberative body is composed exclusively of Paiter Surui representatives, including a chamber for conflict resolution made up of elders. Donors, investors, technical experts and public partners play only an advisory or observer role. The deliberative body supervises the selection of projects to be implemented by the eight local Paiter Surui associations, indigenous Surui and expert partners or consultants. A management body was also created; a facilitator institution and an external financial manager will support the development of the fund's design and structuring, continuing through its consolidation and operation.

The design of the fund involved three distinct phases:

1. **Incubation** – definition of rules and procedures, implementation of pilot projects, improvement of institutional articulation and strengthening of institutional management capacity of local associations;
2. **Transition** – evaluation of the established procedures and the efficiency of the investments and development of a fundraising and financial management strategy;
3. **Consolidation** – continuous improvement of procedures and documents; continuous analysis of effectiveness, efficiency and equity of investments and the implementation of funding and resource management strategies; the development of a feasibility study for the creation of long-term financial strategies; ongoing training leadership with local actors; and continued institutional strengthening of indigenous organizations and local institutions.

After the consolidation phase, the financial manager will continue as an observer to advise and guarantee the conformity of the project with the Climate, Community and Biodiversity Alliance (CCBA) criteria and the Verified Carbon Standard (VCS). The CCBA audit of the SFCP will occur every 5 years to evaluate the distribution of benefits and socio-environmental conditions. Despite the 'gold certification' by CCBA and the verification of VCS, both obtained in 2011, no voluntary carbon contract was signed until 2012 due to lack of development of REDD+ rules at the international level. This indicates that relying on the voluntary market may still be a risky financing strategy for these projects. The fund was financed by philanthropic donations from Fundo Vale and the Skoll Foundation, permitting initiation of some of the planned local activities.

However, in September of 2013, after detailed negotiations, Natura confirmed acquisition of 120,000 Voluntary Credit Units from the project as part of the company's overall carbon neutral

1 The 'Plan of Action for Participatory Development of a Rational Economy and Sustainable Management of Natural Resources of the Sete de Setembro Indigenous Land' or '50-Year Life Plan' identifies key activities to promote substantial improvement in the indigenous peoples' quality of life, as well as strategic guidelines for its development, such as institutional strengthening, food security, conservation, and protection and control of its territory (Metareilá 2010).

business strategy. This marks the first sale of certified carbon credits in an indigenous territory in Brazil. The proceeds were deposited in the Surui Fund in accordance with a work plan devised between the company and the Surui. Other investments in the fund are being sought, including resources from the Amazon Fund (see discussion in the Kayapó case below). The agreement with Natura greatly raised expectations about the feasibility of obtaining resources for REDD+ initiatives on indigenous lands in Brazil. The news was greeted optimistically throughout the indigenous area and has also stimulated other projects with IP in Brazil. This experience suggests that despite the importance of efforts to structure an environmental fund to match an ideal scenario, hopes will be dashed if timely resources are not found to implement project actions.

For the Surui, the absence of timely financial flows to meet the needs of the group, principally those that depend on productive activities, is a considerable risk, since the only currently accessible economic options in the reserve are environmentally damaging: illegal logging, cattle ranching and agriculture. Because of the long time required to generate economic benefits for the population, dissident groups continued to extract timber, contrary to timber harvest moratoria signed by the indigenous associations. Finally the cultural, economic and livelihood cohesion of the Paiter Surui population is fundamental to the fund reaching its long-term socio-environmental objectives.

### Lessons from the Kayapó Fund

The Kayapó Fund was initially promoted by Conservation International Brazil and aims to finance indigenous associations' environmental governance initiatives, which will operate in the Kayapó territory in southern Pará and northern Mato Grosso states. The Kayapó Fund will initially support just 5 of the 8 Kayapó indigenous territories Kayapó, Menkragnoti, Capoto Jarina, Baú and Badjonkôre. The priorities of investments are environmental and territorial monitoring and control; sustainable productive activities; environmental management activities; and administration and maintenance of indigenous organizations. The Amazon Fund has approved the release of BRL 16.9 million (about USD 6.6 million) toward the project. Around 44% (BRL 7.3 million or about USD 2.8 million) of this amount has already been released to Funbio, and Conservation International deposited BRL 14.5 million (about USD 5.6 million) of matching support, for a total fund endowment of over BRL 31.4 million (about USD 15 million).

Conservation International Brazil and Funbio—currently the financial manager of the Kayapó Fund—were encouraged and authorized by FUNAI and local indigenous associations<sup>2</sup> to create the financial mechanism and to submit a proposal to the Amazon Fund for financing. The Kayapó Fund was the first indigenous REDD+ fund to be evaluated and approved by the Amazon Fund. The project took nearly 4 years to obtain approval. Its structure as an endowment fund, rather than a sinking fund—as is the case of most Amazon Fund projects, was responsible for the prolonged approval period. Despite being an innovative initiative, it is not possible to say that the process through which the Kayapó Fund was created followed a participatory approach. No FPIC process

2 The local indigenous associations that signed the consents were the Protected Forest Association (AFP), Instituto Kabu and Instituto Raoni, which together represent 5,517 Kayapó indians, distributed across 25 communities.

was undertaken to approve the project with the Kayapó people. The failure to adopt such a participatory process can increase the possibility that conflicts of interest may arise between indigenous and other actors during the implementation of the initiative.

However, because specific projects had not yet been identified, the Amazon Fund undertook measures to safeguard its investment. One measure imposed by the Amazon Fund to avoid conflicts of interest resulted in restrictions on the participation of representatives of the Kayapó people in the financial mechanism's governance structure—composed of a Donor Committee, Technical Committee<sup>3</sup> and the fund manager. The Donor Committee has, among other duties, the responsibility for approving project proposals preliminarily evaluated and pre-selected by the Technical Committee. Because of this arrangement, there was a concern that the participation of Kayapó within the decision-making body could result in conflicts of interest. Although Kayapó people were only marginally involved in defining the fund's governance structure, this has not prevented it from being created and initiating operations. Yet, it certainly raises questions about the legitimacy of the decision-making process followed in this case.

The Kayapó representatives may attend the Technical Committee meetings as observers with the right to speak, but not to vote. The Kayapó Fund Operational Manual describes observers' participation as subject to the internal rules of the Technical Committee. Furthermore, the observers, as a rule, will not have their logistics costs subsidized by the fund. For a project to be considered for fund support, it needs to be presented by an organization that meets the eligibility criteria set up in the selection process, to be approved by the Technical Committee and subsequently by the Donors Committee, and FUNAI. This governance structure appears to seriously restrict Kayapó participation in the decision-making process, and will probably have implications concerning participation in the distribution of benefits.

In 2013, on receiving its second tranche of capital investment, the Kayapó Fund launched the first public notice inviting the submission of proposals from indigenous nonprofit organizations whose deliberative bodies are composed of Kayapó indians. The proposals should be in accordance with the fund's lines of action and have the necessary environmental and indigenous policy licenses. In this selection process, the Kayapó Fund will provide a total of up to BRL 660,000 (about USD 300,000), derived from the income on the initial endowment contributions by the Amazon Fund and Conservation International. Each applicant organization was allowed to request BRL 150,000–220,000 (USD 58,000–86,000). The selected projects must operate for a maximum of 2 years. In addition, the projects proposed must offer at least 20% counterpart support. A controversial point in this first call for projects was its value. It was difficult for applicants to understand that the majority of the Kayapó Fund's resources would remain

3 The Fund Technical Committee shall consist of: (i) a National Indian Foundation (FUNAI) representative; (ii) a Conservation International of Brazil (CI-Brazil) representative; (iii) an environmental non-governmental organization representative with experience in activities with indigenous peoples in the Amazon; and (vi) two academic experts in indigenous populations, the latter two indicated by FUNBIO and approved by the Donors Committee (Source: internal regulations of the Kayapó Fund Technical Committee).



**Table 2. Comparing local environmental funds for REDD+ benefit sharing with IP**

Criteria/Fund	Paiter Surui Fund	Kayapó Fund
Type of fund	Initially designed as a revolving fund, whose resources would be used primarily to fortify governance structures ('second floor') and secondarily finance specific subprojects within an overall plan to be replenished as additional funds are obtained through voluntary commitments	Created as an endowment destined primarily to finance projects out of annual revenues
Distribution of benefits	Surui local organizations defined internal benefit sharing mechanisms Surui bodies dominate decision-making structures and composition IP capacity building is explicitly incorporated into initiative objectives to include all tribal members	Internal benefit sharing mechanisms not yet defined Fund structure needed to follow Amazon Fund rules Unclear how the tribe's capacity to equitably distribute resources will be strengthened by the fund governance
Use of benefits	Activities defined under the '50-Year Life Plan' to promote substantial improvement in the indigenous peoples' quality of life Definition of strategic guidelines for '50-Year Plan' development Institutional strengthening Food security Protection and control of Surui territory	Travel expenses Construction Goods Recurrent costs Third party services Salaries and labor benefits Costs and fees related to environmental licensing procedures Administrative expenses (such as rent, electricity, telephone, water and internet)
Access to benefits	Autonomy is assured by governance structure	Governance structure is dominated by external agents

immobilized, while only a small portion would be spent for conducting indigenous projects. Probably, this conflict resulted from an insufficient engagement of local actors in the key stages of the project planning, as discussed above.

Among the expenditures eligible for financing by the Kayapó Fund are travel expenses; construction; goods; recurrent costs; third party services (such as consulting, audits and technical assistance); salaries and labor benefits; costs and fees related to environmental licensing procedures; and administrative expenses (such as rent, electricity, telephone, water and internet). Finally, eligible institutions and beneficiaries of the Kayapó Fund must be legal entities of private nonprofit organizations, legally established in Brazil in the form of civil associations or cooperatives, which represent Kayapó communities who reside in the Baú, Menkragnoti, Capoto and Jarina, Badjonkôre and/or Kayapó indigenous lands. Such entities must have a social deliberative body (advisory board, board of directors etc.) formed exclusively by indigenous Kayapó. In addition, they must have more than 2 years of experience in development projects with Kayapó indigenous communities.

It is not yet possible to evaluate the results and effectiveness of the Kayapó Fund, and it is still unclear how the tribe's capacity to equitably distribute resources will be strengthened by the fund governance. Information-sharing and negotiating power relations will be essential to pursue a more legitimate path and allow full understanding of all the arrangements by the Kayapó people.

## Discussion

IP are highly diverse and heterogeneous groups. Responding to their diversity, distribution of REDD+ benefits should follow a multidimensional approach. As argued by Shankland and Hasenclever (2011), this implies that the distribution of benefits be based on those aspects for which IP can be held responsible, reflecting a range of factors including traditional knowledge and sustainable forestry practices, and the community's historical contribution to forest and natural resource conservation, alongside the amount of carbon secured. As IPs legally control a fifth of Brazilian Amazon, failure to arrive at agreements with them that are both just and binding could critically undermine the prospects for success of REDD+ in Brazil and beyond.

The Surui case has shown that a well-structured FPIC process is fundamental to ensuring a high level of consent. At variance with the Surui Fund, the Kayapó Fund did not undertake an FPIC process, as it was perceived as potentially bringing dissent during the decision-making process and thus being prejudicial to approval of initiatives in the long run. It has already been argued that only through participation based on the FPIC principle is it possible to design benefits that reflect the priorities of IP and are relevant and feasible from their points of view (United Nations 2005). In addition, participation enables a more equitable benefit-sharing process and helps to identify and adjust to emerging problems, and to engage in advocacy and policy dialogue with local and national policy makers (Gebara 2013).

Another issue that has not yet been debated within the Kayapó Fund is about the ownership of forest carbon reductions generated by the activities implemented. However, we believe that, in accordance with the precedent set by the Surui case, the guarantee of property rights will be a strong reason to justify that forest carbon rights and benefits from environmental services should also accrue to the Kayapó and other IP groups involved with REDD+ in Brazil. In case the federal government deviates from this precedent and claims rights to the benefits from carbon emission reductions in IP territories, a national benefit-sharing mechanism needs to address not only how to distribute the revenue from any carbon reductions but also the creation of rights and responsibilities coming from it.

In terms of governance, the composition of the deliberative body—made up of Surui people themselves—increases autonomy and empowerment and improves planning and implementation of the activities established by the 50 Year Life Plan. The composition of the Kayapó deliberative body, on the other hand, is more diverse in terms of types of organizations, which may lead to technical, institutional and financing issues being addressed in a more efficient way. However, it may also raise concerns about the centralization of the decision-making process in the hands of the donors and the technical commission, having implications for the legitimacy of the benefit-sharing process. The access to benefits is also more restricted in the Kayapó Fund, since it is limited to the specific institution, not including less structured organizations, such as local entities. Relying on the voluntary market, however, may still be risky for IP initiatives, as shown in the case of the Surui Fund.

Overall, the use of local environmental funds for REDD+ benefit sharing with IP still faces significant challenges that may impact their effective, efficient and equitable results. As we saw in the Kayapó case in particular, fund design may result in donor and investor risk due to unclear rights allocation over forest carbon, and legal constraints that limit adequate participation by IP in decision making over the destination of funds. In addition, while designing local environmental funds, it is important to consider how long-term goals and finance strategies may change over time according to the evolving cultural, economic and livelihood interests of IP.

Finally, future arrangements for the governance of REDD+ initiatives affecting indigenous territories may be unsuccessful if they fail to connect with the realities of indigenous resource management, culture and decision-making. Yet, as Latour (2002) argues, the ontological basis of IP's relationships with the forest is radically different from that assumed by the 'Western promoters' of REDD+. This means that ecosystem services that are on the table with REDD+ may have no equivalent category within indigenous conceptualizations of nature. However, it is by no means certain that both parties need to be in agreement on the object and goals of their negotiations in order to achieve a common outcome (Shankland and Hasenclever 2011).

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This info brief is part of a series of reviews on existing literature and practices to derive relevant lessons for the design of REDD+ benefit sharing mechanisms. The reviews aim to stimulate debate on balancing effectiveness and efficiency, while ensuring equity in ongoing policy processes in the development of REDD+ as a performance-based mechanism.



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