



Vi Agroforestry

BENEFIT SHARING MECHANISMS

**– A CORE COMPONENT OF CARBON PROJECT
DEVELOPMENT**

1. Benefit sharing mechanism

What is a benefit sharing mechanism in the voluntary carbon market?

A benefit sharing mechanism is a function often embedded in the carbon project design outlining how local communities will benefit from the project. The set of benefits includes social, environmental and economic benefits and can either be direct or indirect. The economic benefit can be either a

monetary transaction, often linked to the pricing of the carbon credit (profits from sales) or a fixed payment, which may or may not be tied to the amount of carbon sequestered or emissions avoided. Environmental benefits can include land restoration and conservation initiatives which are benefiting the farmers through improved yield and productivity. Social benefits include the social well-being of the local communities and can include cultural values, preservation and use of traditional foods, handicrafts, ornaments and medicinal products made from trees or in-kind benefits such as community services.

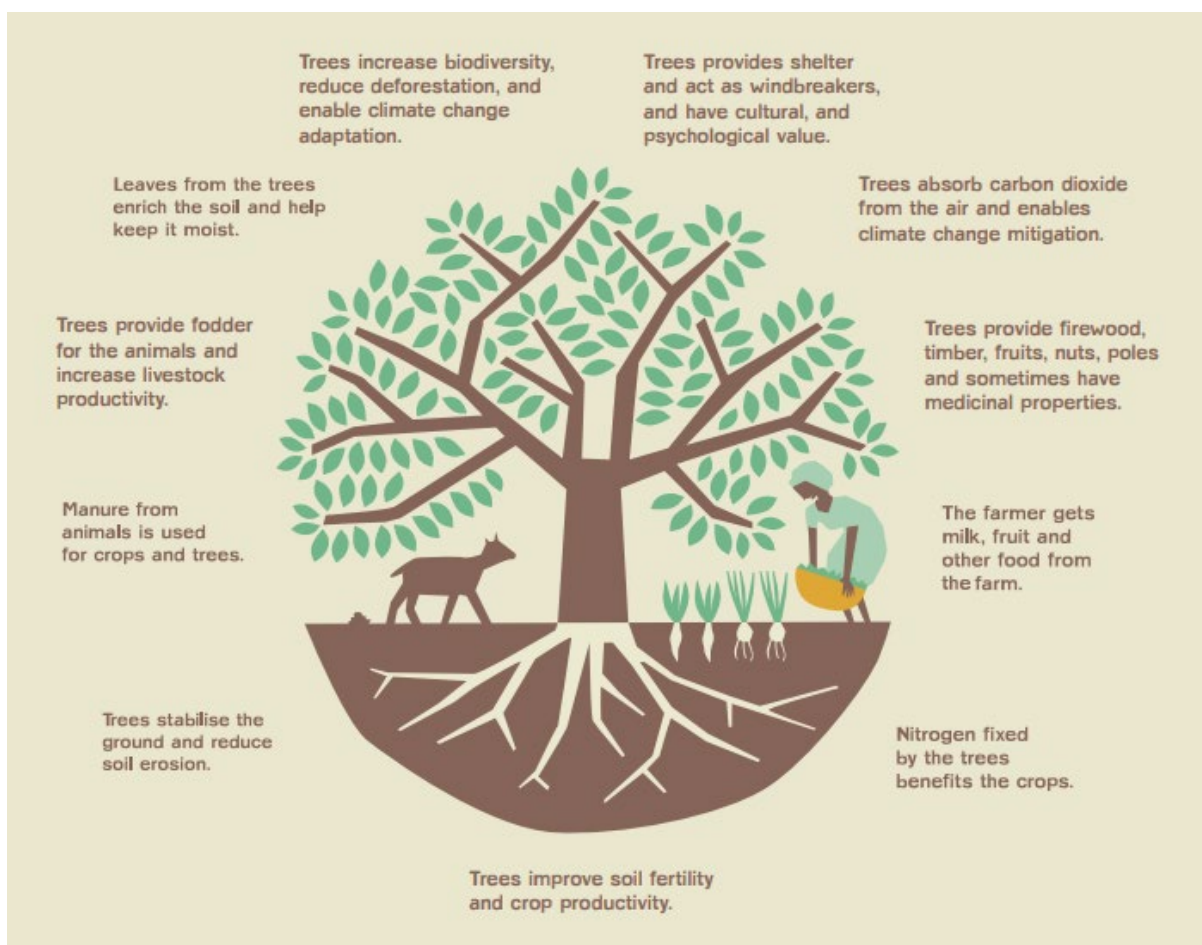


Figure 1. Illustration of the numerous benefits of trees through agroforestry system design, beyond carbon sequestration in biomass and soil.



Vi Agroforestry

When is it likely that a benefit sharing mechanism is taking place?

A benefit sharing mechanism is likely to take place in a project certified by a quality standard (carbon crediting scheme or other), when the host country requires it or when initiated by the project developer, the investor or the end-customer. It can be an ex-ante benefit sharing typically assisting the community in the start of the project or ex-post, when the project is delivering results. For small scale communities, the support in early stages of a project can be crucial for the project's success.

Why would you include a benefit sharing mechanism and why is it important?

The benefit sharing mechanism function as a way of compensating the affected stakeholders for efforts made, usage of land or for inconvenience in the development or implementation of a carbon project. It functions as channeling mechanisms from the usages of the carbon credit produced through the project, i.e. the carbon right, to the communities affected by the project. Including a benefit sharing mechanism in the carbon project is one of many safeguards to ensure that the carbon project is contributing to positive development alongside climate mitigation.

Who should consider a benefit sharing mechanism and who would be affected by it?

A benefit sharing mechanism should be included in all carbon projects. The existence of a benefit sharing mechanism

in the project design is important throughout the project cycle. For the acceptance by all, project beneficiaries should be informed with the context analysis and unpacking about the challenges to be addressed, priorities and success. All stakeholders (carbon buyers, project developers, farmers and government institutions) should recognize the role played by land users who actively sequesters carbon, and ensure they are compensated for their efforts. A robust benefit sharing mechanism can provide the project with a higher acceptance on many different levels and an ethically better project. For the end-user it can affect the willingness to pay a higher price for the carbon credit and provide an assurance that the project is not resulting in negative effects where it is being implemented. For a project developer it can facilitate engagement with both local stakeholders and decision-makers on different levels, increasing the likelihood of project acceptance and ultimately the ability to promote the resulting carbon credits as *socially responsible*.

How can a benefit sharing mechanism be implemented and what should be considered?

A benefit sharing mechanism can be integrated in the project in many ways. It can be an ex-ante transaction providing a support before the carbon credits are being produced. This can be infrastructure (solar power that decrease emissions and provide the community with electricity), capacity development (for example, educating farmers in climate-smart agricultural practices that both captures carbon and increases climate resilience, farm productivity, and food security), project related inventories that have multiple benefits (for example:



Vi Agroforestry

improved cooking stoves → less fuel consumption → carbon reduction → less smoke and air pollution → health improvement). It can also be a continuous transaction during the project where for example smallholder farmers receive an amount of money as per the carbon sequestration tonnage.



Case 1.

Key interventions for the Trees Sustain Life (TSL) carbon project in Tanzania include agroforestry techniques such as boundary planting, woodlots, dispersed interplanting, and fruit orchards. These systems contribute to the following:

- Carbon sequestration
- Enhanced agrobiodiversity (proved through an independent scientific inventory conducted in 2024)
- Reduced deforestation (fuelwood accessible on farmland which reduces the need for sourcing in adjacent forests),
- Soil fertility and health (by adding organic matter through tree litter and incorporating nitrogen fixing tree-species, these measures also enhance soil life crucial for sustainable soil management)



Photos from farms participating in TSL project. Comparative images of SALM and agroforestry designs: (a & b) woodlot designs with minimal ecosystem disturbance; (c) field boundary planting with mixed crop cultivation; (d) intercropping designs with regular

2.Vi Agroforestry and benefit- sharing

2.1 Environmental benefits

Vi Agroforestry's projects are designed to tackle climate change through both adaptation and mitigation strategies. Vi Agroforestry prioritizes knowledge dissemination on sustainable agricultural practices, agroforestry systems, climate change, and restoration efforts, helping farmers improve their productivity and environmental stewardship.

In all Vi Agroforestry's carbon projects, the environmental benefits extend to the integration of climate-smart agriculture and sustainable land management practices (SALM) which not only reduces emissions, but also improves soil fertility, water retention, agrobiodiversity and overall ecosystem services that directly benefit smallholder farmers.

Vi Agroforestry adopts Environmental and Social Impact Assessments (ESIA) before any project implementation. This ensures a proactive approach to minimize negative environmental impacts while amplifying positive outcomes, such as enhanced climate resilience for project participants. Along with ESIA, Vi Agroforestry provides awareness on climate change, and mitigation and adaptation measures to project beneficiaries.

2.2 Financial benefits



Figure 2 - revenue distribution to KACP farmers

Financial benefits in Vi Agroforestry projects are multi-faceted, providing both direct and indirect economic gains. For example, the financial compensation from the carbon credits generated through these projects serve as an additional source of income for smallholder farmers. Depending on the project, financial benefits can be either be ex-ante, where farmers receive technical support and inputs upfront (as seen in the Trees Sustain Life, certified by Plan Vivo), or ex-post, where farmers gain financial returns based on carbon credit sales after the project has matured and the issuance and sale of carbon credits is completed (as seen in Kenyan Agricultural Carbon project, KACP).

In some cases, profits from carbon credits are distributed among farmer groups, such as the KACP, based on their contribution to carbon sequestration efforts. However, these financial returns are often secondary to other more significant economic benefits like improved agricultural productivity, market linkages, and value chain integration. In the Mt Elgon livelihoods project, the goal was to increased production of dairy



through improved fodder production and value chains for the dairy. In this project there were no direct payment to the farmers linked to the carbon credits but instead in-kind benefits from the increased capacity and milk production.

A key aspect of Vi Agroforestry's approach is connecting farmers to value chains and investors. This not only enhances access to financial benefits but also strengthens market positioning for agricultural products, like dairy. Farmers are supported in improving their productivity and value chain involvement, which offers more immediate financial benefits compared to carbon credit revenues.

“Revenues from carbon credits are a co-benefit rather than the primary incentive.”

Vi Agroforestry promotes **agricultural and non-agricultural income diversification** to ensure that smallholder farmers benefit from multiple sources of revenue. This is particularly important as carbon credits alone may not provide sufficient financial support, especially in the early stages of project implementation since the actual ex-ante revenue takes years before they reach the land user. The organization also fosters **autonomy** among farmer groups by encouraging collective decision-making regarding the use of funds and

resources. For example, groups are empowered to manage funds from carbon credits based on their progress in adopting SALM practices. The KACP assesses based on:

1. The number of SALM practices they have adopted
2. The increased yield
3. The number of trees.

Vi Agroforestry also works to include **youth**, who traditionally lacks access to land and are focused on fast-income activities like transportation by “boda boda” (motorcycles). By engaging youth in **Village Savings and Loan Associations (VSLAs)** and linking them with environmental initiatives, the project creates **alternative income streams** and empowers youth to participate in agroforestry and sustainable agriculture.

Through all projects the focus is on **sustainable livelihood options** by offering training in agroforestry, seedling production, and nursery management, enhancing farmers' capacity to generate diversified income streams. This makes the projects **livelihood-first initiatives, where carbon credits are a co-benefit rather than the primary incentive.**

2.3 Social benefits

Through Vi Agroforestry's carbon projects, the farmers experience direct social benefits through enhanced agrobiodiversity and improved agricultural efficiency and productivity by adopting SALM practices. This strengthens food security by providing direct **access to nutritious indigenous food**. Additionally, our projects prioritize post-harvest management to ensure the availability of safe food throughout the year.



Vi Agroforestry

Vi Agroforestry adopts a **Human Rights-Based Approach (HRBA)** and integrates **gender-transformative strategies** to ensure inclusivity and equitable benefit-sharing within communities. Historically, participation in carbon offset projects was dominated by men due to cultural land ownership norms. However, through **capacity-building efforts** focused on gender mainstreaming, there has been a significant shift. Women, including widows and single mothers, have been encouraged to actively engage in these projects. In the TSL project, men allowed their wives to be registered and participate in the project from 2015/2016 and 2018/2019 registrations, signifying a positive transformation of gender roles.

The social benefits of the project go beyond income generation and increased yield. By fostering farmer groups and collective participation, it strengthens social cohesion within the farming community and promotes stronger relationships among neighbors. The project also supports the preservation of traditional and cultural practices, such as using tree products for food, handicrafts, and medicine.

Vi Agroforestry conducts conflict sensitivity assessments to identify and mitigate potential conflict triggers, ensuring that benefit-sharing mechanisms are fair, inclusive, and equitable for all community members.

In conclusion, Vi Agroforestry's benefit-sharing mechanisms in environmental, financial and social spheres are interconnected, ensuring that the carbon projects provide holistic and lasting benefits to vulnerable communities. The organization's approach ensures not only

the mitigation of climate change but also tangible improvements in livelihoods, social inclusion and environmental integrity. By focusing on **livelihood-first models**, value chain integration, and capacity building, Vi Agroforestry ensures that farmers benefit directly from improved agricultural productivity, while carbon credits remain a valuable, but secondary, incentive.

3. Checklist for benefit sharing component in carbon projects:

- ✓ Are there social and environmental benefits that extend beyond greenhouse gas (GHG) reduction or mere carbon sequestration from trees?
- ✓ Does the parcel of land provide essential benefits (e.g., food, fodder, biomass) that contribute to community livelihoods in addition to carbon mitigation or credit generation?
- ✓ Are benefits shared as ex-ante transactions, providing in-kind support to promote environmental stewardship before carbon credits are generated?
- ✓ Is there a commitment to providing ongoing technical assistance to farmers regarding sustainable agricultural practices and climate-smart methodologies?
- ✓ Have landowners been provided with compelling reasons to participate in the project beyond the prospect of carbon credit schemes?

- ✓ Is there a robust monitoring and evaluation framework in place to track the impact of benefit-sharing mechanisms on local communities over time?
- ✓ Are local social structures integrated into the project design, ensuring that benefits are equitably shared among diverse community members?
- ✓ Are there targeted initiatives to promote gender equity within project participation and benefit distribution, addressing historical imbalances?



- ✓ Have channels for community feedback and grievance been established to ensure that stakeholders can voice their concerns and receive responses?
- ✓ Does the project align with existing local development plans and priorities, ensuring that benefit-sharing contributes to broader community goals?

4. FAQ

1. How do you decide (and when relevant put into agreements) obligations and rights between different parties and stakeholders?

For a benefit sharing mechanism to be legitimate and fair to different parties and stakeholders, obligations and rights must be addressed through a participatory approach.

Key steps in this process include:

- **Free, Prior and Informed Consent (FPIC):**
FPICs are the foundation for engaging with project beneficiaries, specifically smallholder farmers (SHFs) and their organizations. This means that participation in the project must be voluntary, with beneficiaries fully understanding the project, its requirements and their expected contributions.
- **Formal agreements:**
Once beneficiaries agree to participate, they sign a legally binding agreement outlining their obligations, such as committing to sustainable farming practices and



Vi Agroforestry

reporting tree growth development. The project proponent will also ensure that whatever benefits have been agreed upon shall be delivered within the suggested timeframe.

- **Cultural adaptability:**
To facilitate understanding, all agreements are drafted in the local language.
- **Monitoring and accountability:**
We establish clear mechanisms for monitoring and accountability within the agreements. Regular check-ins and grievance mechanisms allow stakeholders to voice concerns, ensuring that both parties uphold their commitments.
- **Flexibility and adaptability:**
Agreements should also include ability for flexibility and adaptability in response to changing circumstances or community needs. This ensures that the project remains relevant and beneficial to all parties involved.

2. Reflect on how national framework and increased government involvement in connection to Article 6 may effect benefit sharing and cost of projects.

Both international and national frameworks can have an impact of the ability to include or the demand for a benefit sharing mechanism. The UNFCCC rules and regulations has its specific rules for projects developed under Article 6 of the Paris Agreement.

Vi Agroforestry operate on the voluntary market and the rules and regulations affecting our projects are national and is decided upon by each government as well as the quality standard it adhere to.

In East Africa where we operate, Vi Agroforestry is the centre for excellence with feasible actions that are aimed at ensuring that its carbon projects are registered and permitted legally. The draft Carbon Credit Trading and Benefit Sharing bill in Kenya will see the governments taking control of carbon projects. This means that all carbon projects will be registered in a national registry. This will increase the control of the government and can potentially increase the quality of the projects but at the same time it might increase the risk for corruption. In Kenya the government has put in place The Climate Change (Carbon Markets) Regulations, 2024 that is supposed to provide guidance and regulatory oversight on carbon markets. There is also a need for clarification regarding the carbon right and the relationship to the national inventory and reporting of emissions.

In Tanzania, the custodian for monitoring all carbon trading is the Tanzania Carbon Monitoring Centre under the Sokoine University of Agriculture. In addition, the government acknowledge that, reducing greenhouse gas emissions, such as carbon dioxide, is a key element in the fight against climate change. In this regard, the government has put in place the Environmental Management Regulations (2022) to enable a conducive environment of carbon trading in the United Republic of Tanzania. Furthermore, the government has amended carbon trading mechanisms regulation (2023) to govern the carbon trading more efficiently. Despite the effort, the momentum is quite slow due to low awareness of these related regulations.