"Preliminary review and approach to develop a system for benefit sharing for REDD+ in Cambodia"

November 2014

1. EXECUTIVE SUMMARY

The fundamental premise of the REDD+ programme is to offer result-based payments to participating countries. REDD+ countries can receive payments based on demonstrated results of reduced emissions against a reference emissions level and such payments may be deposited into a national REDD+ fund.

These results based payments will accrue in future. In addition to such payments countries may also receive funds from bilateral, multilateral and development partners for upfront implementation of national forestry programme for demonstration activities to pilot projects, enhance capacity and incentivize future results based payments. REDD+ countries are required to develop a system for allocation of fund and distribution of benefits. This working paper aims to introduce issues, principles, guidelines and an approach for such a mechanism in Cambodia.

Cambodia can establish a fund allocation and benefit sharing mechanism appropriate to its national circumstances, and requirements. In doing so the mechanism should build on the principles of effectiveness, efficiency, and equity as a recommended best practice in REDD+ literature. (CIFOR 2012). It is also important to consider that within its national territory, there may be forests where Greenhouse Gas (GHG) emission is higher and lower than a nationally defined reference emission level. Though imposition of any penalty measure against those who emit GHGs over the reference level is likely to be politically infeasible, it is important to ensure to provide incentives for those who successfully reduce emission from deforestation and forest degradation in their local forests.

1.1 Who would receive funds and benefits?

REDD+ activities are likely to incur "transaction costs" arising from operation of REDD+ funds, the National Forest Monitoring System (NFMS), and Safeguards Information System (SIS), as well as "implementation costs" associated with the implementation of key Policies and Measures (PAMs) identified under the REDD+ national strategy. The Royal Government of Cambodia will decide how national funds should be allocated to cover each type of cost.

National and subnational government entities are likely to receive funds that cover their transaction costs partially. A range of actors may be eligible to receive funds or benefits for implementation costs. This depends on the policies and measures that are identified as priority activities. Possible examples of PAMs may include, but are not limited to: moratorium on economic land concessions, strengthening forest law enforcement, clarification of land tenure for local communities and indigenous peoples, expansion of, and support for, community forestry, community protected area and community fisheries.

The national REDD+ strategy may include additional activities that specifically aim to incentivize local actions. As defined in the UNFCCC decisions, the overall objective of such actions should be to contribute to the reduction of emissions, even asthe protection and conservation of natural forests and their ecosystem services, and enhancement of other social and environmental benefits are also achieved. Lessons from Cambodia and other countries indicate that such local activities may entail: payments for ecosystem services, forest conservation and protection activities, and reforestation/afforestation activities.

Recipients of incentives and benefits will depend on who would be involved in these respective activities. If landowners are involved in providing ecosystem services, they will be eligible beneficiaries. Likewise, if communities are involved in forest conservation and protection activities, they may qualify to receive

funds and benefits. Government entities, NGOs and the private sector may also become eligible recipients if they engage in any of these activities.

1.2 What will be the basis for decisions on benefit sharing?

Case studies demonstrate that a range of basis can be used for making decisions on benefit sharing. The particular choice of basis, and the data required for making a decision depends on the kinds of activities selected for incentivizing local actions. For example:

- A contract approach may be used for payment of ecosystem services. Benefits may be provided to landowners, communities or other actors based on a formal contract between governments and landowners/communities for preserving critical ecosystems. For this approach to work, clear tenure and ownership is a prerequisite, however this approach may exclude the poor, most of whom could be landless.
- Output based approach may be used to promote forest conservation and protection, and reforestation and afforestation. Experiences from Nepal and Indonesia demonstrate that the output-based approach is an effective tool for fostering forest conservation, and protection by communities. In these cases, benefits can be provided based on changes in carbon stock or proxy measures such as tree seedlings produced. The use of carbon stocks as a measure to assess performance entails significant costs. A proxy output measure such as forest volume or the number of seedlings produced is much simpler and cost-effective to assess.

- Input based approach may be used for supporting forest conservation and protection activities and reforestation and afforestation. Assessment of inputs, for example, in the form of area replanted, area that has avoided deforestation, or person-days spent on patrolling, is cost-effective, and the data easy to collect. The main constraint is the weak link between inputs and emission reductions for some types of inputs -- while it is easy to predict likely removals from replanted areas, the contribution of patrolling to reduced emissions is difficult to quantify. One approach to overcoming this constraint is to use conservative estimates for inputs with low levels of certainty, and gradually adjust these estimates as addition, and accurate information becomes available.

- Proposal based approach may be used for activities that contribute to reducing emissions. Such an approach does not guarantee the intended result of reduced emissions is achieved unless robust monitoring system or performance-based payment mechanisms are in place.

- Social criteria may be used as an additional factor to be incorporated in a contract or output based approach for benefit distribution. This can contribute to equalizing distribution of payments across communities.

1.3 What kinds of benefits should be shared?

Monetary versus non-monetary

- Existing cases illustrate that cash is a dominant form of benefit to be distributed to beneficiaries. Cash payment is seen as an important motivating factor for local actors to actively engage in forest conservation and protection. However, experiences from several countries demonstrate that while some stakeholders may favour monetary incentives to individual households, others prefer non-monetary benefits such as provision of public infrastructure, improved tenure and support for forest protection activities.

- There is also a risk of providing monetary incentives to communities for forest management. If their motivation for forest management becomes closely tied only to financial payments, and if the payment delivery is delayed and/or the payment amount is modest, they may lose enthusiasm and participation. Non-monetary benefits such as secure tenure and customary rights to forest derived benefits may be better forms of benefits for communities to engage in long-term sustainable management of forests.

Individual versus collective benefits

- Under the PES type of benefit sharing arrangement, benefits may flow to individual landowners or collective communities depending on whether they have individual or collective ownership of land or forests. While it is important to ensure that the poorest of the poor gain access to benefits selection of individuals based on ethnicity and gender should be avoided. Such forms of selection may trigger social conflicts and demotivate community members who are excluded from benefit sharing in forest management activities. It is thus preferable that at least a share of the payment is given in a form that rewards collective effort for forest protection and conservation. Schools, hospitals, infrastructure benefits the community as a whole.
- To ensure effectiveness and efficiency, it is essential that stakeholders have the opportunity to decide on the type of incentive/benefit preferred. The choice of benefit can be recorded during the REDD+ planning process for stakeholders.
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1.4 Next steps for Cambodia

The following next steps are recommended for designing a national system for fund allocation and benefit sharing for REDD+ Cambodia:

- Define key policies and measures to be used under REDD+ through the national REDD+ strategy

- Select activities to be used for incentivizing local actions. Identification of PAMs will enable selection of activities and targeted beneficiaries for incentivizing local actions to reduce emissions.

- Select basis and data on which decisions for distributing benefits will be made. Based on the selection of key activities and targeted beneficiaries to deliver incentives, subsequent decisions need to be made regarding the basis and data to be used for decisions on benefit sharing.

- Design a system to collect and monitor data and distribute benefits based on the collected data. Once the above decisions have been made, decisions should be made on how to collect and monitor data and distribute benefits. The system must ensure that beneficiaries are incentivized in an appropriate manner and at the proper time. The design of such as system needs to be assigned to an independent body which is not eligible to receive incentives. This could be contracted to an agency responsible for forest monitoring. The national REDD+ grievance mechanism can play a role in monitoring delivery of incentives.

- As a next step a national consultation should be held where the approach for Cambodia can be discussed and validated, and consensus developed for next steps that will contribute to the design of a benefit sharing mechanism for inclusion in the National REDD+ Strategy.