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USAID REDD+ OUTLOOK

CAMBODIA CASE STUDY

INTEGRATED LAND AND RESOURCE GOVERNANCE TASK ORDER UNDER THE STRENGTHENING TENURE AND RESOURCE RIGHTS II (STARR II) IDIQ

Contract Number: 7200AA18D00003/7200AA18F00015
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LIST OF ACRONYMS

AAW	Agreed Annual Work Plan
AFOLU	Agriculture, Forestry and Other Land Uses
ART	Architecture for REDD+ Transactions
CBO	Community-based Organization
CCB	Climate, Community & Biodiversity Standards
CEMIS	Cambodian Environmental Management Information System
COP	Conference of the Parties
ERPA	Emission Reduction Payment Agreement
ERR	Emissions Reduction or Removal
FAO	Food and Agriculture Organization of the UN
FCPF	Forest Carbon Partnership Facility
FPIC	Free, Prior, and Informed Consent
GCF	Green Climate Fund
GHG	Greenhouse Gas
GPL	USAID Greening Prey Lang
ICVCM	Integrity Council for the Voluntary Carbon Market
IDIQ	Indefinite Delivery/Indefinite Quantity
IETA	International Emissions Trading Association
ILRG	Integrated Land and Resource Governance
IPCC	Intergovernmental Panel on Climate Change
ITMO	Internationally Transferred Mitigation Outcome
IPs and LCs	Indigenous Peoples and Local Communities
JCM	Joint Crediting Mechanism
JNR	Jurisdictional and Nested REDD+ Framework
MoE	Ministry of Environment
MOU	Memorandum of Understanding
MRV	Monitoring, Reporting and Verification
NDC	Nationally Determined Contribution
NGO	Non-Governmental Organization

NICFI	Norway´s International Climate and Forest Initiative
PA	Paris Agreement
PAMP	Protected Area Monitoring Platform
PES	Payment for Ecosystem Services
REDD+	Reducing Emissions from Deforestation and Forest Degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
RGC	Royal Government of Cambodia
SDGs	Sustainable Development Goals
SD VISTa	Sustainable Development Verified Impact Standard
SMART	Spatial Monitoring and Reporting Tool
STARR II	Strengthening Tenure and Resource Rights II
tCO_2e	Ton of Carbon Dioxide Equivalent
TREES	REDD+ Environmental Excellence Standard
UMB	USAID Morodok Baitang
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
VCM	Voluntary Carbon Market
VCS	Verified Carbon Standard
WCS	Wildlife Conservation Society

1.0 INTRODUCTION

The United States Agency for International Development (USAID), through its missions and implementing partners, supports market-driven climate change mitigation initiatives based on protecting forest landscapes in various countries globally, including Cambodia. Known as REDD+ (reducing emissions from deforestation and forest degradation), these initiatives not only provide environmental and climate benefits, but also generate livelihood and social outcomes for rural, forest-dependent communities. Cambodia is a country that has received significant REDD+ support from USAID since 2012. USAID funding supports up to 10 REDD+ projects which cover key protected areas and forest landscapes.

The evolution of REDD+ and recent criticisms have raised questions about the integrity and quality of REDD+ voluntary carbon market (VCM) projects (Greenfield, 2023). In this context, USAID seeks clarity on the current landscape of REDD+ and how its bilateral investments can best support REDD+ projects and programs in Cambodia moving forward. This assessment was commissioned to provide USAID and its partners an overview of the current discourse and criticisms of the REDD+ voluntary marketplace, ongoing efforts to address these challenges globally, and the role that USAID funding has played and can continue to play specifically in REDD+ in Cambodia.

This report is structured as follows: Chapter 2 provides an overview of REDD+ as an instrument and the main issues besetting the REDD+ landscape globally today. Chapter 3 delves into the specific context of REDD+ in Cambodia, covering the recent updates of the national-level REDD+ policies and implementation and an overview of the REDD+ activities in the country. It also discusses the role USAID funding has played in REDD+ projects. The final chapter synthesizes the main takeaways for USAID and sets forth concrete recommendations on how USAID can continue to contribute and amplify its investments through REDD+ in Cambodia.

2.0 REDD+ STATE OF PLAY

This chapter provides an overview of the approaches to REDD+ globally, the main characteristics of these approaches, and the key issues affecting REDD+ today. The purpose of this chapter is to provide relevant framing of main issues before delving into the Cambodian context in the subsequent chapters.

Reducing forest loss globally is essential to address the climate crisis. Recent estimates suggest that deforestation is responsible for nearly 15 percent of total anthropogenic CO_2 emissions (Energy Transitions Commission, 2023). According to the Intergovernmental Panel on Climate Change (IPCC), reducing deforestation and forest degradation has an estimated technical mitigation potential of 0.4–5.8 $GtCO_2$ per year, making it the single activity from the agriculture, forestry, and land use (AFOLU) sector with the largest potential for reducing emissions (Intergovernmental Panel On Climate Change, 2022). In many developing countries where USAID operates, AFOLU is the main source of emissions and can be a key area for USAID to contribute in its efforts to mitigate climate change.

Reducing emissions from deforestation and forest degradation (REDD+) was conceived as an international framework and policy instrument towards this end. The central premise of REDD+ is that by creating appropriate incentives, actors (i.e., governments, local communities, and companies) will invest in and implement interventions that decrease forest loss. Payments are made against quantified and verified emissions reductions and removals (ERRs). In addition to the climate benefits of lowering

emissions, these payments also help protect critical forest ecosystems, conserve biodiversity, and reward Indigenous Peoples and Local Communities (IPs and LCs) for their forest stewardship.

REDD+ is one of many tools to reduce deforestation and restore forest landscapes. Addressing global deforestation and degradation requires a suite of interventions across policy, legal, and economic levers. A benefit of REDD+ finance is that it links finance to results and has the potential to mobilize further finance from the private sector to support forest protection activities that otherwise receive limited funding.

2.1 APPROACHES TO REDD+ GLOBALLY

Over the last two decades, two major approaches for implementing REDD+ have evolved in parallel, each with their respective strengths and weaknesses. These two approaches are jurisdictional REDD+ and project-level REDD+.

Under the United Nations Framework Convention on Climate Change (UNFCCC), REDD+ is conceived as a jurisdictional approach where the accounting of greenhouse gas (GHG) ERRs happens at a national or, in an interim period, subnational level (UNFCCC, 2013). REDD+ formally entered the UNFCCC in 2005 as an approach to incentivize developing countries to protect and sustainably manage forests. Forest countries seeking to receive finance for protecting their forests need to put in place the foundational elements of REDD+ as defined by the Warsaw Framework (UNFCCC, 2013). Once the country has the readiness elements of REDD+ in place, it must measure, report, and verify the ERRs achieved through its policies or interventions to receive "results-based payments."

Initiatives to support tropical forest countries to establish the foundational elements of REDD+ at the national and subnational level have been spearheaded by multilateral and bilateral purchase programs. Multilateral programs include the Forest Carbon Partnership Facility (FCPF) and the Green Climate Fund (GCF). Bilateral programs include Norway´s International Climate and Forest Initiative (NICFI) and the German REDD Early Movers program. However, overall the progress of these programs in achieving ERRs – and consequently payments for these results – has been slow (Forest Declaration Assessment, 2023a, p. 3). For example, as of 2023, only 6 out of 45 FCPF countries have received results-based payments as part of the FCPF program (Forest Carbon Partnership Facility, 2022).

Waiting for payments against results is a challenge for most forest countries – significant upfront resources are needed for governments to establish and implement jurisdictional programs. The magnitude of legal, economic and sectoral transformations required to deliver results at a national level pose a tall order (Forest Declaration Assessment, 2023a, p. 3). Incentives for adopting policies that lead to such transformations remain weak and short term. Most poorer developing countries will depend on longer-term partnerships and input financing to undertake the necessary policy reforms that eventually will reduce deforestation. The LEAF coalition[1] is piloting advanced payments for countries to provide flexibility to forest country governments to utilize this funding for implementation (Emergent, 2023b).

In parallel, private and public entities have been implementing and testing project-level REDD+ activities through the voluntary carbon market (VCM) (Hamrick et al., 2021). Project-level activities tend to focus on interventions within a specific geographic area within a country. ERRs are calculated against baseline emissions and based on methodologies approved and certified by independent carbon standards (see Box 1). REDD+ project development is not limited to non-governmental organizations (NGOs); companies or governments may also lead or establish projects. Cambodia is the best example of this;

[1] The LEAF Coalition is a public-private partnership focused on halting tropical deforestation by 2030. It aims to do so by raising and deploying forest finance through donor countries and corporates and supports jurisdictional-level approaches. For more information, see https://www.leafcoalition.org/home.

the Ministry of Environment (MoE) of Cambodia is the main proponent of all REDD+ projects in the country. Projects are developed through partnerships between the MoE and NGOs.

Project-level REDD+ activities have been a key driver of VCM activities. Carbon credits generated through REDD+ projects have historically been a strong incentive for companies to channel finance to conservation activities. As of November 2023, VCM REDD+ activities globally have received carbon credits for reducing approximately 440 million tons of CO_2 (Climate Focus, 2023a).

The VCM has also witnessed an emergence of standards and methodologies for jurisdictional-level accounting and crediting (see Box 1). In 2022, Guyana received 33.47 million TREES (The REDD+ Environmental Excellence Standard) credits under the Architecture for REDD+ Transactions (ART) program, becoming the first country to be issued forest carbon credits from a jurisdictional program in the VCM (Winrock International, 2022) by selling to Hess Corporation, a US-based company involved in the exploration and production of oil and gas (Hess, 2022). In 2023, the LEAF coalition signed agreements with Ghana and Costa Rica for the purchase of 10m tons and 1.4m tons of ERRs respectively, certified under the ART/TREES standard (Emergent, 2023a).

Box 1: Forest carbon crediting mechanisms at the global level

Project-level crediting

A project is usually implemented by private entities such as project developers and investors, often in cooperation with NGOs, communities or local (forest) authorities (Chagas et al., 2020). Where projects are implemented on state land, as is the case in all REDD+ projects in Cambodia, the ministry or authority in charge tends to be one of the project proponents.

Almost all VCM REDD+ projects have been developed using the Verified Carbon Standard (VCS), under which a range of carbon accounting methodologies have been approved. Up until November 2023, VCS had eight methodologies to account for ERRs from REDD+ projects. In November 2023, VCS published a new REDD+ methodology (VM0048) that will gradually replace prior REDD+-related methodologies to ensure alignment of accounting rules and pave the way towards jurisdictional-level accounting (Verra, 2023b). Plan Vivo issues a small portion of VCM REDD+ credits under its "REDD in community managed forests" and "prevention of deforestation" approved approaches (Climate Focus, 2023c).

Jurisdictional-level crediting

Jurisdictional programs involve mitigation activities and forest and land use related regulation at subnational or national scale. Such programs are distinct from projects in several aspects, including scale and ability to address systemic drivers of deforestation (see Table 2). Bilateral and multilateral results-based finance programs like the FCPF have specific methodologies for carbon accounting. Within the VCM, ART/TREES and Verra's Jurisdictional and Nested REDD+ Framework (JNR) provide methodologies for jurisdictional-scale REDD+ accounting. REDD+ activities under these standards can be developed by national or subnational governments or, in the case of ART/TREES, by indigenous groups with sufficiently large territories (Climate Focus, 2023c).

The suitability and effectiveness of project- and jurisdictional-level REDD+ has been an ongoing discussion in recent years. Chapter 2.2 synthesizes the key issues with respect to these approaches and the outlook moving forward.

2.1.1 MODELS FOR FINANCING REDD+ ACTIVITIES

Over the past decade and a half, a multitude of public and private finance sources have targeted a diverse range of REDD+ activities at the national, subnational and project level.

Public government-to-government finance tends to support the enabling environment for jurisdictional REDD+ as well as results-based finance programs. Multilateral and bilateral

funding can help set the foundation for forest governance systems and institutional processes at the national level.2 These activities are funded by international public funders through multilateral initiatives (e.g., GCF, FCPF, UN-REDD Program, among others). While these initiatives help build needed capacities and strengthen forest governance systems, progress from readiness to results has been slow. Recent literature indicates that result-based payments alone are insufficient to drive the transformation of forest and land use systems; investments in governance, enforcement and value chains are critical to ensure deforestation is reduced sustainably in the long run (Morita & Matsumoto, 2023; Nepstad et al., 2021).

At the global level, donor countries have pursued slightly different strategies in disbursement. Most have generally shielded away from direct project support. In this sense, USAID plays an important role in serving project-level funding needs.

Box 2 synthesizes the focus areas of major donor entities and multilateral agencies for REDD+. This list highlights key focus areas and priorities but is not a comprehensive or conclusive overview of donor activities. The list refers to activities globally and is **not specific to Cambodia**.

Box 2. Donor and multilateral agencies active in REDD+ finance globally

- **Germany:** Germany supports various multilateral and bilateral results-based finance initiatives for jurisdictional REDD+ such as the FCPF and the REDD+ Early Movers Program, among others. As a donor is active in the REDD+ space, however it remains generally hesitant to support VCM-oriented REDD+ projects; it has not provided direct support to REDD+ projects nor has it been involved in the LEAF Coalition.
- **Japan:** Through its Joint Crediting Mechanism (JCM), Japan has been one of the few exceptions to provide direct support to REDD+ project activities. This includes a pilot in the Prey Lang Wildlife Sanctuary in Cambodia, which is supported through the USAID Greening Prey Lang program (Tetra Tech, 2020) and presents a potential route to market for resulting credits.
- **Norway's International Climate and Forest Initiative (NICFI):** NICFI has a strong focus on Jurisdictional REDD+, results-based finance and market-based finance. Norway has been a driving force behind the development of ART/TREES and the LEAF Coalition, which have gained momentum in several countries, albeit not in Cambodia. Its enabling and accompanying activities include, but are not limited to, fighting illegality, improving land titling, recognition of IP and LC lands, and sustainable supply chains.
- **UK**: The UK provides support to Jurisdictional REDD+ through REDD Early Movers, LEAF Coalition and FCPF. Has an emphasis on private sector support, including development of sustainable supply chains. Generally, has not directly supported REDD+ projects.
- **UN-REDD:** Program convened and led by the United Nations and implemented through the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Program (UNDP) and the United Nations Environment Program (UNEP). The UN-REDD Program provides technical assistance and capacity building to tropical forest country governments to advance REDD+ readiness and access results-based payments.
- **USAID**: Supports numerous REDD+ projects in tropical forest countries through various funding programs. Funding goes primarily to foundational activities for establishing REDD+ projects. Chapter 3 delves into the role of USAID funding in Cambodia as a case study.

[2] REDD+ at the national level has three phases: readiness, implementation, and payment for results. Readiness relates to country efforts to develop the capacities for preparing for and implementing REDD+ (and meeting UNFCCC REDD+ requirements). This includes financial and technical support for governance mechanisms, stakeholder engagement, developing a REDD+ national strategy, and designing safeguard and monitoring systems. Results-based payments are made to countries that achieve quantifiable and verifiable forest emission reductions.

Private sector finance has been a catalyst for project-level REDD+ activities.

Private finance – from investors, corporates, and other NGOs – has been an important source of funding that enables most REDD+ projects today. The vast majority of REDD+ credits are ultimately purchased and used by corporate buyers seeking to compensate emissions; private finance represents the lion share of funding for REDD+ projects. As discussed, REDD+ projects have generally been quicker to come online and issue credits available for purchase than jurisdictional programs. Even though the market is evolving with the emergence of ART/TREES accelerating jurisdictional program development and the LEAF Coalition seeking to drum up corporate demand for jurisdictional credits, historically speaking corporate buyers had limited alternatives to project level REDD+ credits. Some corporates may also prefer project level credits given their place-based nature, linkage to more specific social and biodiversity claims, and potential preference for finance projects vs. government programs.

The strong historical demand for REDD+ can be explained by a range of factors including the attractiveness of forest conservation as an activity including its biodiversity and social benefits compared to other project types, but also the fact that REDD+ credits have been abundantly available at reasonable prices. It is noteworthy that to date NBS represents the largest share of all VCM credits issued (37 percent) and REDD+ owns the largest share within NBS (76 percent) (Climate Focus, 2023a).

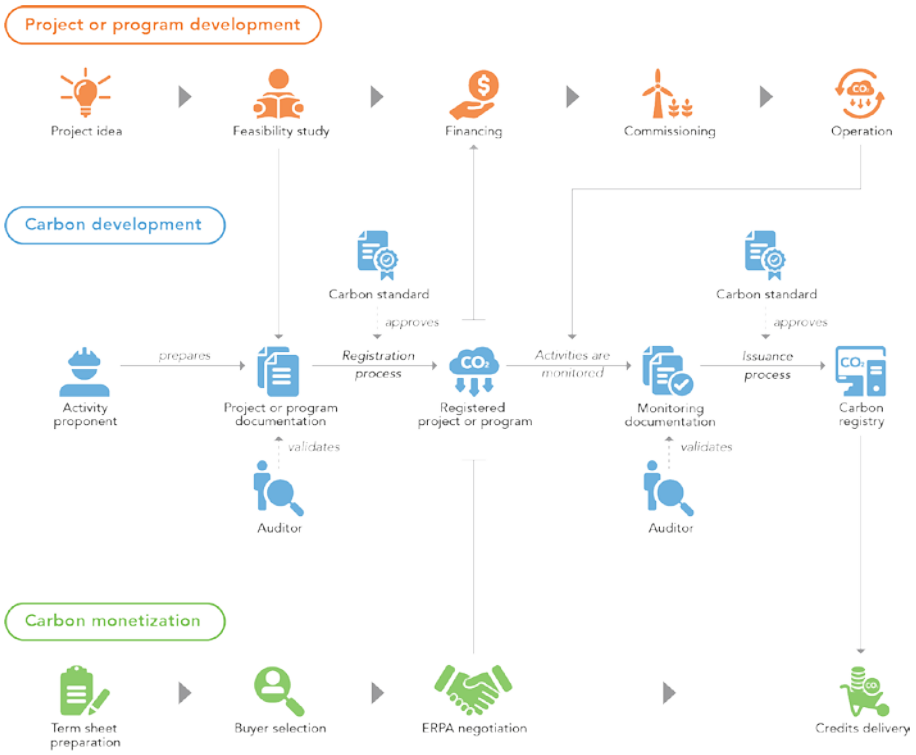
As real and perceived future demand for credits has grown, so has the appetite from investors to pre-finance carbon projects, including REDD+. Some corporates with sufficient financial muscle have pre-financed projects themselves to secure future credit volumes in an increasingly competitive market. However, most pre-finance tends to come from investor-backed project developers and NGOs. Arguably, such investors and developers have tended to prefer project-level investments over jurisdictional level not necessarily to avoid government interactions – indeed many projects are developed on public lands including protected areas under agreements with governments - but because they are more readily available and viable to negotiate and manage than investments in vast jurisdictional program that would put success at the mercy of government interventions.

Setting up high-quality and high-integrity REDD+ projects is a resource- and time-intensive endeavor and requires upfront financing to ensure success.

Any carbon project seeking to register and issue credits for sale in the VCM needs to complete the various steps in the carbon project cycle (See Figure 1 and Table 1). Costs for these activities vary depending on the location, size, and project activity type. They are generally time-intensive endeavors that require large upfront investment. Costs for developing and registering a project may range from USD 200,000–500,000, not including costs of ongoing implementation activities (see Table 1 below). REDD+ projects require community engagement that demand the building of trust over long periods of time. Additional REDD+ safeguards apply. These steps, without which the rigor and integrity of the project may suffer, also require upfront financing. As the issuance and sale of credits may take several years, and in the absence of forward purchases or pre-financing from private sector, many projects have relied on grants and donor funding to cover early implementation costs.

Revenues from the sales of credits can be a crucial – albeit unstable and hard to predict – source of long-term funding for conservation activities that have had limited or no access to market-based funding in the past. As competition in the VCM has increased in the last few years, there has been increased interest from the private sector to invest directly into REDD+ projects, either through forward purchases of credits or pre-financing to secure access to carbon credits. In general, this dynamic has increased access to upfront finance for VCM projects. In addition, blended finance (i.e., donor and government funding leveraging private capital) has also supported several REDD+ activities.

FIGURE 1. CARBON PROJECT CYCLE AND ASSOCIATED STEPS



Source: Climate Focus

TABLE 1. ACTIVITIES THAT ARE FOUNDATIONAL FOR HIGH-QUALITY REDD+ PROJECTS AND REQUIRE UPFRONT FINANCING

REDD+ Project IDevelopment Phases	Associated Activities
Forest carbon and biodiversity assessments	**Conducting feasibility assessments** • Conducting feasibility assessments to ascertain the potential for developing a REDD+ project in a particular forest area.
	Establishing robust baselines • Conducting forest carbon and biodiversity assessments of prospective project area and establishing project baseline.
Project development and implementation	**Community consultations** • Engaging in Free, Prior and Informed Consent (FPIC) consultations with local communities, including Indigenous Peoples and forest-dependent actors, to raise awareness about the project and seek their consent in participation. • Engaging local authorities and government at subnational or national level.
	Governance • Establishing and sustaining local governance and decision-making structures that will undergird the participation of local actors and their involvement in project implementation.
	Tenure and land titling • Where land tenure is unclear, supporting communities participating in project to secure land tenure, as this strengthens their right to negotiate

	with developers, and can reduce risks of elite capture and conflict over rights to benefit or make decisions related to land use.
	Benefit sharing • Engage and consult local actors on appropriate and equitable benefit sharing mechanism for the project. • Where absent, help establish governance structures (e.g., REDD+ committee) to oversee and receive benefits. • Delivery of benefits, including monetary and non-monetary (e.g., establishing critical infrastructure like hospitals, water supply, etc.).
	Livelihoods • Developing alternative livelihood and production systems.
	Capacity building • Providing upskilling and capacity building to local actors that are context-specific and dependent on the deforestation drivers in a local area. These may include increasing capacities on alternative livelihood activities, sustainable forest management practices, monitoring, and vigilance to strengthen law enforcement, among others.

Underlying the growth in REDD+ programs and projects are buyers of credits generated by such activities. There are two main buyer groups, namely corporates and sovereign buyers, although there are ongoing initiatives that involve the collaboration of these two buyer categories (Table 8 in Annex II).

2.1.2 PRINCIPLES AND COMPONENTS OF HIGH-QUALITY REDD+

Several components undergird high-quality REDD+ activities, both at the jurisdictional and project-level (Climate Focus, 2023b; Forest Trends' Ecosystem Marketplace, 2023). These components are important for ensuring that activities achieve carbon benefits and broader Sustainable Development Goals (SDGs). REDD+ VCM projects pursue additional accreditation, for example the Climate, Community and Biodiversity (CCB) Standard, to demonstrate the sustainable development and non-carbon benefits the project delivers. Buyers of REDD+ credits increasingly seek such accreditation when sourcing credits (Donofrio & Procton, 2023).

- **Robust GHG accounting.** All REDD+ activities need to ensure that the quantification of the ERRs results in carbon credits that are fungible with or equivalent to emissions they are meant to offset. The robustness of a carbon credit is underpinned by whether a program or a project has reduced or removed one ton of CO_2 equivalent (tCO_2e) that is represented by the credit issued. This depends on a few factors, including but not limited to setting credible and conservative baselines; ensuring that activities implemented are additional (would not have occurred in the absence of the intervention); and ensuring that measurement and quantification of ERRs are accurate, robust, and conservative.

- **Sustainable livelihoods and community involvement:** REDD+ activities often take place in inhabited landscapes, with communities that are dependent directly or indirectly on such landscapes for their subsistence and livelihood. REDD+ interventions need to consider and ensure that communities' livelihoods are improved. This can be achieved in a number of ways, including through sustainable or alternative income generation and diversification as well as development of key infrastructure needed for schools, hospitals, energy, clean water access, etc. This is also critical to the long-term success of REDD+ activities. It is equally important that communities are appropriately engaged, consulted, and included. Their consultation and inclusion from early project consideration through to operation is key to ensure project success

from the perspective of all stakeholders. REDD+ projects that aim to avoid unplanned deforestation (i.e., unsanctioned deforestation activity) are especially prone to conflict with local communities and must pay special attention to creating mutually beneficial relationships. Indeed, the FPIC of local communities is a REDD+ requirement under all carbon standards as well as a core component of the Warsaw Framework.

- **Transparent and fair benefit sharing:** Benefits and revenues generated through REDD+ interventions must be shared equitably and transparently with all relevant actors. Benefits can accrue to communities in the form of direct payments, improved infrastructure, community services, or other non-monetary benefits. Effective benefit sharing agreements provide incentives for IPs and LCs and other local stakeholders to participate in VCM activities as appropriate (Climate Focus, 2023b). This principle is commonly accepted in carbon markets and is being further cemented in carbon standards and integrity initiatives such as the Integrity Council for the Voluntary Carbon Market (ICVCM). Further, certain buyers include related provisions in their Emission Reduction Payment Agreement (ERPAs). Benefit sharing is not only crucial from the perspective of fairness but also to guarantee long-lasting, transformative impact and permanence of emission reductions. Benefit sharing is improved when local communities are not only stakeholders, but are also recognized rights holders.

- **Lasting and transformative impact**: REDD+ activities should support countries in their efforts to shift towards low emissions development paths. Larger sectoral or jurisdictional programs have the potential to generate transformative policy changes and impacts at a larger scale, although they are susceptible to shifting political will and changes in governments. Activities that provide transformative capacity building and technology with effects outside of project boundaries can enhance the climate ambitions of countries and provide net contributions to the Paris Agreement (PA), even if credits are used as offsets[3]. Activity developers can pursue socio-economic and ecological impacts through activities. Several carbon standards provide labels or credits to certify contributions to SDGs or other socio-environmental benefits (Climate Focus, 2023b).

2.2 KEY ISSUES FOR REDD+ GLOBALLY

This subsection summarizes the general take-aways and outlook for REDD+ at the global level, and considerations that can inform USAID's approach. It sets the scene for the subsequent chapters of this paper, which delve into the specific case of REDD+ in Cambodia.

The key issues are synthesized into three categories, which include:

- the appropriateness of jurisdictional vs. project-level REDD+ interventions;
- the integrity, credibility, and quality of REDD+ activities in the broader carbon market; and
- the implications of Article 6 of the PA and corresponding adjustments on REDD+ activities and transactions.

[3] Carbon offsets are ERR credits used by a company or entity to compensate emissions produced elsewhere.

2.2.1 JURISDICTIONAL OR PROJECT-LEVEL REDD+: IMPLEMENTING REDD+ AT WHICH SCALE?

The role projects can play in jurisdictional-level REDD+ programs has been a running question since the inception of REDD+.

Addressing deforestation and forest degradation at scale requires massive transformations of business-as-usual ways of economic development and natural resource management. Over the last decades several countries have made progress in putting in place the necessary reforms and reducing deforestation. Some countries (e.g., Costa Rica and Brazil) had already developed successful incentive frameworks for reducing deforestation prior to REDD+. Others, such as Indonesia and Mozambique, have had more recent success in reducing deforestation and have been able to demonstrate results under the FCPF jurisdictional program.

Despite these successes, the promise of payments in exchange for reduced emissions from forest ecosystems may not be sufficient to address the deeply-rooted drivers behind practices, the inequitable distribution of rights, and actors that cause forest loss (Nepstad et al., 2021). Existing research on conservation finance is unable to confirm that results-based payment schemes can create effective long-term conservation incentives (Morita & Matsumoto, 2023). Systemic transformations take a long time, as demonstrated by the many years it is taking countries and donors to implement the systems and institutions needed for REDD+ results-based payment at the national level (Hamrick et al., 2021). While there may be political interest to reduce emissions from land use change and forest conversion, current institutions and capacities – including poor law enforcement, weak land documentation/registration/ titling policies, and contested allocation of forest rights, among others – create barriers for successful REDD+ policies.

In contrast, project-level REDD+ efforts are nimbler and quicker in delivering resources and investments directly to targeted deforestation hotspot areas (Hamrick et al., 2021). Led mostly by NGOs or private companies, and sometimes in collaboration with public authorities, individual REDD+ projects can relatively quickly attract significant and targeted private finance to protect a particular forest area. Increased private finance flows to REDD+ projects drive availability of upfront investment finance for project implementation. Private entities are more comfortable investing directly in projects since risks are easier to manage and less politically charged than investing in influencing national policies. Private entities also tend to avoid direct payments to governments which can raise concerns about corruption and private attempts to influence politics in the host country.

Private finance can complement the often insufficient governmental resources to support the management of forests and protected areas (World Bank, 2021). Individual projects are also easier to implement, for instance, due to their small and targeted scale as compared to the large complexities associated with jurisdictional programs. Thus, individual REDD+ projects have the potential to stop local deforestation (albeit only within the project area) relatively faster than jurisdictional programs (Thompson et al., 2022). Local context and needs can be widely considered and targeted to the specific needs of the project area (Thompson et al., 2022). However, REDD+ projects are unlikely to fully prevent deforestation in the long-term in countries with weak forest governance and enforcement and in the absence of effective policy interventions. In this sense, jurisdictional programs are complementary.

The main advantages and disadvantages of project and jurisdictional-based REDD+ approaches are summarized in Table 2.

TABLE 2. ADVANTAGES AND DISADVANTAGES OF PROJECT-LEVEL AND JURISDICTIONAL REDD+

	Project-level REDD+ Interventions	Jurisdictional REDD+ Intervention
Advantages	• More targeted intervention in a particular forest area, which can be more quickly and nimbly delivered compared to jurisdictional-scale activities • Empowerment of local communities • Quicker mobilization of private investment	• Larger potential for transformational and lasting change • Larger scale carbon accounting avoids misalignment of accounting methods • Activity-shifting leakage[4] captured within a larger area
Disadvantages	• Limited impact on national deforestation rates • Project viability depends on market-based revenues • Risk of activity-shifting and market leakage • Long-term viability untested, and likely needs broader jurisdictional changes to ensure permanent forest protection	• Untested theory of change (incentives through results-based finance uncertain) • Complexity and longer implementation time • Larger exposure to political changes and thus prone to large-scale reversals • More difficult to control and predict due to larger scale. • Harder to ensure the effective delivery of benefits to IPs and LCs • Increased risk of corruption and elite capture
Type of financing	• Upfront investments in project-set up and development • Blended finance, leveraging both public (often donor/ multilateral) and private funding	• Results-based finance from international donors. Results are measured in ERR and finance comes ex-post. Often preceded by readiness financing to support countries establish institutional and technical capacities. • LEAF Coalition is a public-private platform of buyers committed to buy large volumes of ERRs generated at the jurisdictional (national or subnational) level.

Source: Authors' elaboration, based on Chagas et al., 2020 and Hamrick et al., 2021.

Jurisdictional REDD+ and project-level activities are both important tools to address deforestation. In many countries, a combination of project-level and jurisdictional scale implementation may be required to address forest loss. The need to integrate and align project-level accounting with jurisdictional level accounting is becoming increasingly clear.

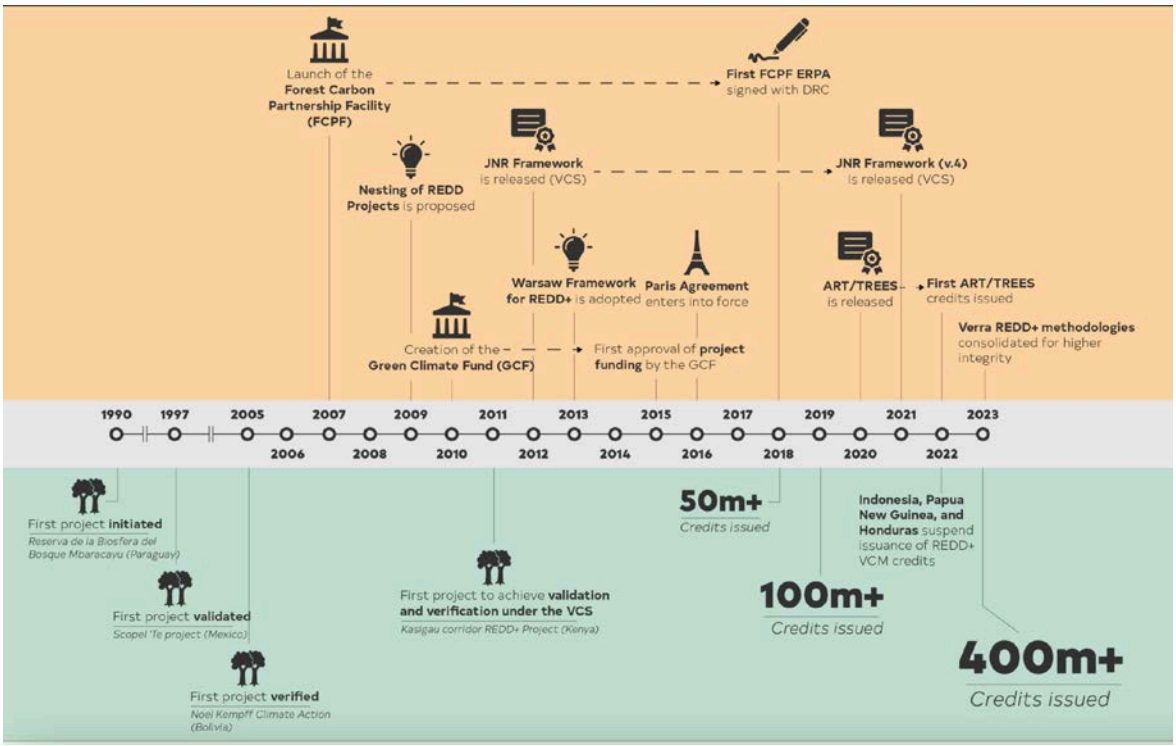
In some countries – including Cambodia – REDD+ initiatives and efforts exist on multiple scales. They apply distinct accounting and reporting frameworks, and access various sources of funding. REDD+ projects apply methodologies developed by Verra, the main standard that certifies REDD+ VCM activities. Until recently, all REDD+ projects were able to establish their own baselines based on an

[4] According to Verra, leakage refers to "the concept that changes in land management in one place (e.g., decreasing deforestation in forest A) may shift the problem to another location (e.g., increasing deforestation in forest B)." Source: https://verra.org/faq/.

approved REDD+ methodology. The application of different methodologies and in some cases the alleged inflation of baselines by projects to generate higher volumes of emission reductions has often led to misalignment with national forest reference emissions level and carbon accounting established by the government. This misalignment harms the perceived environmental integrity of REDD+ interventions, as buyers and observers become confused about which baselines and resulting credits to trust. As discussed previously, there are benefits to both project- and jurisdictional-scale implementation of REDD+ interventions. However there has been an increasing consensus on the need to converge to jurisdictional accounting, while allowing projects to continue to be implemented in the context of such a broader accounting system. Jurisdictional accounting ensures that accounting for baselines and ERRs are aligned at the national or, in larger and diverse countries, subnational level. Jurisdictional accounting with a nested system ensures that carbon accounting at different levels align (i.e., adds up) at the national level (World Bank, 2021) and to facilitate implementation activities at both levels without jeopardizing GHG integrity (Chagas et al., 2020). **Annex III** references different scenarios for nesting.

The evolution of REDD+ in the past two decades points to a convergence towards jurisdictional-level accounting and crediting, including within the VCM (Figure 2). In 2012, Verra established the JNR Framework, which is a methodology for developing subnational or national level REDD+ activities. The subsequent development of ART/TREES has further underscored the appetite for jurisdictional-level accounting. In November 2023, Verra launched its new REDD+ methodology VM0048. The methodology requires a jurisdictional-level baseline for all REDD+ projects moving forward and paves the way to full nesting (See Table 3). In this sense, as projects start to transition to VM0048, their accounting will be more aligned to national accounting and effectively nested – at least from a baseline setting perspective.

FIGURE 2. EVOLUTION OF JURISDICTIONAL PROGRAMS AND PROJECT-LEVEL CREDITING AND THE INCREASING IMPORTANCE OF JURISDICTIONAL ACCOUNTING NESTING



Graphic from VCM Primer (Climate Focus, 2023c).

2.2.2 INTEGRITY, CREDIBILITY AND QUALITY OF REDD+ ACTIVITIES

While critiques of REDD+ projects and forest-based carbon markets are not entirely new (Forest Declaration Assessment, 2023b), concerns over their integrity have surged over the course of 2022 and 2023. This is driven by a combination of several academic studies that alleged severe over-crediting by REDD+ projects, reports of lacking community consultation and benefit sharing, as well as a slew of subsequent media coverage. As a result, important questions have been raised around the credibility and real impact of REDD+ projects. For the context of this paper, these concerns are summarized into three main areas, which are also relevant for the specific case of Cambodia:

i) Integrity and quality of the GHG accounting

In early 2023, publications by investigative journalists at the Guardian, alleged that over 90 percent of REDD+ credits were effectively worthless, largely due to inflated baselines (Greenfield, 2023). The success of REDD+ projects and the volume of carbon credits to be issued are determined by comparing actual deforestation rates during the project with a counterfactual baseline scenario (i.e., the level of deforestation that would have occurred in the absence of the project). The development of these counterfactual baselines (i.e., the prediction of future deforestation that the project expects to avoid and received credit for) can be extremely challenging and cannot be monitored in the future, as the project's interventions will have influenced actual deforestation. The crux of REDD+ projects and a main point of critique has been that projects have managed to artificially set their baselines too high by exploiting loopholes in VCS methodologies, thereby appearing to have reduced more deforestation than they had and generated more carbon credits than they should have. Multiple academic studies (Guizar-Coutiño et al., 2022; West et al., 2023) modelled baseline deforestation levels in REDD+ projects and concluded that many or indeed most REDD+ projects had artificially inflated their baselines and thereby managed to issue a windfall of worthless carbon credits. The studies further suggested that many projects were largely ineffective in halting deforestation, questioning their overall usefulness to address deforestation.

Experts remain divided on the effectiveness of REDD+ projects and the appropriate methodologies to rate their effectiveness. A recent rebuttal of West et al. (2023) by Mitchard et al. (2023) drew significantly different conclusions and cautions against blanket conclusions on REDD+ projects. Nevertheless, extensive media coverage of REDD+ criticism has sent shockwaves through carbon markets and contributed to a recent drop in buyer sentiment around REDD+ related prices.

While the severity of baseline inflation remains subject to intense debate and is unlikely to be ever fully settled given the impossibility to conclusively predict what would have happened in the absence of past interventions, market actors and carbon credit rating agencies have long recognized the varying degrees of quality in projects, including the robustness of carbon accounting.

The issue of varying quality is not necessarily unique to REDD+, although the volumes in question are notable. REDD+ remains by far the largest project category, contributing about 27 percent of issued VCM credits of major standards between 2020-2023 (Climate Focus, 2023a). The diverging quality of projects in general, and of REDD+ volumes in particular, explains the rapid growth of and demand for carbon rating agencies; many buyers have increasingly relied on their insights. While not finding similarly severe issues as discussed above, Calyx and Sylvera, arguably the two most recognized rating agencies on REDD+, find highly diverging quality. At least 20 percent of projects receive very low-quality ratings from them, suggesting severe over-crediting (among other issues) (Calyx Global, 2023; Sylvera, 2023).

Verra has fiercely defended its approach to REDD+ and pointed to its new REDD+ methodology. The methodology can be considered an important milestone for REDD+ as it effectively aligns carbon accounting between the project and jurisdictional level, whether projects are in a country

with clear nesting rules or not. It also severely restricts gaming potential as Verra centrally handles baseline calculation at jurisdictional level and allocates baselines to projects top-down.

Given different levels of effectiveness in conserving forests, GHG performance of REDD+ projects will continue to fluctuate irrespective of robustness of methodologies. However, updates to methodologies can improve project quality. For example, certain key project elements (e.g., guaranteeing permanence,[5] and managing leakage) have been historically easier to uniformly assess and address, while doing so for others (e.g., baseline setting) is more complicated. The updated Verra REDD+ methodology (VM0048) has largely resolved this issue by improving methods for baseline setting. In this sense, we expect that projects will become easier to compare in terms of performance and that the transition to nested systems will be greatly enhanced.

TABLE 3. COMPARING VERRA'S NEW REDD+ METHODOLOGY TO CARBON ACCOUNTING ISSUES UNDER OLD METHODOLOGIES

Technical Issue	Prior Approach	New REDD+ Methodology VM0048
Estimating baseline deforestation	Project developers identified reference areas that were supposedly similar to the project area and served to determine baseline deforestation that would have occurred in the project area in the absence of intervention. These could be "cherry picked" to select areas with historically high deforestation and thereby artificially inflate baselines.	Verra commissions third-party service providers to estimate national rates of deforestation for Cambodia using remote sensing data, which will be allocated to projects. This eliminates the possibility for developers to "cherry pick" reference areas.
Projecting future rates of deforestation	Allowed project developers to apply modeling using covariates such as population growth or road construction, that produced rising deforestation rates that could be aggressively inflated.	Verra applies a historical average from the last ten years without consideration of other variables to predict deforestation.
Knowing where deforestation will occur in a country and a project	No requirement to model if pixels faced higher or lower risk. This allowed some projects to assume remote forests were under threat of deforestation when they were not, again enabling inflated baselines.	Verra uses well-studied methods to develop national- or subnational-level risk maps to allocate baselines to projects on a purely risk-based approach.
Leakage	Little consideration of leakage to areas distant from project.	Requirement to assess and manage leakage risk at a national or subnational level.
Baseline validity periods	Many older projects locked in their baselines (and any baseline inflation) for 10 years.	The updated VCS and new methodology require updating all the above issues every six years to ensure they remain current.

ii) IPs and LCs are not adequately engaged and consulted

While IPs and LCs consultations and effective engagement are crucial, they often remain a practical challenge for both project- and jurisdictional-level REDD+. IPs and LCs are often not adequately consulted, or when consulted, they are not fully informed about the full benefits or risks of participating in the REDD+ activity (Sarmiento Barletti & Larson, 2017). This can be due to a range of

[5] According to Verra, permanence refers to "the condition where carbon emissions reduced or removed from the atmosphere will remain out of the atmosphere in the long run." Source: https://verra.org/faq/.

factors, including but not limited to: rushed project and program development; lack of understanding and experience by developers regarding IP and LC rights and appropriate consultation and inclusion processes; and, in the worst case, a plain lack of respect for local rights, interests, and traditions. The strong demand for REDD+ credits in the last few years – and consequently, an increase in prices – has led to rapid growth in project development activity and the return of "carbon cowboys" seeking to make quick deals with local communities to secure carbon rights without due process. In the latest update to the VCS Standard (Verra, 2023a), Verra has further strengthened related safeguards requirements.

Issues around consultation, FPIC, and proper inclusion of IPs and LCs are not exclusive to recently developed REDD+ projects, nor to project-level REDD+. Cambodian projects have not been immune, as demonstrated by the example of the Southern Cardamom REDD+ Project (a project not directly supported by USAID), which was recently put on hold by Verra to investigate formal stakeholder complaints against the project. Jurisdictional programs have experienced similar issues. In 2023, indigenous communities in Guyana submitted a formal complaint about the lack of due consultation and respect for their rights in relation to the ART/TREES project in Guyana (Amerindian Peoples Association, 2023). It may indeed be even more challenging to ensure due consultation, consent, and inclusion of IPs and LCs at a national or subnational level, given the diverse set of local conditions (e.g., land ownership and use rights) (Haffner, 2023; Verra, 2023).

iii) Lack of transparency on how REDD+ benefits are distributed

Even though the importance of equitable and transparent benefit sharing is commonly accepted, many projects have not designed benefit sharing plans in a transparent fashion or properly reported on benefit distribution. Very few projects publish or disclose their benefit sharing plans, which fuels the perception among buyers, communities, and in some cases governments, that project proponents or developers pocket the lion's share of the revenue. Although investors and developers often invest significant amounts of finance upfront, untransparent reporting of such costs and how they are recovered – for confidentiality or other reasons – easily generates the impression that revenue is being siphoned off by developers (Blake, 2023). The same can hold true for funds received by governments. If the receipt and use of REDD+ proceeds are not transparently reported, it can easily create the impression that funds are not being used toward the goals declared under REDD+ projects and programs nor being fairly shared with relevant stakeholders.

The historical lack of robust benefit sharing mechanisms and related transparency is partly due to poor definition in carbon standards of the types of benefits that can or should accrue to different stakeholders. In many cases, especially in projects being implemented on land that is owned by private or public actors rather than local communities, communities have been understood to be benefitting from the project largely in-kind or indirectly through improved livelihood activities, employment, technical support, and in some cases, infrastructure being built by the project. Direct participation in carbon revenues has often been limited to projects being implemented on community land.

Alongside the growth of carbon markets and record transactions come additional scrutiny and regulation. Carbon standards have started to tighten up requirements and, as discussed above, the ICVCM has developed additional guidance. Given the perception of profiteering, some governments have cracked down with new regulation – Zimbabwe and Kenya are two examples of countries that have or are expecting to establish firm percentages to be shared with communities (Woolnough, 2023). Even though the intention to ensure greater level of community participation in benefits is a positive sign, the approach to establish fixed percentages of revenues to be shared, without considering upfront and ongoing project costs being incurred by investors and developers nor non-monetary benefits being

received by communities through project activities, can be counterproductive. Such regulation can hinder investment REDD+, which remains a relatively risky asset class.

Projects and programs must get ahead of the curve if trust is to be restored. A large portion of projects, if not most, do not transparently report costs, revenues, profits, and the benefits accruing to different stakeholders. Work remains for developers and governments to report revenues and use of proceeds in a way that increases transparency and understanding of the sector without compromising private sector competitiveness.

2.2.3 IMPLICATIONS OF PARIS AGREEMENT ARTICLE 6 ON REDD+

Under the PA, countries can collaborate to achieve their Nationally Determined Contributions (NDCs)[6] through "cooperative approaches" under Article 6 of the agreement. Articles 6.2 and 6.4 enable countries to pursue cooperation through market mechanisms. Article 6.4 is the successor of the Clean Development Mechanism, while Article 6.2 enables unilateral implementation or bilateral cooperation between countries. Countries have flexibility in designing and implementing Article 6.2 approaches. Cooperative approaches result in the generation of Internationally Transferred Mitigation Outcomes (ITMOs) through the application of "corresponding adjustments."[7] Depending on the authorization by the host country, ITMOs can be used toward another country's commitments, other international purposes such as the Carbon Offsetting and Reduction Scheme for International Aviation or for other purposes such as the VCM.

At the 2023 Conference of the Parties (COP) to the UNFCCC (COP28), countries failed to reach an agreement on Article 6.2 and 6.4, with talks expected to resume next year. Article 6.2 discussions were marred by disagreements over whether and how to impose regulations on bilateral trading, with some countries interpreted Article 6.2 approaches as falling within the prerogative of participating governments while two groups of countries advocated for aligning Article 6.2 largely with the tightly controlled Article 6.4. Countries were also unable to reach consensus on rules for operationalizing the Article 6.4 mechanism, with a particular sticking point being the rules for carbon credits generated via carbon removals (Chandrasekhar et al., 2023).

To date, there is no reason why countries should not be allowed to develop REDD+ activities under Article 6.2 PA. For countries like Cambodia with ongoing REDD+ projects, engaging in Article 6 will require meeting the requirements of Article 6.2, including establishing rules and processes for corresponding adjustments.

There is general agreement that the Article 6.2 mechanism can include REDD+ activities (Todd & Guimaraes, 2022). Several Article 6.2 bilateral agreements have been signed between buyer and countries that host mitigation activities, and several may include REDD+ as potential activities (UNEP Copenhagen Climate Centre, 2023). Most of these are in the early stages and how these programs are developed remains to be seen. Host countries engaging in Article 6.2 have significant administrative and regulatory responsibilities, which comes with high costs. Their participation implies developing a clear strategy for authorizing and approving ITMOs, enacting legislation and executing regulations, as well as setting up the relevant entities/agencies to deal with authorizations, ITMO tracking, and to establish a national registry. Landscape-level programs also often require coordination across different ministries

[6] Established under the Paris Agreement, NDCs outline each country's efforts to reduce emissions and adapt to the impacts of climate change. For more information, see: https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs.

[7] Corresponding adjustment is an accounting mechanism of the Paris Agreement with the aim of preventing the double counting of ERRs that are transferred between countries under Article 6.

(e.g., those in charge of agriculture, forestry, foreign investment, NDC accounting and climate cooperation). Jurisdictional programs must be carefully designed so that the benefits outweigh the costs.

Countries should carefully consider whether and how to integrate REDD+ into an Article 6.2 cooperative approach.

While corresponding adjustments help prevent the double counting of ERRs between two countries' NDCs, host countries face the risk of overselling ERRs and undermining their NDC achievements. For developing countries with forest areas, REDD+ activities often feature strongly as mitigation measures to achieve their emissions reductions targets. By incorporating jurisdictional-scale REDD+ into Article 6 programs, credits that are sold and transferred as ITMOs cannot be counted against the host country's NDC.

Some authors suggest that corresponding adjustments are required for credits sold in the VCM if buyers use credits as offsets. There are distinct positions and motivations behind arguments for and against applying this accounting rule to the VCM (Streck et al., 2023). Ultimately, corresponding adjustments are not mandatory for use in the VCM, domestic schemes or results-based climate finance. Applying corresponding adjustments to VCM transactions, including from REDD+ projects, may or may not be required to avoid double claiming of emissions. A country's decision of whether or not to apply corresponding adjustments to VCM transactions – and a VCM investor's decision to request them from a host country – should be made with caution and be based on a number of context-specific considerations, such as the accuracy of the host country's GHG inventory and its progress in implementing climate policies (Streck et al., 2023).

The VCM has been a crucial vehicle for financing forest conservation in Cambodia. The country needs to carefully consider its approach for developing an Article 6 REDD+ program, the consequences on its NDC, and how REDD+ projects will be impacted.

In 2018, Cambodia signed an agreement with Japan's JCM (Japan's Article 6.2 scheme) for an ongoing REDD+ project (Joint Crediting Mechanism, n.d.). Cambodia also recently signed a Memorandum of Understanding (MOU) to collaborate with Singapore to develop an Article 6.2 framework that enables the sale of ITMO between the two countries. It is unclear which activities would fall under this framework, and whether ongoing and future REDD+ projects would be part of this scheme.

As discussed in detail in the next chapter, Cambodia has several large REDD+ projects, which unlock private financing towards forest conservation activities on behalf of the Ministry of Environment (MoE) of Cambodia. To be able to access and engage in Article 6, it is advisable to align project-level accounting with the national GHG accounting system. Even without a nested system, the introduction of the VM0048 methodology under Verra will require all existing and new projects in Cambodia to shift to a baseline determined across the national level, ironing out existing discrepancies between project- and jurisdictional-level accounting.

However, the government will need to clarify its strategy for engaging in Article 6 and how REDD+ projects configure into such a framework. Pertinent questions that the government will need to address include whether crediting will happen at a national scale or directly to projects as happens currently, whether projects can market and sell credits they issue, and whether corresponding adjustments will be applied to them.

3.0 CURRENT STATUS OF REDD+ IN CAMBODIA

3.1 OVERVIEW OF REDD+ IN CAMBODIA

The Royal Government of Cambodia (RGC) has embraced both project-level and jurisdictional REDD+ as a means for combatting deforestation and improving well-being in forest-dependent communities. As outlined in its National REDD+ Strategy, since 2010 the RGC has been establishing the building blocks for REDD+ results-based payments as defined by the Warsaw Framework (UNDP, 2023). In parallel, the government is the main proponent of REDD+ projects in the country – all REDD+ projects need to be established in partnership with the MoE. The MoE receives a portion of revenues from carbon credit sales (20 percent, based on interviews with project developers). The National REDD+ Action and Investment plan refers to funds from REDD+ projects that should be channeled to funds (e.g., an Environmental and Social Fund) that will support REDD+ transaction costs and other priority investments (Ministry of Environment Cambodia, 2021). However, it is unclear whether this fund is operational, what these priority investments are and where funds are currently channeled.

As of December 2023, there are two active, registered forest carbon projects in Cambodia and several others in the pipeline (See Table 4 below). This largely involves VCM projects but also includes an ongoing compliance project under Japan's JCM. These projects currently use different monitoring, reporting, and verification (MRV) systems, methodologies, and baselines. These differences are in the forest types used for emissions and emissions reduction calculations, carbon pools selected, baseline reference period and the approach for constructing the baseline (Ehara et al., 2021). Consequently, there is misalignment between the projects' various baselines and the national forest reference emissions level. The lack of alignment on key system components between REDD+ projects in Cambodia and the presence of multiple methodologies across projects complicates the reporting of NDC achievement under the PA and harms the environmental integrity of these interventions (UNDP, 2023).

TABLE 4. PIPELINE OF VCM REDD+ PROJECTS IN CAMBODIA (AS OF DEC. 2023)

REDD+ Project	Standard	Status	Project area (hectares)	Estimated Annual Emissions reductions (tCO_2e)
Reduced Emissions from Deforestation and Degradation in Keo Seima Wildlife Sanctuary	VCS; CCB	Registered	166,983	1,426,648
Lomphat Wildlife Sanctuary REDD+ Project	VCS; CCB	Under V&V	134,730	239,752
Central Cardamom Mountains (Phnom Kravanh) Landscape REDD+	VCS; CCB	Under development	N/A	N/A
Phnom Thnout REDD+	VCS	Under development	N/A	N/A

REDD+ Project	Standard	Status	Project area (hectares)	Estimated Annual Emissions reductions (tCO_2e)
Northern Plains Landscape REDD+	VCS	Under development	N/A	N/A
Siem Pang Wildlife Sanctuary	VCS	Under development	N/A	N/A
Prey Lang Wildlife Sanctuary (JCM)	JCM	Under development	N/A	N/A
Tumring REDD+ Project	VCS; CCB	Registered	67,791	378.434
Samkos REDD+ Project	VCS; CCB; SD VISTa (Sustainable Development Verified Impact Standard)	Under validation	282,718	1,549,341
Southern Cardamom REDD+ Project	VCS; CCB; SD VISTa	On hold	465,839	3,867,568

Source: Verra Registry, JCM website, and direct communications with Tetra Tech. Projects in light blue have been supported by USAID.

Cambodia's REDD+ Secretariat, which is supported by UNDP, is developing a nested system approach for REDD+ in Cambodia. A nested system would harmonize REDD+ activities occurring within national borders, enabling carbon crediting at multiple scales (project, sub-national, and national). It would also facilitate coordination between stakeholders operating at different levels on critical REDD+ aspects such as carbon accounting, safeguards monitoring, and benefit sharing. Nesting could also bring increased climate finance, supporting achievement of the country's NDC targets outlined in its Long-Term Strategy for Carbon Neutrality as well as implementation of the RGC's Action and Investment Plan (UNDP, 2023).

Cambodia has already developed the technical, procedural, and regulatory components of its nested system. The system uses a hybrid approach, incorporating both centralized and decentralized nesting models. It will accommodate activities from both voluntary and compliance markets. The system is structured into four components. First, the regulatory framework includes guidelines for all projects. The framework will include (among other aspects) the *Prakas* (an official document which provides formal/legal standing to implement nesting in Cambodia) as well as a "positive list" which lists pre-approved carbon standards available to projects. A draft of the positive list includes VCS JNR, VCS stand-alone methodologies, and JCM. Second, the system will integrate elements to build institutional support for operating the system, including the institutionalization and strengthening of REDD+ within the MoE's structure. Third, technical MRV will support critical technical elements such as the Allocation Tool for allocating baselines at project level. Finally, the system will include a national REDD+ registry database to ensure transparency, accessibility and accurate emissions tracking (UNDP, 2023).

Cambodia is using a staged approach for designing, implementing, and enforcing the nested system's regulatory framework. The system is currently in the pre-nested stage and will advance into the early nesting stage once the regulatory framework has been finalized (Cambodia REDD+ Program, 2022). The early nesting stage will involve a nesting pilot – supported by UNDP with technical assistance through Climate Promise and the UN-REDD Program – to test and refine the operational components of the system. The fully nested stage will follow early nesting and may include other system refinements. Critical to the next steps of the staged approach will be the mobilization of

finance – including from international sources of development aid such as USAID – to support the country's transition from REDD+ readiness to full-scale implementation (UNDP, 2023).

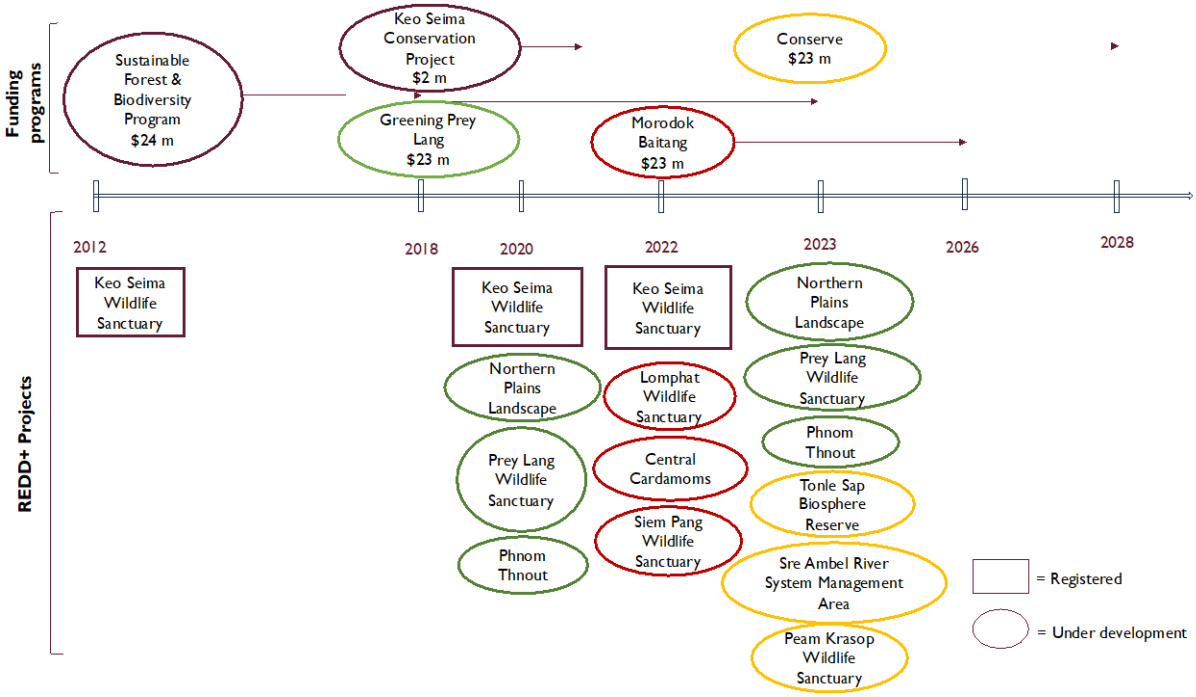
Project developers in Cambodia can help inform and contribute to the development of this nested system. However, there is limited engagement between the government and partners implementing REDD+ projects. This inhibits potentially useful exchange between project-level implementation and national-level policymaking. It is still unclear how exactly REDD+ projects, both registered and those under development, will be considered under this emerging nested system. The timeline for the nested system rollout is also uncertain, making it a challenge to prepare for the change. Most projects under development have also been awaiting the recently launched VM0048 methodology from Verra and will use this new methodology when developing baselines and estimating ERRs.

From the perspective of project developers in the country, there seems to be insufficient communication from the MoE, the REDD+ Secretariat, and UNDP regarding the plans for REDD+ nesting. Project developers see themselves as key stakeholders that should and can play a synergistic role that informs government policies based on lessons from the ground. Project developers are attempting to engage with the MoE; a group of developers (supported by USAID) sent a joint letter in June 2023 to the REDD+ Task Force. The letter analyzes and highlights the main discrepancies between the draft Prakas and (at the time, draft) VM0048 methodology. It also proposes possible edits to the draft Prakas that can help align the document with the new methodology.

3.2 USAID'S REDD+ INVESTMENTS IN CAMBODIA

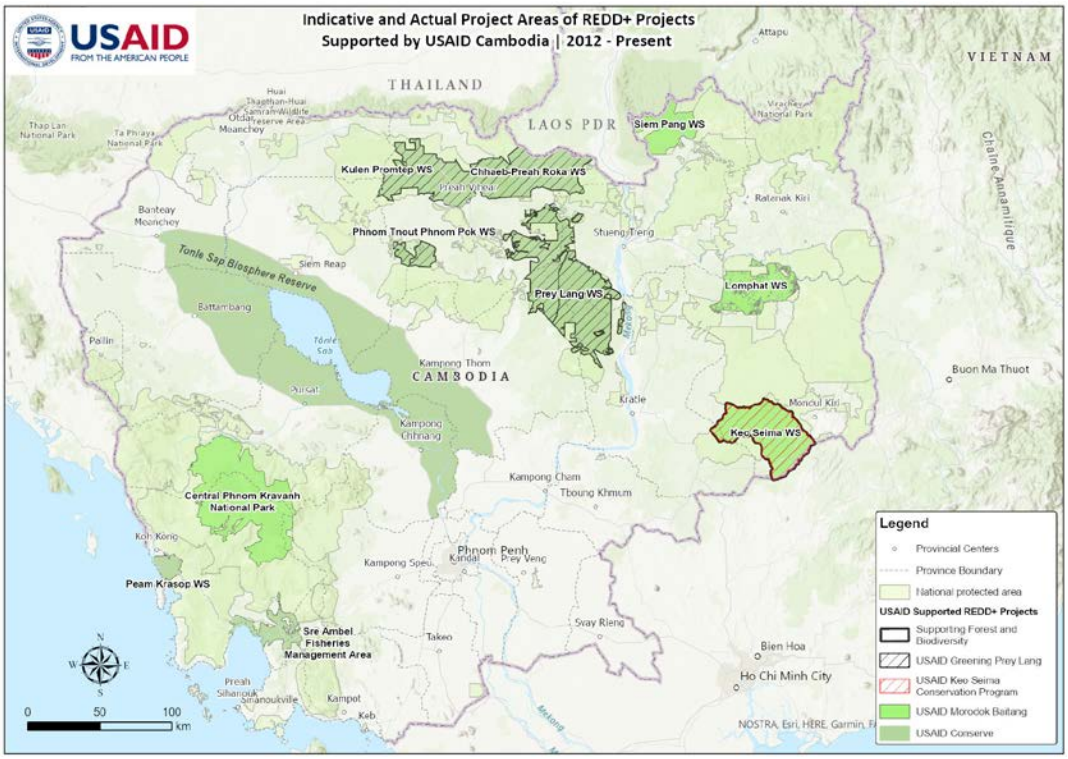
USAID activities have supported REDD+ project design and development directly and indirectly through a wide range of investments and activities associated with its projects. USAID programs in Cambodia include USAID Morodok Baitang (2022-2026), USAID Greening Prey Lang (2018-2023), and Supporting Forest and Biodiversity (2012-2018). In October 2023, USAID awarded USAID Conserve, a 5-year program which will build upon and expand USAID's engagement in REDD+ and other conservation related activities in Cambodia (USAID, 2023). These USAID programs have supported several REDD+ projects in Cambodia, including projects in the Keo Seima Wildlife Sanctuary, the Central Cardamom Mountains National Park, the Lomphat Wildlife Sanctuary, and the Prey Lang Wildlife Sanctuary. Figure 3 below provides information on USAID programs in Cambodia, including the REDD+ projects they have supported, and Figure 4 is a map of USAID-supported projects in Cambodia.

FIGURE 3. TIMELINE AND SUMMARY OF USAID-SUPPORTED REDD+ PROJECTS IN CAMBODIA (2012-2028)



Note: Table 6 in Annex I provides details in table form. Some project names in Figure 3 and Table 6 have been shortened for visual purposes; the full names of these projects, as listed on the Verra Registry, can be found in Table 4.

FIGURE 4. MAP OF ALL USAID-SUPPORTED REDD+ PROJECTS IN CAMBODIA



Source: Tetra Tech.

USAID funding channels much-needed resources to local communities in these project areas to address community-based needs, including strengthening technical and organizational capacities and upskilling for alternative economic opportunities. In Cambodia in particular, project proponents are primarily conservation organizations. Through USAID support, development partners are brought in and provide programming that emphasizes community engagement and rural development, which is often not in the wheelhouse of conservation organizations. For example, under the USAID Greening Prey Lang project, USAID created a grant facility to support 47 community-based organizations (CBOs). These direct grants supported a wide range of CBO activities, including community engagement with authorities; forest patrolling; first aid; business plan development, financial management and bookkeeping; ecotourism experience development; and climate change and REDD+ awareness raising.

Crucial to the long-term success of REDD+ projects are the development of alternative livelihoods and forest-friendly production practices. Across all its programs in Cambodia, USAID has supported rural incomes and nature conservation through the development of wildlife-friendly, climate-smart, and deforestation-free value chains. For example, it has provided ample support to the IBIS Rice program. Founded by the Wildlife Conservation Society (WCS) in 2008, IBIS Rice provides certified farmers with a 70 percent price premium for their rice as well as technical support to improve production practices.[8] USAID has provided support to scale up and bolster the program. For example, it has provided grants and subcontracts to expand the program to more farmers and to support more effective production techniques. It has also conducted assessments, provided strategic advice, and general capacity-building to Village Marketing Networks, which support expansion and compliance mechanisms of IBIS Rice. Beyond rice, USAID has supported the sustainability and profitability of several other value chains in Cambodia, including talipot palm, resin, wild honey, cashew, and chickens.

USAID's investments in Cambodia bolster the governance of protected areas and REDD+ projects. For example, it provides critical support for forest monitoring and enforcement. It has provided capacity building and material support to dozens of CBOs to use SMART (Spatial Monitoring and Reporting Tool) Mobile to conduct and document their patrols, allowing them to share data with local authorities and support the efficacy of the MoE's Protected Area Monitoring Platform (PAMP). USAID further strengthens governance by supporting the rights and interests of local communities. For example, it has provided grants to CBOs to develop and implement community engagement plans to improve their communication with local authorities; conducted community consultations as part of FPIC; supported communities to secure their management rights; supported the creation of protected areas; conducted mapping of Indigenous territories; held meetings to spread local awareness of REDD+; and provided capacity-building to the committees responsible for distributing REDD+ funds.

USAID support extends to activities more directly linked to biodiversity protection and restoration. Working alongside local communities and other stakeholders, it has reintroduced critical species in protected areas, restored wildlife habitat, and monitored key species. The collection of several types of data (biodiversity, ecological, resource, land use, etc.), either by USAID directly or by its partners, supports the zoning and management of protected areas and provides input for the MoE's Cambodian Environmental Management Information System (CEMIS). This may also help increase credit value as buyers will be able to make associated claims and may show a higher willingness to pay.

As illustrated by Table 7 in Annex 1, these USAID-supported activities and investments provide many benefits associated with high-quality REDD+ projects and helps leverage further private finance by providing confidence to investors. This includes activities supporting environmental safeguards (e.g., restoration of critical habitats, reforestation), social safeguards (e.g.,

[8] For more information, see https://ibisrice.com/.

development of Gender Action Plans, support for grievance redress mechanisms), transparent/fair benefit sharing (e.g., the creation of a grant facility to support CBOs), and lasting/transformative impacts (e.g., supporting the creation of protected areas). In the case of Prey Lang Wildlife Sanctuary, USAID funding supported Conservation International which conducted community consultations and strengthened local forest patrol capacities (Conservation International, 2018). These activities helped establish the foundations for the JCM REDD+ project, which was subsequently financed by a private company, Mitsui & Co. Ltd.

Through direct support to REDD+ project design and implementation, USAID has occupied a strategic niche and driven notable impact on the ground. While non-US agencies have indirectly supported the enabling environment that facilitated the emergence of REDD+ projects in Cambodia, USAID has played an outsized role in directly accelerating REDD+ project development. More broadly, it has supported the development of global voluntary REDD+ markets through support for organizations such as Code REDD, an NGO which seeks to create demand for REDD+ credits by creating awareness of the benefits of REDD+ within the business community (Code REDD, 2023).

Many advantages of the USAID approach in terms of driving measurable impact on the ground are self-explanatory. While jurisdictional approaches to REDD+ can deliver scale through a top-down approach, they are ill-equipped to quickly mobilize funds at the ground level. Some distinct advantages of USAID-funded activities include:

- Provision of critical early-stage project development finance that is either unavailable from private finance or would require significant discounts on credit value if accepted.
- Strong private sector engagement through linkage with REDD+ investors, development of REDD+ credit markets, and development of agricultural value chains.
- Interviews suggest that there is direct impact on REDD+ project operations and reporting through institutional and organizational strengthening, and contractual oversight.
- Robust community engagement and programming from feasibility stage to implementation.
- Strong focus on social safeguards and appropriateness of benefit sharing arrangements.
- Strong environmental safeguards and monitoring.

Table 7 in Annex I provides a comprehensive summary and categorization of USAID's activities and investments in Cambodia that work to support the development of high-quality REDD+ projects. In most cases these activities and investments support REDD+ projects in multiple, interlinked ways. Box 3 provides a short case study of Keo Seima Wildlife Sanctuary REDD+ project as a best practice example.

Box 3: Keo Seima case study

The Keo Seima Wildlife Sanctuary is a protected area of nearly 300,000 hectares in the Mondulkiri Province, in northeastern Cambodia. It is the most diverse and vulnerable protected area in the country with at least 75 threatened species. The area is the ancestral homeland of the Bunong peoples and other ethnic groups are also present (USAID, n.d.).

In 2010, the MoE, with the support of the Wildlife Conservation Society, initiated the Keo Seima REDD+ project (ASEAN Secretariat, 2023). The project covers a forest area of 166,983 hectares and targets twenty villages with about 20,000 community members (Washington, 2022). The project objective is to reduce emissions from unplanned deforestation and forest degradation while ensuring benefits for biodiversity and local communities (Washington, 2022). To date, the project has avoided the emission of more than 20 million tCO_2e and prevented 25,000 hectares of deforestation (Verra, n.d.). The project was initially funded by USAID. Since 2016, the Royal Government of Cambodia has sold carbon credits from the project in the VCM. The project has been validated under the VCS and the CCB standards (Washington, 2022).

An integral part of the project and a key factor for its success is the benefits sharing mechanism designed to ensure that carbon market revenues benefit local communities. Carbon revenue flows are allocated via a

waterfall model, designed to: 1) cover transaction costs such as certification and marketing; 2) transfer 20 percent of sales to the Ministry of Environment after transaction costs are subtracted; 3) invest the remaining 80 percent directly toward supporting the REDD+ project and local communities. The 80 percent is first allocated toward the implementation of core project activities per the Agreed Annual Work Plan (AAW), which is developed on-site through a collaborative process involving community representatives and is implemented with support from the government and other donors, including USAID. The remainder of net revenues after AAW costs have been allocated go toward project strengthening (25 percent), an operating reserve (25 percent) to ensure the continuation of the project in less profitable years, and the Cash for Communities (C4C) program (50 percent) (Washington, 2022).

The C4C program provides direct payments to the 20 target villages from carbon market revenues. From 2018-2023, communities received a total amount of benefit sharing funds of about one million USD (*Keo Seima Wildlife Sanctuary Cash for Community (C4C)*, n.d.). Initially, the funds were equally distributed between the different villages. However, since 2022, the C4C mechanism has consisted of a base payment for each participating village and performance-based payments associated with indicators on forest cover, conservation engagement and community development (Washington, 2022). The activities to be financed through C4C funds are expected to benefit the whole community, especially the most vulnerable groups. Some examples of community investments made through C4C funds include: access to clean water and sanitation, construction of village meeting halls, village roads and bridges, maintenance of school buildings, land and natural resources protection, provision of toilets, training in administration and sustainable agriculture, mobile health clinics, school enrolment campaigns, scholarship for children from disadvantaged families and school feeding programs (Washington, 2022).

Additionally, the Keo Seima REDD+ project provides non-monetary benefits to the communities by assisting in land titling processes to strengthen land and resource tenure, supporting community-based law enforcement, and supporting development of alternative livelihoods (e.g., direct employment opportunities, sustainable agriculture, production of non-timber forest products and ecotourism). Finally, the project has in place a grievance procedure so community members can raise any issues via a complaints box or a 24-hour telephone hotline (Washington, 2022).

While it is generally regarded as an exemplary REDD+ project, it has not been immune to issues. Lack of effective governance and enforcement as well as conflicts between conservation and economic development priorities appear to be significant barriers. A 2018 study describes how a mix of powerful interests, including military and border police, have contributed to deforestation in the area since 2005 (Milne & Mahanty, 2019). According to satellite data, the whole Keo Seima protected area lost almost one fifth of its forest cover since 2010; this appears to be due to a combination of agricultural expansion, illegal logging, and land grabbing (Humphrey, 2020). This loss did not take place in the REDD+ project area. In some cases, such as a deadly incident in 2018, there have been violent conflicts between forest patrols and military and border police (Associated Press, 2018). These issues emphasize the challenges of preventing illegal deforestation in practice.

USAID continues to support implementation of REDD+ activities through USAID Morodok Baitang with a focus on capacity building of community organizations engaged in REDD+ governance. These investments support implementation of the AAW allowing REDD+ resources to be redirected, and build equity and sustainability into REDD+ implementation and benefit-sharing.

3.3 CHALLENGES LIMITING THE POSITIVE IMPACTS OF REDD+ PROJECTS

Even though REDD+ projects have delivered positive impact on the ground, many challenges remain. These challenges are frequently beyond the direct sphere of influence of REDD+ projects themselves. They are not necessarily unique to the Cambodian context and apply in many other countries. Challenges include:

- **Conflicts between drivers of deforestation and national development priorities**. Drivers of deforestation, such as demand for agricultural commodities and minerals, can be difficult for individual projects to address. National governments and ministries are also faced with competing priorities and interests (e.g., conservation vs. exploration of mineral resources).

Nevertheless, projects can make powerful arguments against exploration for minerals in forest areas. In the case of Keo Seima, a mining concession with the potential to jeopardize carbon revenues was approved but later dropped following interventions by REDD+ private sector partners (Flynn & Kroypunlok, 2023).

- **Enforcement.** Despite resources received from REDD+, lack of law enforcement in protected areas and continued encroachment and illegal logging can be a major systemic issue that projects struggle to address. Projects do not have the mandate to enforce the law and therefore tend to focus on driving protection more indirectly by offering development alternatives. Projects that engage in enforcement also tend to risk conflict and accusations.
- **Community engagement**. Engagement of civil society and indigenous peoples can present a challenge for many projects, given the specialized skills required and in some cases conservation goals conflicting with other local priorities.
- **Lack of capacity on REDD+ in public institutions**. Insufficient government capacity to support project development and implementation can slow progress and limit communication on the status of key elements such as the national system for nested REDD+.
- **Market dynamics**. Fluctuations in medium to long-term carbon market demand and pricing can lead to other land use options appearing more attractive.
- **Permanence**. Permanence of protection also remains an ongoing challenge, as protected areas are faced with evolving threats even if deforestation is reduced or eliminated. The setting aside of financial reserves and exploration of new financing options therefore becomes a crucial exercise for projects.
- **Lack of donor and development agency coordination**. Agencies tend to work at different levels and limited coordination can lead to synergies remaining unexploited.

4.0 RECOMMENDATIONS AND CONCLUSIONS

4.1 MAIN CONCLUSIONS

In the light of strong demand for high-quality nature-based carbon credits, REDD+ projects and programs can be an important source of finance for forest conservation and sustainable development of rural landscapes – but integrity is paramount. The Keo Seima REDD+ project is a good example in this context as it delivers important benefits to a wide range of stakeholders. But projects that cut corners, be it on carbon accounting, appropriate community involvement, or transparent reporting of equitably distributed benefits (see Chapter 2.2), are likely to face severe consequences including possible suspension by standards and eventual collapse. These programs also tend to receive media coverage and thus undermine trust across the entire sector. USAID has and continues to play an important role in ensuring quality of REDD+ activities.

USAID provides critical finance and expertise to REDD+ projects that otherwise may not exist or may have been developed at subpar standards. USAID has supported REDD+ project development and development of the voluntary market for REDD+ arguably more than any other public agency. Considering the amount of finance required to develop REDD+ projects (as discussed in Chapter 2.1) and the historical lack of finance available, it is hard to imagine that many projects supported by USAID would have been otherwise developed. USAID projects in Cambodia offer many benefits which strengthen the overall quality of REDD+ projects. While several non-US agencies have indirectly supported an enabling environment for REDD+ in Cambodia, USAID occupies a strategic niche and plays an outsized role in REDD+ development. Irrespective of discussions around integrity, REDD+ implementation in protected areas remains a crucial tool to address a broad set of land use issues.

As REDD+ evolves ever more strongly towards nested systems, both driven by Verra's new REDD+ methodology and host country efforts to implement jurisdictional programs, projects need to adapt. In 2024, REDD+ projects in Cambodia will have to start adapting both to the transition to accounting under Verra's new REDD+ methodology and an emerging nested system at the national level. This may require significant adjustment and support.

As almost all REDD+ project opportunities in Cambodia are being fully realized, USAID may recalibrate its REDD+ financing strategy and utilize lessons learnt from REDD+ for other project types such as blue carbon as planned under USAID Conserve. Many REDD+ projects in Cambodia remain at different stages of development and government approval. Many have been supported by USAID and may require continued funding to finalize development and ensure a high level of integrity in light of changing market demands. However, we ultimately expect fewer resources to be required from USAID to cover upfront costs due to the growing number of investors venturing into REDD+. This will not remove the need for public support entirely but may mean that USAID interventions could become more targeted, as further discussed below.

4.2 RECOMMENDATIONS

Produced through desk-based research and discussions with stakeholders, this analysis covers the status of REDD+, USAID prior and current activities related to REDD+ in Cambodia, and an outlook on future directions of the market. The analysis has led to the identification of several areas where USAID and partners could play a strategic and impactful role. Table 5 below summarizes these recommendations.

TABLE 5. SUMMARY OF RECOMMENDATIONS FOR IMPROVING IMPACT OF USAID SUPPORT IN CAMBODIA

Area	Recommendations
1) Utilizing its convening power in different places	A. Share best-practice examples of REDD+ projects with US and international audiences B. Coordinate REDD+ project level support with the Government of Japan
2) Targeted project finance and strengthening	A. Scale and strengthen REDD+ project support B. Empower local communities to contribute to monitoring and enforcement of protected areas C. Advance transparent and equitable benefit sharing
3) Support the transition from project to nested REDD+	A. Align REDD+ projects with sustainable development goals and other national development priorities/commitments B. Link project-level activities to a national nested system

1) UTILIZING ITS CONVENING POWER IN DIFFERENT PLACES

USAID has a strong presence and convening power both at the international and the national level. As the cloud of confusion and mistrust still lingers above REDD+ VCM projects, USAID can contribute to the discourse at the global level by elevating the importance of high-integrity and nested REDD+ projects. This would serve as an essential transitionary element while host country governments develop and establish jurisdictional systems.

At carbon market and industry events in the US, presenting best practice examples from REDD+ projects in Cambodia can be useful reference points for other countries as well as for investors seeking to further support REDD+ activities.

In Cambodia, USAID can fill an important gap by playing a convenor role, particularly at the project level. It can convene implementers to share best practices and develop a unified voice to support alignment with national REDD+ efforts.

A. Share best-practice examples of REDD+ projects in Cambodia with local government, US, and international audiences.

Context: Interviews reveal that there is little to no awareness among stakeholders on the extent of USAID's past and ongoing support for REDD+ activities in Cambodia. To foster learning and exchange, USAID may consider convening REDD+ implementation partners and the Cambodian government to share its programs' and projects' best practices. This can help build rapport between USAID-supported NGOs and government entities such as the REDD+ Secretariat.

What USAID can do:

- Convene a workshop inviting USAID-supported REDD+ projects and MoE (in addition to other relevant ministries) to share best practices on ongoing projects in the country. This can foster learning between government and project developers and be used as a platform to discuss further opportunities for REDD+ project implementors to collaborate and support REDD+ ecosystem and policy landscape in the country.
- Formalize regular (e.g. quarterly) meetings with the MoE/ REDD+ Secretariat and conservation partners to present on USAID's progress and support to REDD+ in Cambodia. This could include representatives from the two USAID projects and four conservation organizations

supported by USAID: Conservation International, WCS, Rising Phoenix and NatureLife Cambodia.

- Analyze optimal communication channels and approaches (e.g., workshops and roundtables) and use public events as an opportunity to raise awareness and participate proactively in REDD+ development.
- USAID projects have a lot of experience in agriculture-related interventions (e.g. improved production) and enhancing livelihoods of forest-dependent communities, which address drivers of deforestation. These elements are key to REDD+ and should be further strengthened in all projects. The lessons and best practice examples or practices should be communicated between projects.
- Share best practices from USAID-supported projects at carbon market and industry events in the US and international carbon market platforms and events, e.g., International Emissions Trading Association (IETA), World Bank and Regional Climate Weeks, among others.

B. Donor coordination and leadership

Context: As donors, USAID (and the U.S. Government more broadly) have supported a wide range of REDD+ activities from project to jurisdictional level and could help articulate the synergies between different interventions and investments to foster aligned approaches.

What USAID can do:

- Engage UNDP Cambodia, the main donor agency supporting the MoE in developing a national REDD+ system, to share updates on how both parties can work synergistically from 2024 onwards, especially as new REDD+ methodology is applied and implemented. Technical workshops could be co-organized in partnership with UNDP. For instance, USAID supported projects can share experiences and lessons in applying the new methodology with UNDP technical team working on MRV.
- Improve coordination and communication with development partners both at the international and local level. At the project level, there appears to be mutual interest between Japan and U.S. funding for REDD+.

2) TARGETED PROJECT FINANCE AND STRENGTHENING

Even though alternative sources of funding have become available, a case can be made for continued financial support of REDD+ activities to ensure a high level of operational excellence, strong community engagement, enabling projects in marketing credits through targeted legal support, and robust connection to other sustainable development-related investments such as sustainable agricultural value chains.

A. Scale and strengthen REDD+ project support

Context: USAID has historically provided upfront financing to projects and can play a key role in ensuring operational excellence through direct support and additional oversight of projects.

What USAID can do:

- Support multi-benefit REDD+ and provide funding for quantifying SDG-benefits in REDD+ projects. USAID-supported REDD+ projects already dedicate more attention and funds than non-USAID REDD+ projects to success factors such as robust FPIC and community engagement, a feature that can be strengthened, quantified and verified.

- Provide projects being led by conservation groups with additional support and expertise through linkage with USAID programs. USAID occupies an important niche on sustainable agriculture and value chains, which can be a crucial element around REDD+ projects.
- Take advantage of USAID's strong history of bringing innovation, providing technical support and building local capacity. USAID has previously held technical working groups with diverse stakeholders and provided support through initiatives such as SERVIR. SERVIR integrates expertise from NASA and USAID to support local efforts in a range of development areas, including forest and carbon management (SERVIR, n.d.). USAID can leverage these kinds of resources to further support REDD+ project development in Cambodia and to build capacity with Cambodian stakeholders.

B. Empower local communities to contribute to monitoring of protected areas

Context: Weak law enforcement is a common issue that can undermine REDD+ projects. Unplanned deforestation projects aim to prevent unsanctioned deforestation – in the case of Cambodia, unsanctioned deforestation in wildlife sanctuaries - and thus they venture into the domain of law enforcement. Projects generally aim to reduce deforestation activities by promoting alternative livelihoods and driving alternative economic development but often face persistent threats from illegal activity. Where deforestation occurs within protected areas, as is the case with Cambodian REDD+ projects, they help to avoid such deforestation. Strengthening communities' ability to respond to such threats requires additional support.

What USAID can do:

- Strengthen community capacities and resources to monitor conservation areas and set up and reinforce existing systems that identify and respond to land encroachment and other illegal activities.
- Work with government authorities to set up communication channels between local community members, local community authorities, and sub-national/national government authorities to report issues of lacking law enforcement.

C. Advance transparent and equitable benefit sharing

Context: The general lack of transparency around projects generates distrust among local communities and can impact the implementation of the project. In addition, buyers are also wary as they are unsure about how their funding is utilized towards the goals declared by projects. Transparency and clear communication of how proceeds are used – by developers, communities, and government – can increase trust and enhance credibility of the projects in-country.

What USAID can do:

- Utilize project developer groups or other forums to discuss benefit sharing approaches, options for transparent design and reporting on benefit sharing, and use of proceeds.
- Strengthen voices of local communities in provincial or national fora / discussions that can ensure communities' views, needs, and interests are reflected at the higher decision-making levels.
- Bring international experiences and best practices to the table through south-south exchange.

- Focus on benefit sharing as a key support area when providing direct financial support to projects.

3) SUPPORT THE TRANSITION FROM PROJECT TO NESTED REDD+

A. Align REDD+ projects with sustainable development goals and other national development priorities/commitments

Context: Even though all REDD+ projects are implemented in direct collaboration and under the mandate of the Cambodian government, there could be a strong articulation of how these projects contribute to SDGs and other national development priorities and commitments. USAID activities could target additional support to projects to facilitate such articulation and associated reporting. Alignment of projects with national commitments can more directly support their implementation.

What USAID can do:

- Promote awareness of SDGs among local partners and use SDGs as a blueprint for project design.
- Help articulate how REDD+ projects support development priorities and commitments beyond the MoE to develop a common understanding of their value as development tools.

B. Link project-level activities to a national nested system

Context: With Verra's new REDD+ methodology having been published; projects are preparing to transition to a quasi-nested reality. While we understand that the government (MoE) will be receiving international cooperation support to develop a nested system, there may be support needs at the project level including to align approaches.

What USAID can do:

- Utilize the USAID Morodok Baitang and Conservation International convened project developer group to support transitioning to the new methodology and Cambodia's nested system.
- Convene project developers and technical experts to help identify opportunities and recommendations for aligning Cambodia's nested system with the consolidated methodology to ensure aligned carbon accounting.
- Support current projects to adapt to the emerging national nested system being developed by the REDD+ Secretariat, and provide technical, financial, and other support for projects to transition effectively and quickly.

ANNEXES

ANNEX 1. FURTHER INFORMATION ON USAID-SUPPORTED REDD+ PROJECTS IN CAMBODIA.

TABLE 6. TIMELINE AND SUMMARY OF USAID-SUPPORTED REDD+ PROJECTS IN CAMBODIA (2012-2028)

Year	USAID Program	Total Program Funding	REDD+ Projects Supported	Status
2012-2018	Sustainable Forest and Biodiversity Program	$ 24,807,151	Keo Seima Wildlife Sanctuary	Registered
2018-2021	Keo Seima Conservation Project	$ 1,999,999.00	Keo Seima Wildlife Sanctuary	Registered
2018-2023	Greening Prey Lang (GPL)	$ 23,753,986	Northern Plains Landscape	Under development
			Prey Lang Wildlife Sanctuary Joint Crediting Mechanism (JCM)	Under development
			Phnom Thnout	Under development
2021-2026	Morodok Baitang (UMB)	$ 23,976,865.00	Keo Seima Wildlife Sanctuary	Registered
			Lomphat Wildlife Sanctuary REDD+ Project	Under development
			Central Cardamoms	Under development
			Siem Pang Wildlife Sanctuary	Under development
2023-2028	Conserve	$ 23,881,392	Northern Plains Landscape	Under development
			Prey Lang Wildlife Sanctuary Joint Crediting Mechanism (JCM)	Under development
			Phnom Thnout	Under development
			Tonle Sap Biosphere Reserve	Under development
			Sre Ambel River System Management Area	Under development
			Peam Krasop Wildlife Sanctuary	Under development
Source: Tetra Tech				

TABLE 7. LIST OF USAID ACTIVITIES AND INVESTMENTS IN CAMBODIA. CATEGORIZED BY TYPE OF ACTIVITY/INVESTMENT AND BY CHARACTERISTICS OF HIGH-QUALITY REDD+ PROJECTS THEY PROVIDE

Table lists USAID-supported activities/investments in Cambodia, organizing them by overall aim/type (e.g., sustainable livelihoods and community involvement; biodiversity protection and restoration; land use rights and governance) as well as by the benefits they provide with respect to the qualities of high-quality REDD+ projects (e.g., environmental safeguards; social safeguards; transparent and fair benefit sharing; lasting and transformative impact). As illustrated in the table, most of the individual activities/investments address multiple aspects of high-quality REDD+ projects.

Type of Activity/investment	Activity/investment	Environmental safeguards	Social safeguards	Transparent and fair benefit sharing	Lasting and transformative impact
Sustainable livelihoods and community involvement	Creation of community-based organization (CBO) Grant Facility			X	X
	Support for ecotourism sector			X	X
	Support development of wildlife-friendly, climate-smart value chains and market systems			X	X
	Support development of community-level business plans			X	X
	Support inclusion of women, IPs and LCs in benefit sharing discussions		X	X	X
	Support implementation of payment for ecosystem services (PES) agreements	X		X	X
	Funding of pre-feasibility study for REDD+ program	X	X	X	X

	Support incorporation of gender awareness in project activities, including development of Gender Action Plans		X	X	
	Provide training for alternative livelihoods			X	X
Biodiversity protection and restoration	Conduct biodiversity research and monitoring; includes setting up monitoring systems and protocols for field data collection, analysis, and reporting of key biodiversity species	X			X
	Support forest patrols and law enforcement through skills training, equipment, and other capacity-building	X			X
	Development of community forest management plans	X	X		X
	Improve participation of local communities in forest management decisions	X	X		X
	Development of tools for improved natural resource management, e.g., Watershed Environmental Services Tool (WESTool)	X			X
	Restoration of critical habitat for wildlife (e.g., seasonal ponds)	X			X

	Removal of wildlife snares and traps	X			
	Removal of cutting tools (e.g., chainsaws and machetes)	X			
	Reintroduction of critical species (e.g., Siamese crocodile)	X			X
	Vaccination of buffalo and cattle to protect from pests and disease	X			
	Engage local community members in education and outreach activities focused on biodiversity, such as Eco-School Program or Coming Together for Forests initiative			X	X
Land use rights and governance	Support land titling and creation of protected areas (community forests, indigenous community lands, etc.) and corresponding Protected Area Management Plans	X	X		X
	Support formalization and documentation of individual, group, and customary rights		X	X	X
	Organization of venues for stakeholder conflict mediation/mitigation		X		X
	Mapping of registered communal lands and indigenous territories		X	X	X

	Support participatory land use planning		X		X
	Conduct community consultations / FPIC		X	X	X
	Facilitate communication between communities and local authorities		X	X	X
Source: Tetra Tech					

ANNEX 11. REDD+ CREDIT BUYERS AND THEIR MOTIVATIONS

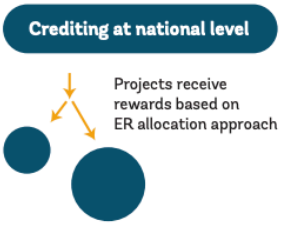
TABLE 8. REDD+ CREDIT BUYERS AND THEIR MOTIVATIONS

Motivations of buyers/financiers of REDD+ activities globally	
Private buyers	**Public buyers**
• **Offsetting:** Historically, interest from corporates and companies in carbon credits has been for offsetting purposes. The use of carbon credits is influenced by emerging guidelines and benchmarks defining credible use of high-quality carbon credits as part of companies' climate commitments (e.g., net zero or Science-Based Targets) and the appropriate claims. • **Beyond value chain mitigation:** This refers to action or investments that fall outside a company's value chain, which may include the purchase of REDD+ carbon credits to support activities that result in ERRs in the land sector (Science-Based Targets, 2021). • **Financial instrument/ investment:** Buyers that purchase credits as an investment with the purpose of reselling at a higher price. These may be forward purchases or advance credits or once credits have been issued by project	• **Results-based payments:** Ex-post payments in exchange for verified emission reductions through results-based payments initiatives. Results-based payments do not strictly require buyers as there is no transfer of titles to the ERRs. Two notable initiatives are the World Bank's FCPF and the GCF (Climate Focus, 2023c). ○ The FCPF has two trust funds – the Readiness Fund and the Carbon Fund – that provide finance for national REDD+ strategies and large-scale REDD+ programs, respectively. Like private standards, the FCPF has defined rules, in the form of a methodological framework, to certify emission reductions from REDD+ programs. As of June 2023, the FCPF Carbon Fund had signed Emission Reduction Payment Agreements (ERPAs) with 15 countries. ○ Similarly, the GCF allocates funds with respect to the three REDD+ phases of readiness, implementation, and results-based payments with its own "Performance measurement framework for REDD+ results-based payments." As of June 2023, the GCF had made results-based payments to 8 countries (Climate Focus, 2023c).

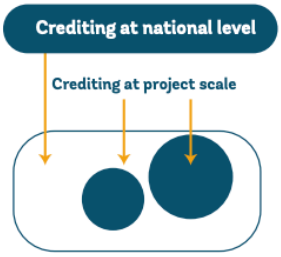
ANNEX III. REDD+ IMPLEMENTATION SCENARIOS

Jurisdictional ER program (only) with benefit sharing
Key features:
- ERs credited at national scale (only)
- No forest carbon project crediting
- Government operates ER program and distributes benefits

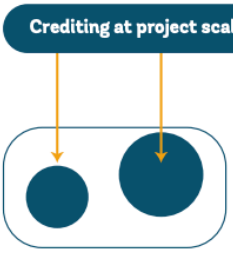
Nested systems



Centralized-nested
Key features:
- ERs credited up to national scale performance (only)
- Projects encouraged and receive rewards based on GHG performance (linked to national performance)
- Government control over ERs and distribution of carbon benefits via an agreed 'allocation method'



Decentralized-nested
Key features:
- ERs credited at national and project scale
- Projects authorized to generate and market ERs (delinked from national performance)
- Government generates ERs through public programs and on public lands



Project crediting (only), no jurisdictional ER program
Key features:
- ERs credited at project scale (only)
- Projects are incentivized, may be regulated
- No result-based finance (RBF) or sale of carbon credits by the government
- Government role is regulator, not ER program manager

Graphic from World Bank Nesting Manual for Policymakers (World Bank, 2021).

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