

**MICRO-CAPITAL GRANT AGREEMENT BETWEEN UNDP
AND
PACT INSTITUTE**

**FOR THE PROVISION OF GRANT FUNDS
Project Number: 00078446 (UN-REDD)**

This Micro-Capital Agreement (hereinafter referred to as the "Agreement") made between the United Nation Development Programme "UNDP" and the Pact Institute, Inc. (Pact) hereinafter referred to as the "RECIPIENT INSTITUTION".

WHEREAS Forestry Administration (hereinafter referred to as "the Implementing Partner") has been requested by the United Nations Development Programme ("UNDP") to manage the project defined in the project document, No. 00078446, UN-REDD (hereinafter referred to as "the Project"), implemented at the request of the Government of Cambodia

WHEREAS the Implementing Partner and UNDP desire to provide funding to the **RECIPIENT INSTITUTION** in the context of a Project defined in the project document attached as Annex A (hereinafter referred to as "the Project") and on the terms and conditions hereinafter set forth, and

WHEREAS the **RECIPIENT INSTITUTION** is ready and willing to accept such funds from the Implementing Partner and UNDP through the administration of UNDP for the above mentioned activities on the said terms and conditions.

NOW, therefore, the parties hereto agree as follows:

I. Responsibilities of the RECIPIENT INSTITUTION

1.1 The RECIPIENT INSTITUTION agrees to: 1) Undertake the activities described in its **Workplan** and **Budget** (attached as Annex A), and updates related to the subsequent release of funds in **tranches**; 2) Provide quarterly reports to UNDP; and 3) Provide Annual Audited Statements [Income Statement and Balance Sheets]. In projects where a technical contractor is providing assistance to the RECIPIENT INSTITUTION, the contractor shall be responsible for verifying the accuracy of these reports/statements. Funds provided pursuant to this Agreement shall be used for purposes related to producing results specified in the project document (Annex A).

1.2 The RECIPIENT INSTITUTION agrees to reach the performance targets contained in project document. If the RECIPIENT INSTITUTION fails to meet its responsibilities outlined in article 1.1, then this will be considered grounds for UNDP to suspend any further micro-capital grant support. The suspension shall remain in effect until the RECIPIENT INSTITUTION has achieved the target. In projects with a technical assistance contractor, the contractor may, at its discretion, continue to provide technical assistance to the RECIPIENT INSTITUTION during this suspension period.

1.3 The RECIPIENT INSTITUTION agrees to inform UNDP about any problems it may face in attaining the objectives agreed upon.

II. Duration

2.1 This Agreement will come into effect on **15 December 2012** and shall expire on **15 June 2013**, covering the anticipated term of the project. It can be extended, if necessary by exchange of letters, noting the new expiration date.

III. Payments

3.1 UNDP shall provide funds to the RECIPIENT INSTITUTION an amount up to **USD 72,224 (seventy-two thousand two hundred twenty-four US dollars only)** according to the schedule of the project budget set out below. Payments are subject to the **RECIPIENT INSTITUTION** meeting the outputs as specified in the Performance Targets in the project document (Annex A).

Tranche 1: \$36,112 or about 50% of grant upon signature of this agreement.

Tranche 2: \$36,112 or about 50% of grant upon delivery of final report describing all activities completed and a breakdown of funds spent during the duration of the project. The final report should include:

- Notification on closing CRs and CARs
- Meeting minutes of legal consultations with the Forestry Administration on ERPA and registry account
- Review and recommendations for readiness of Technical Working Group Forestry Reform on carbon revenue mechanism
- Summary of MRV activities (monthly reports)
- Summary of CFN meeting minutes highlighting how ongoing issues were addressed

3.2 All payments shall be deposited into the **RECIPIENT INSTITUTION's** bank account of which the details are as follows:

NAME OF THE BANK:	Wells Fargo Bank
SWIFT CODE:	WFBIUS65
BENEFICIARY ACCOUNT NAME:	Pact Institute
BENEFICIARY ACCOUNT NUMBER:	2000002728388
ADDRESS OF THE BANK:	1850 M Street, NW, Washington, DC 20036
BANK ABA#:	121000248

3.3 The amount of payment of such funds is not subject to any adjustment or revision because of price or currency fluctuations or the actual costs incurred by the **RECIPIENT INSTITUTION** in the performance of the activities under this Agreement.

IV. Records, Information and Reports

4.1 The **RECIPIENT INSTITUTION** shall maintain clear, accurate and complete records in respect of the funds received under this Agreement.

4.2 The **RECIPIENT INSTITUTION** shall furnish, compile and make available at all times to the UNDP any records or information, oral or written, which UNDP may reasonably request in respect of the funds received by the **RECIPIENT INSTITUTION**.

4.3 Within 60 days after completion of project activities, the **RECIPIENT INSTITUTION** shall provide UNDP with a final report with respect to all expenditures made from such funds (including salaries, travel and supplies) and indicating the progress made toward the goals of the activities undertaken, utilizing the reporting format contained in Annex B.

4.4 All further correspondence regarding the implementation of this Agreement should be addressed to:

For **UNDP**:

Mr. Lay Khim, Assistant Country Director, UNDP Environment and Energy Cluster
No. 53, Pasteur Street, Boeung Keng Kang, P.O.Box 877, Phnom Penh, Cambodia.

For the **RECIPIENT INSTITUTION**:

Ms. Sarah Sitts, Cambodia Country Manager, Pact Institute, Inc.,
Phnom Penh Center, Building A, Corner Sihanouk (274) & Sothearos (3) Blvd., Tonle Bassac
Chamkar Morn, Phnom Penh, Cambodia (P.O. box 149)

V. General Provisions

5.1 This Agreement and the Annexes attached hereto shall form the entire Agreement between the **RECIPIENT INSTITUTION** and **UNDP**, superseding the contents of any other negotiations and/or agreements, whether oral or in writing, pertaining to the subject of this Agreement.

5.2 The **RECIPIENT INSTITUTION** shall carry out all activities described in its Workplan with due diligence and efficiency. Subject to the express terms of this Agreement, it is understood that the **RECIPIENT INSTITUTION** shall have exclusive control over the administration and implementation of the activities referred to above in paragraph 1.1 and that UNDP shall not interfere in the exercise of such control. However, both the qualities of work and the progress being made toward successfully achieving the goals of such activities shall be subject to review by UNDP. If at any time UNDP is not satisfied with the quality of work or the progress being made toward achieving such goals, UNDP may (i) withhold payment of funds until in its opinion the situation has been corrected; or (ii) declare this Agreement terminated by written notice to the **RECIPIENT INSTITUTION** as described in paragraph 5.7 below; and/or seek any other remedy as may be necessary. UNDP's determination as to the quality of work being performed and the progress being made toward such goals shall be final and shall be binding and conclusive upon the **RECIPIENT INSTITUTION** insofar as further payments are concerned.

5.3 UNDP undertakes no responsibilities in respect of life, health, accident, travel or any other insurance coverage for any person which may be necessary or desirable for the purpose of this Agreement or for any personnel undertaking activities under this Agreement. Such responsibilities shall be borne by the **RECIPIENT INSTITUTION**.

5.4 The rights and obligations of the **RECIPIENT INSTITUTION** are limited to the terms and conditions of this Agreement. Accordingly, the **RECIPIENT INSTITUTION** and personnel performing services on its behalf shall not be entitled to any benefit, payment, compensation or entitlement except as expressly provided in this Agreement.

5.5 The **RECIPIENT INSTITUTION** shall be solely liable for claims by third parties arising from the **RECIPIENT INSTITUTION**'s acts or omissions in the course of performing this Agreement and under no circumstances shall UNDP be held liable for such claims by third parties.

5.6 Assets (Equipment) supplied by UNDP funds to the **RECIPIENT INSTITUTION** shall be the property of UNDP until the end of the project, at which time UNDP shall determine the best use of these assets. In cases where the **RECIPIENT INSTITUTION** has met its responsibilities under this agreement, and handover of the asset would contribute to the sustainability of activities, UNDP would normally handover these assets to the **RECIPIENT INSTITUTION**. The assets shall be used for the purpose indicated in the Workplan throughout the period of this Agreement.

5.7 This Agreement may be terminated by either party before completion of the Agreement by giving Sixty (60) days written notice to the other party, and the **RECIPIENT INSTITUTION** shall promptly return any unutilized funds to UNDP as per paragraph 5.6 above.

5.8 The **RECIPIENT INSTITUTION** acknowledges that UNDP and its representatives have made no actual or implied promise of funding except for the amounts specified by this particular tranche Agreement. Although project related documents may indicate a total amount of funds that could be available for this **RECIPIENT INSTITUTION**, actual disbursements will be based upon the **RECIPIENT INSTITUTION** meeting performance targets. If any of the funds are returned to UNDP or if this Agreement is rescinded, the **RECIPIENT INSTITUTION** acknowledges that UNDP will have no further obligation to the **RECIPIENT INSTITUTION** as a result of such return or rescission.

5.9 No modification of or change to this Agreement, waiver of any of its provisions or additional contractual provisions shall be valid or enforceable unless previously approved in writing by the parties to this Agreement or their duly authorized representatives in the form of an amendment to this Agreement duly signed by the parties hereto.

5.10 Any controversy or claim arising out of, or in accordance with this Agreement or any breach thereof, shall unless it is settled by direct negotiation, be settled in accordance with the UNCITRAL Arbitration Rules as at present in force. Where, in the course of such direct negotiation referred to above, the parties wish to seek an amicable settlement of such dispute, controversy or claim by conciliation, the conciliation shall take place in accordance with the UNCITRAL Conciliation Rules as at present in force.

The parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy or claim.

5.11 Nothing in or relating to this Agreement shall be deemed a waiver of any privileges and immunities of the United Nations, or UNDP.

IN WITNESS WHEREOF, the undersigned, duly appointed representatives of **UNDP** and the **RECIPIENT INSTITUTION**, respectively, have on behalf of **UNDP** and the **RECIPIENT INSTITUTION** signed the present Memorandum of Agreement on the dates indicated below their respective signatures.

On behalf of UNDP:


Name: **Ms. Setsuko Yamazaki**

Title: Country Director, UNDP Cambodia

Date: 17/12/12

On behalf of the RECIPIENT INSTITUTION:


Name: **Mr. John Whalen**

Title: President, Pact Institute

Date: December 18, 2012

Annex A: Project proposal and Budget

(The original copy of full proposal included work plan and project budget will be put under this cover page)

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Annex B:

Year _____

Annual Reporting Format

Recipient Institution: _____

OVERALL TARGETS FOR ENTIRE GRANT	BASELINE	PROPOSED ANNUAL TARGETS	ANNUAL BUDGET	ACTUAL ANNUAL RESULTS	ACTUAL ANNUAL EXPENDITURES	PROGRESS TOWARDS TARGETS





Proposal for Support to Oddar Meanchey (OM) REDD+ Project

Pact proposes to continue its support to OM REDD+ for a period of six additional months from 1 December, 2012 to 31 May 2013. Pact expects the additional six months of funding should be sufficient to bring the project to the point of sale, which will allow the project to implement its full suite of project activities and begin to generate carbon revenues as planned. The key objective during this period will be *to finalize Verified Carbon Standard (VCS) and Climate Community Biodiversity (CCB) verification and secure an Emissions Reductions Purchase Agreement (ERPA) between the Forestry Administration and a buyer of carbon credits.*

The key activities are as follows:

1. **Completion of Project Verification**

In order to complete the VCS and CCB verification, a third-party verifier will be contracted through JICA. The verifier undertake a desk review of the monitoring plans and monitoring reports (prepared based on data collected with previous UNDP funds), and make a field visit of approximately 10 days to the project site. Pact will facilitate this visit and work with Terra Global Capital and the FA to respond to any Clarification Requests (CRs) and Corrective Action Requests (CARs), which will be issued after the field visit. The field visit will also be supported in-country by a member of the Terra Global Staff. (JICA has indicated they will co-finance this activity.)

Key Activities:

- a. Facilitate verification field visit for verifiers and Terra Global Capital
- b. Respond to CRs and CARs

Justification: Voluntary carbon market buyers are primarily interested in “verified” credits. Without completion of the verification, the project will not be able to sell credits at the price necessary to break even. The cost of verification was not included in the previous project funding.

Link to UN REDD Programme Document: Results Framework (RF) Output 3.2: Pilot project activities.

2. Legal Agreements with the Buyer

With the support of UNDP, lawyer H.E. Sok Siphana provided valuable legal briefs on the six agreements necessary for the project to achieve registration with the VCS and registry Markit and to eventually sell credits. However, the finalization of the escrow account agreement, term sheet, and Emissions Reduction Purchase Agreement (ERPA) must be negotiated with a specific buyer once identified. This will not occur until project verification has been completed. Pact will work with the project's marketing agent, Terra Global Capital to facilitate discussions between potential buyers and the FA. Given that the term sheet and the ERPA will be time sensitive documents subject to expiration after a short period of time, a prompt review of these documents will be critical. Pact proposes to manage a retainer arrangement with H.E. Sok Siphana to assist in these negotiations between buyers and the FA.

Key Activities:

- a. Hire and manage H.E. Sok Siphana as legal counsel on a retainer basis
- b. Communicate on TGC's marketing efforts to identify suitable buyer(s)
- c. Present buyer terms to the FA
- d. Participate in negotiation of ERPA, term sheet, and escrow agreements

Justification: While background legal briefs will be completed by H.E. Sok Siphana within the previous UNDP funding timeframe, additional facilitation and legal advice will be needed during negotiations with buyer(s).

Link to UN REDD Programme Document: RF Output 2.5: Policy and legal development for the National REDD+ implementation framework. / RF Output 3.2: Pilot project activities.

3. Opening of the Registry Account

A key and required step in the registration of the project and the issuance of credits after verification is the opening of a registry account. The project partners have chosen the Markit Environmental Registry as its registry. The primary purpose of the registry is to ensure that the appropriate number of credits are issued to the project, deposited in the account of the project proponent, and are safely and securely transacted between the buyers and the project proponent. The registry also ensures that credits are not sold more than once.

Registration with Markit must take place prior to issuance of any credits. Pact in collaboration with Terra Global Capital will provide technical support to the Forestry Administration (FA) to assist in the opening of the registry account and training on using Markit's web-based system. Once credits have been issued and sold, these revenues will support the quarterly payments required to maintain the Markit registry account.

Key Activities:

- a. Facilitate opening and use of FA account

Justification: The opening of the registry account is a prerequisite for the FA to become active in the voluntary carbon market.

Link to UN REDD Programme Document: RF Output 3.2: Pilot project activities.

4. Project Monitoring, Reporting and Verification (MRV)

The project partners have been working to collect monitoring data necessary to achieve project verification, and must continue to record meticulous data on project actions – from minutes of Community Forestry (CF) meetings to hours spent patrolling – in order to earn credits. Pact will continue to collect and compile this data while building community and local FA capacity to play a more significant role in MRV. MRV activities include training and stipends for community monitors, maintenance of the SMS data monitoring system, and basic allowances for community patrolling.

Key Activities:

- a. Provide training and stipends to community monitors
- b. Maintain SMS monitoring system with regular monthly reports
- c. Provide basic allowance for community patrols

Justification: MRV is an ongoing requirement in order to provide evidence of project actions to earn carbon credits at the next verification (in 2014).

Link to UN REDD Programme Document: Section 3.7.2 Designing a measuring, reporting and verification system and RF Output 2.6: Development of nationally-appropriate REDD+ safeguards, and methods to measure REDD+ impacts and benefits.

5. Reviewing the TWG FR's Mandate and Preparation to Manage REDD+ Revenues

The TWG FR is designated by Govt. Decision 699 to handle the projects revenues. In preparation for the receipt of these revenues, Pact will work with the TWG FR's review of this mechanism as a channel for the revenues. The review will result in a more precise plan for how revenues will be managed including the systems, resources, and capacities needed to ensure an efficient mechanism which can deliver benefits to communities and other stakeholders.

Key Activities:

- a. Read existing reviews of the TWG and FA revenue management systems
- b. Organize discussions with key stakeholders
- c. Present review and recommendations for managing REDD+ revenue flows

Justification: The TWG F&E will play a critical role in managing REDD+ revenues. It is prudent to prepare systems and human resources so that when revenues flow, they will reach the stakeholders as efficiently as possible.

Link to UN REDD Programme Document: Section 7 Fund Management Arrangements / RF Output 2.4: Establishing REDD+ Fund mechanisms / RF Outcome 3: Improved capacity to manage REDD+ at subnational levels.

6. Building Capacity of the Community Forestry Network (CFN)

The CFN plays the role of coordinating the 13 CF groups in the project area. Pact proposes to continue support to the CFN to further build its capacity in forest monitoring and protection. Bi-monthly meetings will be organized to address critical issues and the core support to the network will be sustained.

Key Activities:

- a. Facilitate regular monthly meetings
- b. Provide core support to the CFN Secretariat

Justification: The CF Network has proved its strong commitment to reducing deforestation in the project area with minimal support. It is important to continue to resource and build the capacity of this network to maintain forest cover and work towards solving/preventing land disputes.

Link to UN REDD Programme Document: RF Outcome 3: Improved capacity to manage REDD+ at subnational levels.

7. Human Resources Support to the Project

Pact's Program Director, Amanda Bradley, will remain engaged in the project on a part-time consultancy basis (based in San Francisco, USA) to provide backstopping to the Cambodia team. She has been involved in the project since its inception and has solid knowledge of the project's history and institutional dynamics.

Pact support to the FA will be critical during this period to help manage the verification process within the FA and to facilitate communications with the FA and potential buyers once credits have been issued.

Key Activities:

- a. Draft and sign staff/consultant contracts
- b. Ongoing HR support

Justification: Continued engagement of these individuals ensures continuity in project implementation. Amanda's support is necessary to conclude the project development phase.

Link to UN REDD Programme Document: RF Outcome 3: Improved capacity to manage REDD+ at subnational levels.

8. Risk Assessment for the Project

Over the six month extension, there are a number of risks which could delay the project's reaching the voluntary market. These risks are outlined below:

Risk	Explanation
Lack of acceptable buyers	The project's marketing agent Terra Global Capital has already received expressions of interest from a number of potential buyers. However, the price per ton and conditions being offered by potential buyers may not be acceptable to the Forestry Administration/MAFF. The project has a breakeven price that tons cannot be sold below. If buyers are unwilling to pay this price, there may be an issue in reaching break even and being able to implement activities as planned. However, given the novelty of the project (likely the first verified VCS REDD project in Asia), the level of community and government involvement, and the comprehensive suite of activities planned to reduce deforestation and degradation, the project team feels that the price per ton the project is asking for is reasonable to expect from a buyer.
Potential buyers withdraw offers or lose interest following due diligence	Potential buyers could be discouraged from investing in the project due to concerns about the military or other potential issues beyond the control of the project. The project has been working closely with the government and project communities to ensure that these risks are minimized. All REDD projects face these kinds of risks, and buyers of REDD credits are typically aware of these potential risks if they are willing to purchase REDD credits.
Ex-ante carbon estimates are greater than actual ex-post (after verification) credits	The project budget and cash flow has been created using ex-ante carbon estimates prepared by Terra. These carbon estimates have been developed to be as conservative as possible, and have already received validation under the VCS. However, there is a chance that the actual (ex-post) credits issued to the project after verification will be less than anticipated, which would potentially bring less funding to the project and limit the implementation of certain project activities. Terra's work thus far in preparing monitoring reports for verification have indicated that the carbon credits issued after verification are likely to meet or exceed ex-ante estimates.
Pact is no longer funded to be an implementing partner	Pact has been essential for the implementation of the project and the development of the carbon. However, Pact is running out of budget to retain the key personnel to support the FA, the project is at risk of slowing down project plan requirements and the being able to meet the on-going VCS and CCB requirements.

Conclusion

Continued financial support to the OM REDD+ project is critical in order to bring the project to the market and secure revenues for ongoing project implementation. This REDD+ project is the first REDD+ mosaic project in Asia, and the first REDD+ project in Cambodia to go to market. It is a pioneering project which blazes a trail for both other REDD+ projects as well as for national REDD+ implementation. The challenges and delays faced so far in project development must be viewed in the context of the ground-breaking nature of the project. Issues of incursion by the military in the project area will be most effectively addressed by bringing a carbon buyer to the table and proving that a REDD+ project can deliver revenues to compete with other land uses. All of the project stakeholders have been learning throughout the process, and adapting to new requirements and challenges in the spirit of collaboration and partnership.

Pact very much appreciated the financial and technical support from UNDP in 2012. Pact expects an additional six months of support after would bring the project to fruition.

A handwritten signature or set of initials, possibly 'VW', enclosed in a circular scribble.

ANNEXES

ANNEX 1. Project Background

ANNEX 2. Rationale for Continued Support

ANNEX 3. Timetable

ANNEX 1. Project Background

The Oddar Meanchey Community Forestry REDD+ project (OM REDD+) is the first REDD+ project in Cambodia. Initiated in February 2008, the project has reached the final stage of development prior to selling carbon credits on the voluntary market. A number of donors and project partners have made investments and in-kind contributions in this project, including Danida, DFID, NZAid, US State Department, William J. Clinton Foundation, Pact, Terra Global Capital and most recently, the UNDP. These investments and in-kind contributions total more than \$2 million. Over the past 4.5 years of development, the project has reached many milestones, including:

- Endorsement by the Council of Ministers (2008)
- Official launching workshop with multiple stakeholders (2008)
- Establishment of 126 permanent forest biomass inventory plots (2008 – 2010)
- Completion of a biodiversity assessment and monitoring plan (2010)
- Design of the project MRV systems (2009 ~)
- VCS approval of the first VCS mosaic REDD methodology (2010)
- Completion and submission of the Project Documents for the VCS and the CCB (2010)
- Third party validation (2011 – 2012)
- Re-measurement of 100 forest sample plots under verification requirements (2012 - UNDP)
- 13 PRAs for social assessment under project verification requirements (2012 - UNDP)
- Purchase of satellite images for verification of carbon credits earned (2012 - UNDP)
- Drafting of mobile enforcement ToR (2012 - UNDP)
- SMS monitoring system (2011 – 2012 – UNDP)
- Project documentation and policy briefs (2009 – 2012 - UNDP)
- Management of Sok Siphana & Associates Law Firm for critical CCB and VCS documents (2012 - UNDP)
- Completion of the first ever gender and REDD+ project assessment (2012)

The funds from UNDP have been instrumental in moving towards the successful completion of project validation and verification under the VCS and CCB standards, two of the most critical benchmarks in REDD+ project development and a requirement to access new revenue sources from voluntary carbon credit buyers. Validation is expected to be completed in August 2012. The support from UNDP has allowed the project team to re-measure 100 permanent forest sample plots, to complete PRAs in each of the 13 CFs (as part of a required social assessment),

and to purchase and classify satellite images to verify the rate of deforestation in the project area. In addition, the team has been able to facilitate a terms of reference for the mobile enforcement unit, support the local CF Network to address forest land disputes in the project area, and hire a Cambodian lawyer H.E. Sok Siphana to assist the RGC in its review of required legal agreements associated with commercializing the carbon credits from the project. The project deliverables under the current agreement are 80% complete. The remaining tasks under the current UNDP agreement for the next two months (August & September, 2012) include:

- Facilitation of the legal review with H.E. Sok Siphana and project partners
- Completion of field data entry and quality control measures
- Development of training materials on MRV systems
- Three policy briefs (participatory MRV, legal issues, awareness raising)
- Quarterly newsletter and reporting

Pact believes that all of these are fully achievable in the remaining two-month timeframe.

ANNEX 2. Rationale for Continued Support

Pact would like to present additional justification for extending support for an additional six months to the OM CF REDD+ project, as outlined below.

1. Providing Inputs to National REDD+

The Oddar Meanchey CF REDD+ project is the first REDD+ project in Cambodia and is expected to be the 2nd REDD project in S.E. Asia validated and verified under the VCS. It serves as a model for other REDD+ projects and demonstrates Cambodia's commitment to move forward on REDD+. Experience in Oddar Meanchey continues to provide important data and learning to feed into the national REDD+ process and the development of additional REDD projects such as the REDD project under development in Siem Reap province. For instance:

- 1) forest inventory data from OM is contributing to the national forest inventory
- 2) widely applicable standard operating procedures (SOPs) have been developed and tested for collection of forest and social data
- 3) analysis of the drivers of deforestation has provided a better understanding of threats to forest and strategies to address these threats
- 4) participatory monitoring systems have been designed and are being tested using SMS phone messaging
- 5) benefit sharing mechanisms have been designed and will be tested once revenues flow.

2. Building Practical Skills and Capacity

Pact has worked collaboratively with the Forestry Administration throughout the project development process. This collaboration has provided opportunities for many FA staff to build their capacity and knowledge of REDD+ from a practical standpoint. The central level staff involved in Oddar Meanchey, namely Keo Omaliss, Khun Vathana, and Long Ratanakoma, have become leaders in the national REDD+ process. Cantonment level FA officers have developed good knowledge of REDD+ in both theory and practice. Pact and Terra Global Capital have organized valuable training to the FA through their work to validate and register the project under the VCS, and market the carbon credits from the project. This process of bringing the project to the next stage of implementation will also provide valuable learning and capacity

building opportunities for government staff. For instance, they will be better informed on 1) registry account opening, 2) carbon markets and buyer seller negotiations, 3) legal terms and transactions, 4) revenue flow, benefit sharing, and grants management. All of this new knowledge and experience will be useful as other REDD+ projects reach the same stage.

3. Potential Financial Benefits

If the OM REDD+ project meets original forecasts, it will generate an estimated \$2.25 million worth of credits through the first verification. These revenues would be earned for credits generated from years 2008 – 2012 at a conservative price of \$6.25 per metric ton. These funds would provide “proof of concept” that REDD+ can generate carbon credits and revenues to the RGC, and would rekindle the FA’s enthusiasm in REDD+. The RGC has already committed to “maximize benefits to local communities” (Govt. Decision No. 699), so it is expected, based on draft workplans and budgets, that a significant portion of these revenues will be directed to support local communities in their forest protection efforts. Without these revenues, the fast pace of deforestation is likely to continue.

4. Promoting Cambodia’s Commitment to REDD+

Cambodia has applied for and received UN-REDD funds and is in the process of applying for additional FPCF funds to develop its national REDD+ framework. The Oddar Meanchey CF REDD+ project, as Cambodia’s first such project, has garnered worldwide attention. Staff have presented on the initiative across the globe, and the project has been highlighted in numerous international publications, including the Rio+20 Business Journal, the CSR Asia newsletter, the Climate-L list, and the Ecosystems Marketplace newsletter. Many people in the sector are closely tracking this project. If Cambodia allows this project to falter despite earlier endorsements, its commitment to REDD+ may be called into question. By contrast, the completion of verification and carbon sales would greatly enhance Cambodia’s reputation on the REDD+ stage and potentially bring more investment to the forestry sector.



Timetable, October 2012 – March 2013

Outcomes	Means of Verification	D	J	F	M	A	M
Outcome 1.0: Completion of Project Verification							
Output 1.1: Hire verifier and manage contract	Copy of contract						
Output 1.2: Facilitate verification field visit	Field report						
Output 1.3: Respond to CRs and CARs	Notification of closing of CRs and CARs						
Outcome 2.0: Completion of Legal Agreements with the Buyer							
Output 2.1 Hire and manage H.E. Sok Siphana as legal counsel	Copy of contract						
Output 2.2: Communicate on marketing efforts	Meeting minutes						
Output 2.3: Present buyer terms to the FA	Meeting minutes						
Output 2.4: Participate in negotiation of ERPA, term sheet, and escrow accounts	Meeting minutes & progress reports						
Outcome 3.0: Open of Registry Account							
Output 3.1: Facilitate opening and use of FA account	Screen shot of registry account						
Outcome 4.0: Project Monitoring, Reporting and Verification							
Output 4.1: Provide training and stipends to community monitors	Training report, stipend receipts						
Output 4.2: Maintain SMS monitoring system with regular monthly reports	Monthly reports						
Output 4.3: Provide basic allowance for community patrols	Receipts						
Outcome 5.0: Reviewing TWG's Mandate & Capacity							
Output 5.1: Review existing assessments	n/a						
Output 5.2: Organize discussions	Meeting minutes						
Output 5.3: Present assessment	PowerPoint presentation & minutes						
Outcome 6.0: Building Capacity of the CF Network							
Output 6.1: Facilitate regular monthly meetings	Meeting minutes						
Output 6.2: Provide core support to CFN Secretariat	Contract document & reports						
Outcome 7.0: Human Resources Support to the FA							
Output 7.1: Renew staff contract	Staff contract						
Output 7.2: Ongoing HR support	n/a						

PROJECT COSTS AND OTHER SOURCES OF FUNDING

Outcome	Output	Budget Items						Amount requested from CBA In Cash	Amount from other organization			Total
		Descriptions	Rate (\$)	Qty.	Costs	Name of Organization	In Cash		In Kind			
1	Completion of Project Verification Facilitate verification field visit for verifiers and Terra Global Capital	International TA (time/day)	\$ 536	4	\$ 2,144		\$ 11,373				\$ 2,144	
		Local staff (time/day)	\$ 53	25	\$ 1,325			\$ 1,325				
		Travel costs and DSA	\$ 3,116	1	\$ 3,116			\$ 3,116				
		International TA (time/day)	\$ 536	3	\$ 1,608			\$ 1,608				
2	Legal Agreements with the Buyer Hire and manage H.E. Sok Siphana as legal counsel on a retainer basis	International TA (time/day)	\$ 536	3	\$ 1,608		\$ 16,683				\$ 1,608	
		Local staff (time/day)	\$ 53	10	\$ 530			\$ 530				
		Subcontract for translation of legal documents	\$ 500	1	\$ 500			\$ 500				
		Subcontract for Legal Counsel (Sok Siphana)	\$ 9,775	1	\$ 9,775			\$ 9,775				
3	Respond to CRs and CARs	International TA (time/day)	\$ 536	2	\$ 1,072		\$ 16,683				\$ 1,072	
		Local staff (time/day)	\$ 53	2	\$ 106			\$ 106				
		International TA (time/day)	\$ 536	2	\$ 1,072			\$ 1,072				
		Local staff (time/day)	\$ 53	1	\$ 536			\$ 536				
4	Legal Agreements with the Buyer Hire and manage H.E. Sok Siphana as legal counsel on a retainer basis	International TA (time/day)	\$ 536	3	\$ 1,608		\$ 2,138				\$ 1,608	
		Local staff (time/day)	\$ 53	10	\$ 530			\$ 530				
		International TA (time/day)	\$ 536	3	\$ 1,608			\$ 1,608				
		Local staff (time/day)	\$ 53	10	\$ 530			\$ 530				
5	Project Monitoring, Reporting and Verification (MRV) Provide training and stipends to community monitors	International TA (time/day)	\$ 536	3	\$ 1,608		\$ 23,866				\$ 1,608	
		Local staff (time/day)	\$ 53	53	\$ 2,809			\$ 2,809				
		Travel costs, DSA and training materials	\$ 2,851	1	\$ 2,851			\$ 2,851				
		International TA (time/day)	\$ 536	1	\$ 536			\$ 536				
6	Maintain SMS monitoring system with regular monthly reports	Local staff (time/day)	\$ 53	50	\$ 2,650		\$ 4,680				\$ 2,650	
		Subcontract to CDA for monitoring follow-up	\$ 1,620	1	\$ 1,620			\$ 1,620				
		Slipends for 26 Community Monitors (6 months)	\$ 936	5	\$ 4,680			\$ 4,680				
		Cellcard support to 13 CFs (\$5/CF x 13 CFs x 6 months)	\$ 78	5	\$ 390			\$ 390				
7	Support community patrols and other community needs	International TA (time/day)	\$ 536	2	\$ 1,072		\$ 4,694				\$ 1,072	
		Local staff (time/day)	\$ 53	50	\$ 2,650			\$ 2,650				
		Allowance for CF Patrols for 10 CFs (6 months)	\$ 300	10	\$ 3,000			\$ 3,000				
		Local staff (time/day)	\$ 53	18	\$ 954			\$ 954				
8	Reviewing the TWG F&E's Mandate and Capacity Needs to Manage REDD+ Revenues Review existing assessments of the TWG and FA revenue management systems	International TA (time/day)	\$ 536	2	\$ 1,072		\$ 10,814				\$ 1,072	
		Local staff (time/day)	\$ 53	10	\$ 530			\$ 530				
		International TA (time/day)	\$ 536	1	\$ 536			\$ 536				
		Local staff (time/day)	\$ 53	10	\$ 530			\$ 530				
9	Organize discussions with key stakeholders	International TA (time/day)	\$ 536	2	\$ 1,072		\$ 10,814				\$ 1,072	
		Local staff (time/day)	\$ 53	18	\$ 954			\$ 954				
		International TA (time/day)	\$ 536	2	\$ 1,072			\$ 1,072				
		Local staff (time/day)	\$ 53	18	\$ 954			\$ 954				
10	Present assessment on REDD+ revenue flows	International TA (time/day)	\$ 536	1	\$ 536		\$ 2,656				\$ 536	
		Local staff (time/day)	\$ 53	5	\$ 265			\$ 265				
		International TA (time/day)	\$ 536	1	\$ 536			\$ 536				
		Local staff (time/day)	\$ 53	5	\$ 265			\$ 265				
11	Building Capacity of the Community Forestry Network (CFN) Facilitate regular monthly meetings	International TA (time/day)	\$ 536	1	\$ 536		\$ 2,656				\$ 536	
		Local staff (time/day)	\$ 53	5	\$ 265			\$ 265				
		International TA (time/day)	\$ 536	1	\$ 536			\$ 536				
		Local staff (time/day)	\$ 53	5	\$ 265			\$ 265				
12	Provide core support to the CFN Secretariat	International TA (time/day)	\$ 536	1	\$ 536		\$ 2,656				\$ 536	
		Local staff (time/day)	\$ 53	5	\$ 265			\$ 265				
		International TA (time/day)	\$ 536	1	\$ 536			\$ 536				
		Local staff (time/day)	\$ 53	5	\$ 265			\$ 265				
13	Human Resources Support to the Project Renew staff contract	International TA (time/day)	\$ 536	1	\$ 536		\$ 2,656				\$ 536	
		Local staff (time/day)	\$ 53	5	\$ 265			\$ 265				
		International TA (time/day)	\$ 536	1	\$ 536			\$ 536				
		Local staff (time/day)	\$ 53	5	\$ 265			\$ 265				
14	Ongoing HR support	International TA (time/day)	\$ 536	1	\$ 536		\$ 2,656				\$ 536	
		Local staff (time/day)	\$ 53	5	\$ 265			\$ 265				
		International TA (time/day)	\$ 536	1	\$ 536			\$ 536				
		Local staff (time/day)	\$ 53	5	\$ 265			\$ 265				
Grand Total		International TA (time/day)	\$ 536	32.91	\$ 17,640		\$ 72,224				\$ 17,640	
		Local staff (time/day)	\$ 53	442.00	\$ 23,426			\$ 23,426				
		Activity costs (not including staff time for activities)	\$ 31,158		\$ 31,158			\$ 31,158				
		Total	\$ 72,224		\$ 72,224			\$ 72,224				

International TA	32.91	\$ 17,640	24%
Local staff	442.00	\$ 23,426	32%
Activity costs (not including staff time for activities)		\$ 31,158	43%
Total		\$ 72,224	100%