



## National REDD+ Fund management options for Cambodia

The 6<sup>th</sup> Meeting of Cambodia REDD+ Taskforce  
Hotel Rock Royal, KEP town, KEP province  
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Mr. Chhun Delux



## Steps in setting up national REDD+ fund management arrangements

1. Assessing options (on-going and completed with TF decision)
2. Develop a concept note or basic design document (during national REDD+ strategy development Q4 2014)
3. Establishment of the Fund
4. Develop detailed procedures for the fund
5. Fund-raising
6. Fund operational
7. Capacity building
8. Transfer to national ownership



## Assessing options

This involves several steps and decisions to be made:

1. Fund based approach or budget support
2. Type of fund
3. Interim structures for Phase 1
4. Legal capacity of the fund
5. Role of the trustee
6. Modalities for Phase 2



## Decision 1: Fund-based approach or budget support



## Fund based approach

- Advances made in public financial management (PFM) in recent years but substantial capacity constraints remain
  - Complexity of REDD+ and the notion of results-based payments
- } can result in suboptimal performance if REDD+ payments are managed using country systems exclusively
- No other REDD+ country has opted for budget support but created independent REDD+ funds or integrated REDD+ into existing funds.
  - **RECOMMENDATION: Fund based approach in the first interim phase with a second phase relying more on country systems**
  - Fund based approach should be completely separate from country PFM systems. It could use the government COA to report data and rely on regular ministry staff to undertake some of the functions of the fund.



## Decision 1: Fund-based approach or budget support

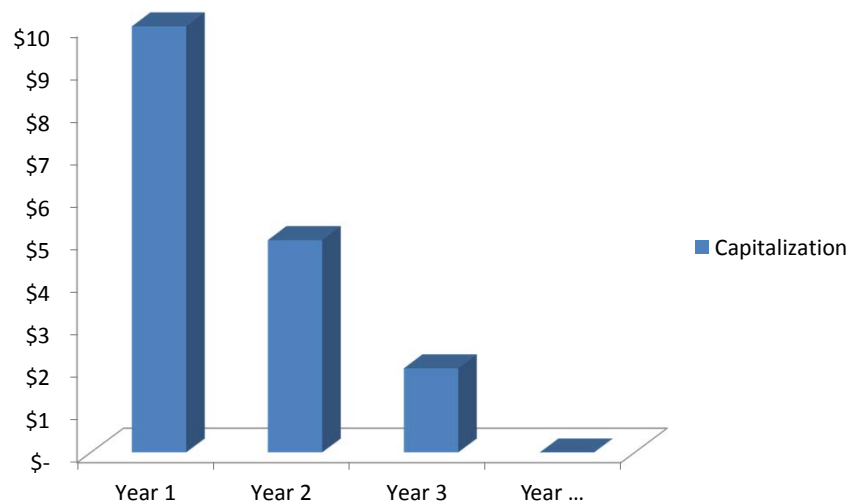
Recommended option:  
Fund based approach

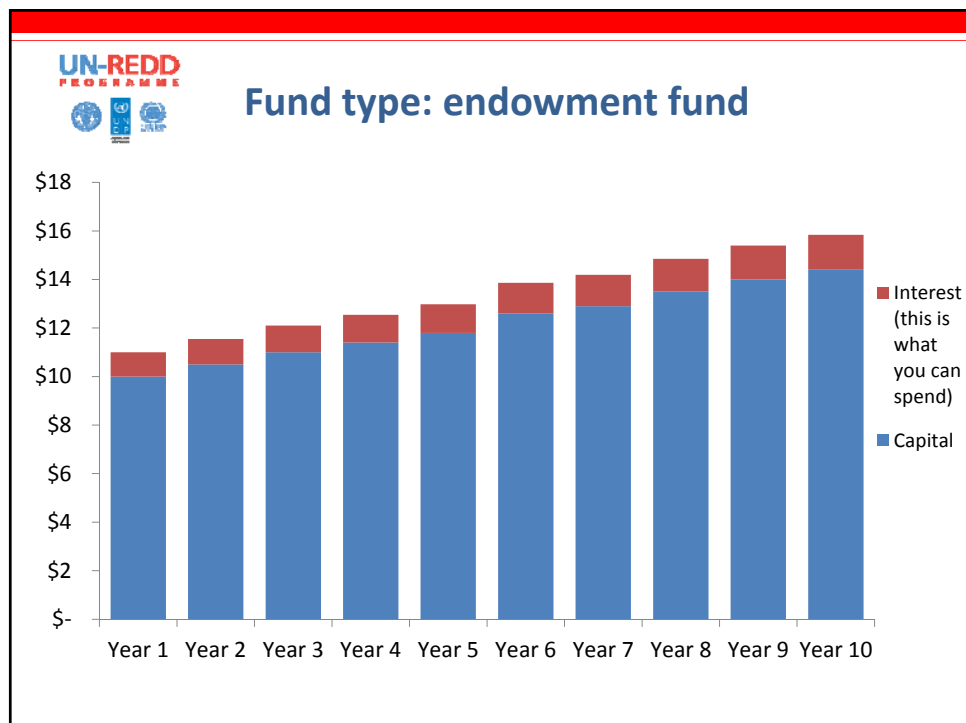
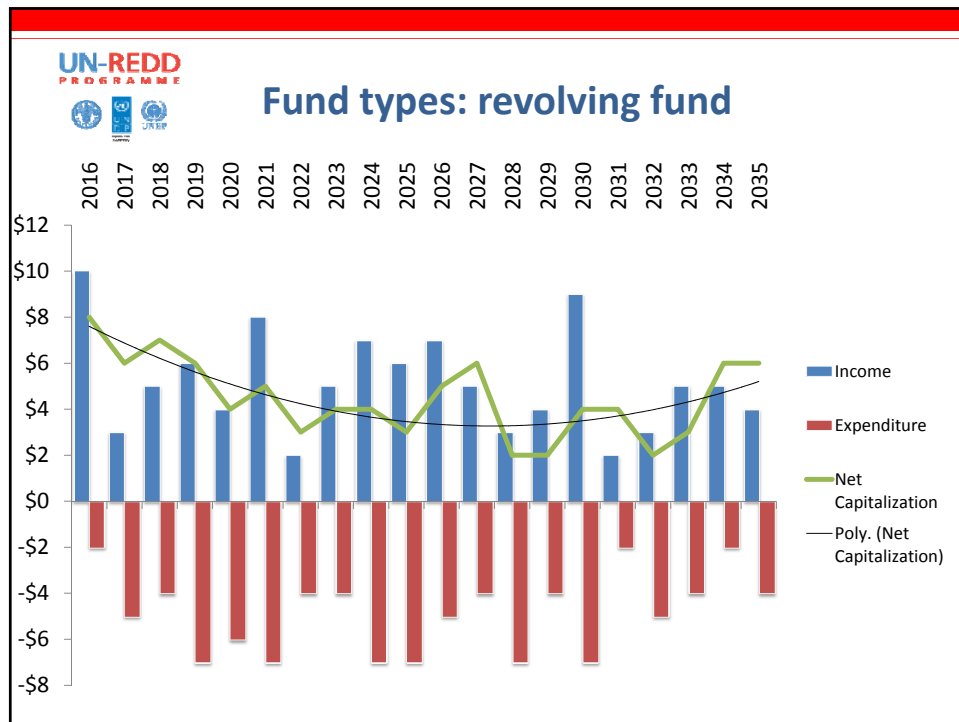


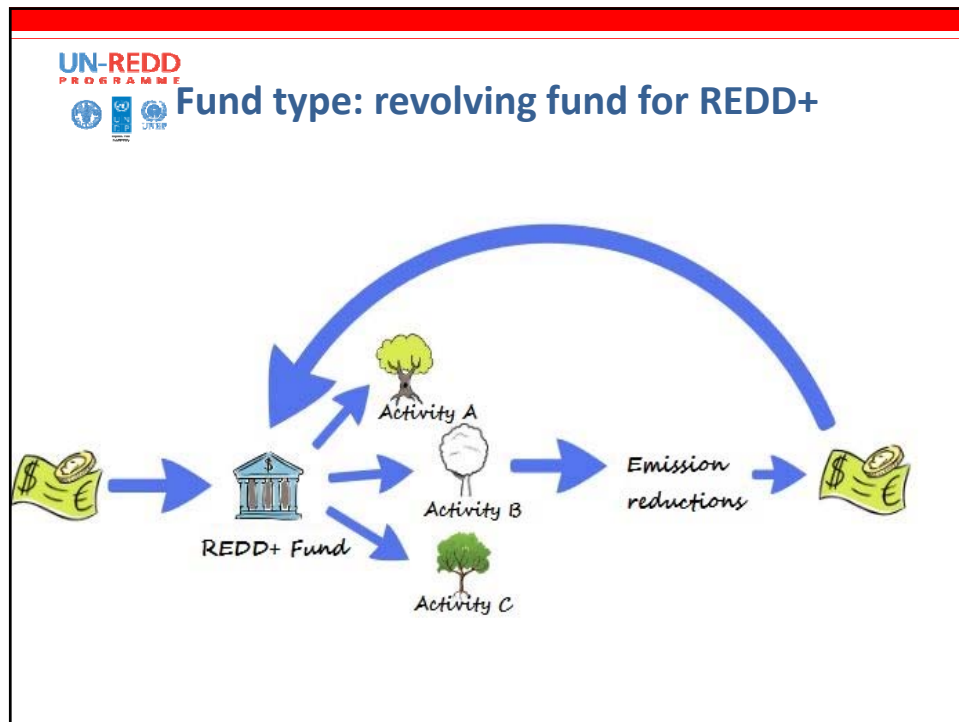
## Decision 2: Type of fund



### Fund types: sinking fund







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## Decision 2: Type of fund

**Recommended option:**  
Revolving fund with a large initial donor capitalization



## Decision 3: Interim Structures



### Interim structures

Use a phased approach to:

- Ensure rapid resource mobilization
- Build capacities over the medium term to achieve full national ownership

Interim structures:

- Steering Committee membership
- Technical expertise and secretariat
- Trustee
- Entities with access?



## Interim structures – transition to full national ownership

- TOR for Trustee/managing agent, entity with access during interim period
- TORs of Trustee/managing agent, entity with access during national ownership
- Identification of national entities after interim period
- If more than one, decide which one
- Based on the ToRs above, assess capacity gaps to be filled before national ownership is possible
- Capacity development plan
- Identify milestones (including capacity development targets and institutional reform targets) and steps in transition
- Implement activities and gradually transfer ownership



## Decision 3: Interim Structures

**Recommendation:**

**Set up fund in two phases**

**Phase 1: interim international trustee:**

**Multi-donor fund**

**Phase 2: budget support, national REDD+ fund  
or part of another fund**





## Decision 4: Legal Capacity



## Legal Capacity

- Legal capacity is central because it is necessary to enter into agreements (such as contribution agreements between the fund and the donors, grant agreements between the implementing entities and the fund, staff contracts and service contracts, purchase agreements to procure goods etc.)
- Two main options that can be envisaged:
  - The fund will have legal capacity – the fund will enter into contracts, be accountable to 3rd parties, can sue and be sued. Its creation will follow Cambodian law of juristic persons.
  - The fund will not have legal capacity – other entities will perform the functions listed above and their relationship and responsibilities will be managed through contracts. The functions can be split among several different entities.



## Decision 4: Legal Capacity

Recommendation:

Phase 1: No legal capacity (use agents)

Phase 2:

No recommendation at this stage –  
further analysis/consultations needed



## Decision 5: Trustee



## Trustee

Two main options:

- 1. Trustee as only a bank account:** The fund will need legal capacity or will need an agent mandated by government to enter into agreements with the Trustee, grantees, staff, its consultants.
- 2. Bank account and managing agent:** The entity assuming both roles of the bank account and as the managing agent will do all the contracting.

The option depends on whom you pick as Trustee (for example a bank can only do Point 1)



## Decision 5: Trustee

**Recommendation:**

None at this stage – further analysis/consultations needed but to be decided in Q4 2014 & incorporated in the national REDD+ strategy



## Decision 6: Modalities for Phase 2



## Modalities for Phase 2

Possible options:

- 1. Budget support**
- 2. Integrate into other funds:**
  - National Climate Change Facility
  - Sector funds (forestry or protected areas)
- 3. Separate REDD+ Fund**

Initial assessment of the fund-based options (points 2 & 3) in the consultant's report presented to the TF in January 2014. But before decision can be made on this issue further analysis is required in light of the development of the national climate finance and forestry finance framework and stage 2 of the PFM reforms.



## Decision 6: Modalities for Phase 2

Recommendation:

No decision yet (wait for policy evolution and further analysis)



## Thank you

[berta.pesti@undp.org](mailto:berta.pesti@undp.org)