Government of
Papua New Guinea

NATIONAL REDD+ BENEFIT SHARING AND DISTRIBUTION GUIDELINES

Healthy forest. Strong nation. Better world.

REDD+
PAPUA NEW GUINEA

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PREFACE

Papua New Guinea (PNG) has made substantial progress in achieving the requirements under the United Nations Framework Convention on Climate Change (UNFCCC) for the global mechanism on Reduced Emissions from Deforestation and Forest Degradation, the role of Conservation, Sustainable Management of Forests and the enhancement of forest carbon stocks in developing countries (REDD+). This progress has been facilitated by strong political backing given the country's role in advancing the global REDD+ agenda, coupled with the in-country realization that REDD+ offers an opportunity to curb the unsustainable management of the country's natural resource and achieve economic development whilst preserving the country's natural assets.

In recognition of this, PNG has successfully met the four key components of REDD+ under the Warsaw Framework that need to be established to implement, operationalize REDD+ and realize Results-Based Payments under a forthcoming compliance market:

1) **National REDD+ Strategy (NRS)** – completed and approved by NEC in May 2017. The strategy includes key action areas across sectors including specific action areas for forestry targeting updating of legislation, strengthening management, monitoring and enforcement capacity, strengthening and diversifying timber production and increasing capacity through training and strengthening of research and training institutions.

2) **Forest Reference Level (FRL)** – completed and submitted to the UNFCCC in 2017. The UNFCCC technical assessment process has been completed and the modified FRL was submitted and published on UNFCCC website. PNG FRL submission shows steady increase of historical (2001-2013) annual emissions of the forest sector from 21.5 million t CO^2 eq in 2001 to 41.7 million tCO^2 eq in 2013, which strongly fit to a linear regression.

3) **National Forest Monitoring System (NFMS)** – provides information on the nature of forests and forest management and in PNG has been established and developed by PNGFA in partnership with CCDA and FAO.

4) **Safeguards and Safeguards Information System (SIS)** – a roadmap has been developed based on a comprehensive assessment of PNG's legal safeguards including environmental regulations. The Safeguards Information System (SIS) Framework and Summary of Information (SOI) were endorsed by the Government on 4 Nov 2020.

The Papua New Guinea National Biennial Update Report (BUR) to the UNFCCC included a REDD+ Technical Annex that reported on the country's REDD+ Results for the years 2014- 2015 which amount to 9,993, 314 tCO^2e. Calculated at a nominal value of U$5, these REDD+ Results amount to an excess of U$30 million which the country can receive for the reported years.

Therefore, the country has now sought to attract finance in order to fund the transition to sustainable management within the Land Use, Land Use Change and Forestry (LULUCF) sectors in line with the National REDD+ Strategy, in the absence of clarity under article 6 of the Paris Agreement which deals with markets. Investments in REDD+ to date have largely been bilateral, or multilateral via the World Bank Carbon Fund and the Green Climate Fund, which have been invaluable to set the stage for REDD+.

Furthermore, actions from market players in the mid 1990's, saw the creation of the Voluntary Carbon Market (VCM) through the evolution of standards fortified with regulatory developments which began with the ratification of the Kyoto Protocol in 2005. The VCM typically involves corporations or private donors investing in project-level REDD+ activities against established standards for REDD+ verifying and transacting Project- level REDD+ emission reductions. Papua New Guinea's approach to the VCM is guided by the NRS under Approach 5 which ***requires any projects targeting the voluntary carbon market to follow guidelines linked to the national REDD+ development process and UNFCCC guidance***. Thus, a versatile Benefit Sharing and Distribution (BSD) mechanism in PNG must provide the minimum requirements for BSD arrangements tied to the VCM so that they are aligned with national REDD+ programme considerations.

In light of the vast potential flows and types of benefits from REDD+ implementation, the Climate Change (Management) Act 2015 (as Amended) sets the transformational foundations to implementing a transparent, equitable and fair benefit distribution system at the national and project level. The REDD+ Benefit Sharing and Distribution Guidelines essentially clarify on the 'types' of benefits and beneficiaries, highlighting essential guiding principles for equitable and transparent benefit sharing in REDD+ implementation. The REDD+ BSD Guidelines identify the enabling Policy & Legal Framework and emphasizes the importance of Private sector participation, Carbon Rights, Ownership, Landholder Participation and Equitable Benefit Sharing. The Financial and Institutional Framework of the BSD Guidelines identifies two approaches of REDD+ implementation; 1) National Level Approach and 2) VCM Projects Approach. The BSD Guidelines look to articulate the roles of National and Sub-national level entities, institutional arrangements, sources and types of benefits and the respective procedures which are guided by fundamental policy principles on REDD+ BSD arrangements within the two approaches.

ACRONYMS

ADB	Asian Development Bank
AFOLU	Agriculture Forest and Land Use Sector
BSA	Benefit Sharing Agreement
BSD	Benefit Sharing and Distribution
BSP	Benefit Sharing Plan
BUR	Biennial Update Report
CBO	Community Based-Organizations
CCDA	Climate Change Development Authority
CCMA	Climate Change Management Act (2015)
CEPA	Conservation and Environmental Protection Authority
CLLC	Customary Landholders and Local Communities
DEC	Department of Environment and Conservation
DNPM	Department of National Planning and Monitoring
DP	Development Partner
ER	Emissions Reductions
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FCPF	Forest Carbon Partnership Facility
FRL	Forest Reference Level
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse Gas
GoPNG	Government of PNG
ILG	Incorporated Land Groups
JNR	Jurisdictional and Nested REDD+
LULUCF	Land Use, Land Use Change and Forestry
MRV	Monitoring, Reporting & Verification
NCCB	National Climate Change Board
NEC	National Executive Council
NFMS	National Forest Monitoring System
NGO	Non-Governmental Organisation
NRS	National REDD+ Strategy
NSLUP	National Sustainable Land Use Pollicy

OSS	Office of State Solicitor
PG	Provincial Government
PNG	Papua New Guinea
PNGFA	PNG Forest Authority
REDD+	Reducing Emissions from Deforestation and forest Degradation and the role of forest conservation, sustainable management of forest and enhancement of forest carbon stocks
RFIP	REDD+ Finance and Investment Prospectus
SBCD	Supplementary Budget Committee Determination
tCO_2e	Tonnes of Carbon Dioxide Equivalent
TF	Trust Fund
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	All $ are US dollars equivalent
VCS	Verified Carbon Standard
VCU	Verified Carbon Unit
VER	Verified Emissions Reduction
WB	World Bank

DEFINITIONS

The definitions below are in accordance with section 3 of the Climate Change (Management) Act 2015 (as Amended):

"Accredited climate finance entities" means State entities or private organisations, referred to in Section 14A, that are accredited to climate funds, including but not limited to the Trust Fund, that can be recipients and administrators of public or private contributions designated to be used for the implementation of measures for mitigation and adaptation to climate change with the approval of the Authority."

"Adaptation" means adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects which moderates harm or exploits beneficial opportunities;

"Baseline reference level" means Papua New Guinea's reference level for emissions in the baseline year established under Section 55;

"Board" means the National Climate Change Board established under Section 12 of the Act;

"Carbon dioxide (CO_2)" means the gas having the molecular chemical compound composed of two oxygen atoms each covalently double bonded to a single carbon atom;

"Carbon rights" refer to the legal claims, verified through social and land mapping, on the benefit streams from carbon sinks as referred to in Section 92A;

"Climate change" means a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural variability over comparable time periods;

"Climate finance" means local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change;

"Climate change" related project agreement" means an agreement between the Authority, any persons or entity related to climate change related project or activity, the customary owners of the land and forest resources and the project proponent relating to an Agreement on Voluntary Carbon Offset Projects and any future climate change emission reduction mechanisms agreed to by the government that will facilitate for sustainable development and reduction of greenhouse gas emissions;

"Climate change related project or activity" means any project or activity that is undertaken in response to the effects of climate change, including but not limited to mitigation and adaptation projects or activities; to ensure climate resilience and carbon neutral pathway for climate compatible development;

"Conference of the Parties" or "(COP)" means the supreme decision-making body of the UNFCCC

"Designated National Authority" means the Authority who is recognised by the UNFCCC and Paris Agreement to be the lead agency for dealing with climate change matters in Papua New Guinea;

"Ecosystem services" means provisioning services such as food and water; regulating services such as regulation of floods, drought, land degradation, and disease; supporting services such as soil formation and nutrient cycling; and cultural services such as recreational, spiritual, religious and other nonmaterial benefits;

"Emissions reduction standard" means a standard or scheme under which emissions reduction programmes, projects and activities can be registered and generate verified emissions reductions and for which emissions reduction units are issued;

"Emissions reduction unit" means a tradable certificate or permit that represents one tonne of carbon dioxide equivalent verified emissions reductions;

"Forest" land spanning more than 1 hectare, with trees higher than 3 meters and the canopy cover of more than 10 percent (%);

"Free prior and informed consent (FPIC)" means a specific right that pertains to indigenous peoples and other land holders that allows them to give or withhold consent to a project or activity that may affect them or their property;

"Green Climate Fund" or "GCF" is a fund established within the framework of the UNFCCC as an operating entity of the Financial Mechanism to assist developing countries in adaptation and mitigation practices to counter climate change;

"Internationally transferred mitigation outcome" or "ITMO" are certified emission reduction units from the new mechanism for the international emissions trading between parties to the Paris Agreement in accordance with Article 6 of the Paris Agreement and includes–– '

(a) Papua New Guinea Mitigation Outcome Units transferred internationally in accordance with Section 78A; and

(b) emissions reductions generated outside of Papua New Guinea and approved for international transfer to the Government or entities operating within Papua New Guinea in accordance with this Act and the regulations;

"Kyoto Protocol" means the protocol under the UNFCCC adopted in at Kyoto, Japan, on 11 December 1997; "mitigation" means efforts that seek to prevent or slow down the increase of atmospheric greenhouse gas concentrations by limiting current or future emissions and enhancing potential sinks for greenhouse gases;

"Nationally Determined Contribution" or "NDC" means efforts undertaken by Papua New Guinea to address climate change in accordance with Article 4 of the Paris Agreement;

"National forest reference level" means a national forests emission reference level and /or forest reference level expressed as tonnes of CO2 equivalent per year for a reference period against which the emissions and removals from a results period are compared when implementing REDD+ activities;

"Paris Agreement" means the Paris Agreement, ratified by Papua New Guinea on September 21, 2016 and which entered into force on November 4, 2016;

''Payments for environmental or ecosystem services" or "PES", means payments for the provision of services from ecosystems, including but not limited to carbon sequestration or storage with benefits provided to landholders in the form of compensation, incentive funds, grants, donor money and other funding derived from national and international sources.

"REDD+" means policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries as identified by the UNFCCC described by the Conference of Parties to the UNFCCC in Decision 1/CP.16 in its sixteenth session and Decision 1/CP.21 in its twenty first session and as amended from time to time;

"Registry" means the Papua New Guinea National Registry established under section 78A of the Act;

"Results- based payments" means financial incentives for developing countries for implementing REDD + actions and achieving results estimated through the UNFCCC approved rules and reported as emissions reduction in carbon dioxide equivalent;

"Tonne of carbon dioxide equivalent (tCO_2e)" means one metric tonne of carbon dioxide or an amount of any other targeted greenhouse gas with an equivalent global warming potential (calculated consistently with international reporting practice);

"Trust Fund" means the Climate Change Resilience and Green Growth Trust Fund established under Section 37 of the Act or any other similar funds referred to in this document that are developed for purposes of REDD+ benefits sharing;

"UNFCCC" means the United Nations Framework Convention on Climate Change, ratified by Papua New Guinea on April 1994.

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INTRODUCTION

1.1 Purpose

The purpose of this document is to enable the Climate Change and Development Authority (CCDA) as the mandated Authority and as specified in the Climate Change (Management) 2015 (as Amended), s 10 (d) to apply the following:

> "administer compensation or incentive funds, grants, donor money and other funding derived from national and international climate finance sources under the direction of the Board to assist in the development of climate compatible economic endeavours and climate adaptation and mitigation programs in Papua New Guinea"

This Guideline is also directed by Section 93 of the Climate Change (Management) 2015 (as Amended) (CCMA) which provides for the benefits sharing of proceeds of climate change projects to identified beneficiaries including landowners.

Furthermore, and in particular, the REDD+ Benefit Sharing and Distribution (BSD) Guidelines lays out the intended guidance and procedures for compliance of National, Project and Jurisdictional REDD+ results-based finance and distribution of incentives (monetary and non-monetary benefits) in relation to relevant sections of the Climate Change (Management) 2015 (as Amended) (CCMA), the National REDD+ Strategy 2017-2027 and the REDD+ Finance and Investment Prospectus.

1.2 Scope

These Guidelines will be applied to all relevant REDD+ actors across all levels (scales) of the REDD+ benefit sharing and distribution system through a combined vertical and horizontal approach, operating within Papua New Guinea (PNG).

1.3 Policy Statement

To ensure effective, transparent, and fair, distribution of REDD+ benefits to the relevant parties that contribute to and ensure permanence of emissions reductions and conserve biodiversity and ecosystem services; and to promote and track financial investments in REDD+ for desired and equitable outcomes across all scales of the benefit sharing and distribution system; and to build confidence in national capabilities to encourage future investments to catalyse transformational change within the forest and land use sector towards a new responsible economy and stronger community livelihoods.

1.4 Types of Benefits

The following definitions apply throughout this REDD+ BSD Guidelines:

- Carbon credit benefits are monetary or non-monetary/in-kind goods, services or other benefits related to REDD+ results and/or performance-based payments received under a contractual arrangement by parties to a REDD+/VCM project agreement.
- Non-carbon credit benefits are financial or in-kind benefits produced by or in relation to REDD+ implementation, other than those that directly derive from REDD+ results and/or performance-based payments for emission reductions (ERs).
- Monetary benefits sharing is the sharing of part of the monetary cash-flow that are generated by the operation of REDD+/VCM projects that is distributed to stakeholders that usually do not possess proprietorship of the project's operator.
- Non-monetary benefits are incentives and benefits that do not involve money and can be given to REDD+ stakeholders that perform well with regards to ERs and ensure engagement and success with REDD+ implementation.

As beneficiaries are identified, consideration of the form of benefits they are expected to share will be captured in a Benefit Sharing Plan (BSP), which would specify the monetary and/or non-monetary benefits. Throughout this process, the following must be considered:

- Identification of the forms of benefits that will incentivize beneficiaries to continue to support successful REDD+ implementation;
- Outcomes of stakeholder consultations where different forms of benefits have been discussed and stakeholders have provided feedback on their expectations, preferences, and priorities;
- An understanding of the forms of benefits that stakeholders are receiving under existing Benefit Distribution Mechanisms, such as Payment for Environmental/Ecosystem Services (PES) schemes, and their impacts; and
- Whether monetary or non-monetary benefits, or a combination, will be shared with various beneficiaries. This determination is highly context specific and will vary according to each REDD+ project.

1.5 Types of Beneficiaries

Beneficiaries may include, but are not limited to: communities, civil society, and the private sector, including any nested REDD+ projects. Governments may also retain a certain amount of payments to cover their costs for implementing and/or managing REDD+ implementation. Only verified emission reductions in deforestation and degradation will trigger benefits to be shared between identified beneficiaries. Additionally, verified ERs from avoided deforestation and degradation can also be considered, particularly those at the sub-national or project level.

Eligibility criteria for beneficiaries should be clearly described in a BSP so that stakeholders clearly understand whether they can potentially access monetary and/or non-monetary benefits. These criteria can include requirements related to legal status, having a bank account, submitting a report on their implementation of activities or other requirements. Care should be taken to ensure that eligibility criteria does not inadvertently exclude relevant or vulnerable stakeholders. The following are categories of the types of beneficiaries within the context of REDD+ implementation:

- Primary beneficiaries are stakeholders who play a direct role in reducing deforestation and degradation on the ground, perform vital monitoring and reporting functions and have a regulatory or legal right to the land, forests or emission reductions. For example, local communities and customary landholders of REDD+ project sites are considered to be primary beneficiaries.
- Secondary beneficiaries are stakeholders who have important roles in the implementation of REDD+ but their roles and impacts are largely indirect. For instance, some national government agencies may be considered to be secondary beneficiaries.

To ensure that BSPs can be implemented effectively, practical approaches outlined in the National REDD+ FPIC Guidelines, must be considered to overcome any exclusion of key stakeholders in Benefit Sharing Agreements (BSA). Due consideration must also be given to the mechanisms (outlined in Section 3) proposed to facilitate the sharing and distribution of benefits to REDD+ beneficiaries in a timely manner, which would be captured in the REDD+ BSAs.

1.6 Guiding Principles

1.6.1 Inclusiveness and Participation

Multi-stakeholder involvement and participation in decision-making is essential for REDD+ to be effective and to achieve desired social and environmental objectives. There are various REDD+ stakeholders, including (but not limited to):

- Customary landholders and local communities;
- Governments, including sub-national government agencies;
- Non-governmental organizations (NGOs) and civil society;
- The private sector; and,
- Multilateral organizations.

It is especially important to include and respect the needs and rights of landholders and local communities including women, youth and marginalised groups in REDD+. Implementation of REDD+ on-the-ground in the PNG context can only succeed if customary landholders and local communities are fully involved and receive the majority of benefits resulting from emission reductions related to their forest areas, as only their commitments can guarantee permanence of emission reductions. Therefore, the participation of all relevant stakeholders helps to assure that: no REDD+ action unintentionally contributes to or encourages deforestation and/or forest degradation; monitoring systems are established and continually improved to ensure that emission reductions are effective and permanent; that safeguards are addressed and respected; benefits of REDD+ reach the appropriate beneficiaries[1].

1.6.2 Fairness and Equity

Ensure coherence of the allocation of benefits with the reporting of emissions and removals identified in the REDD+ initiatives. Establish or further strengthen national policies to ensure fair and equitable sharing of benefits. Prior to entering into any BSAs, parties must mutually agree on terms using approaches described in the National REDD+ FPIC Guidelines.

1.6.3 Effectiveness and Efficiency

Effective processes and institutions will produce results that meet the needs of society while making the best use of resources at their disposal. Efficiency will be practiced in the sustainable use of natural resources and the protection of the environment.

1.6.4 Accountability

Governmental institutions, development partners, multilateral agencies, the private sector, project proponents and civil society organizations (all stakeholders that administer finances and implement REDD+ in the benefit sharing and distribution system) must be accountable to the public and to their institutional stakeholders. Accountability will be enforced through clear execution of transparency measures and the rule of law.

1.6.5 Transparency

Decisions taken and their enforcement is done in a manner that follows rules and regulations. Information will be freely available and directly accessible, as per Section 51 of the Constitution, to those who will be affected by such decisions and their enforcement. Information must be provided in easily understandable forms and media.

1.6.6 Ethics and Integrity

Demonstrate a strong commitment to integrity and ethical values and be committed to representing the long- term interests of institutions and stakeholders.

1.6.7 Innovation and Evolution

Demonstrate a system of mechanisms to align goals, allocate resources and assign decision-making authority for innovation, across relevant parties. Ensure the updating plans, agreements, and mechanisms according to the relevance of the results of its implementation.

1. https://redd.unfccc.int/uploads/2.79.redd.guide.may2014.pdf

2

POLICY AND LEGAL FRAMEWORK

2.1. National Constitution and Development Policies

The constitution, adopted on independence in 1975, provides the basis for all policy and legislation in PNG and sets clear objectives of:

- Integral human development
- Equality and participation of all
- Enhancement of national sovereignty and self-reliance
- Responsible management and use of natural resources for environmental sustainability, and
- Sharing of resources in Papua New Guinean ways for the benefit of clans, tribes and communities rather than for individual benefit.

Successive development strategies, including the pioneering Vision 2050, developed in 2009 seeks to transform PNG's society and nation by reforming the country into a smart, wise, fair, healthy and happy society that engages communities in the process of building sustainable development for all. The strategy also identifies seven strategic areas for action to achieve this of which Environmental Sustainability and Climate Change is one area. The vision 2050 has been translated into more direct goals and indicators within the country's Development Strategic Plan 2010-2030 and successive Medium Term Development Plans (MTDPs) that provide more specific targets and priorities to guide sector development plans and annual budgets. The Strategy on Responsible Sustainable Development (StaRS) policy also promotes sustainable development and management of natural resources in PNG with the goal of preserving environment and biodiversity through more energy efficient (low carbon/carbon neutral) or green growth paths for key sectors and government agencies.

The Constitution and vision 2050, including sequential policies and legislative framework have formed the pillars that define current Climate Change architecture in PNG, particularly the development of the National Climate Compatible Management Policy (2014), the Climate Change Management Act 2015 (as Amended) and the National REDD+ Strategy (2017-2027), paving the building blocks that enable PNG to fulfil its commitments to the UNFCCC and importantly, coordinate REDD+ initiatives across multiple scales through pilot activities.

2.2 Climate Change (Management) Act 2015

The Climate Change (Management) Act 2015 (as Amended) (CCMA) specifies the legal requirements related to benefit sharing as referred to below:

2.2.1 Climate Change Project Agreement including Rights and Benefit Sharing

Section 90 stipulates the primary requirements that shall be adhered to in a climate change related project agreement (which includes REDD+ projects). It also states that landholder rights and benefits to be received by landholders must be clearly defined in such climate change agreements.

2.2.2 Carbon Rights and Ownership

Section 92A of the CCMA provides for the identification and definition of carbon rights. It also states that a regulation will address how carbon rights are defined, landownership and the specific institutional arrangements, taking into account the principles of natural resource ownership in Papua New Guinea. This Policy will inform such a regulation.

2.2.3 Landholder Participation and Benefit Sharing

Part IX, Section 93 of the CCMA furnishes the requirements for landholder participation and benefit sharing, notably:
" (2) All affected landholders shall participate and benefit from the incentives of a climate change related project implemented on land or at sea

(3) a Regulation shall provide for the participation and benefit sharing or incentive allocation mechanism..."
Section (4) further refers to section 1(3) of the Organic Law on Provincial Governments and Local-Level Governments whereby a regulation will detail the benefit sharing arrangement of revenues generated by the CCDA, which will define the processes and allowances for the collection of moneys for the purpose of Provincial and Local Level governments where necessary.

2.3 UNFCCC Safeguards

REDD+ safeguards are minimum requirements agreed to under the UNFCCC which require that those who fund and implement REDD+ must address and respect. In PNG, the REDD+ safeguards must be applied to:

- Help avoid environmental and social risks, and generate positive benefits when carrying out any REDD+ activity.
- Help promote and protect your human rights and generate other benefits, such as improvements to livelihoods, biodiversity, and forest governance.
- Require REDD+ funders and implementing bodies to comply with existing legal obligations and clarify how REDD+ activities should be implemented.
- Ensure that the rights of customary landholders and local communities are respected.

In the UNFCCC Conference of Parties in Cancun in 2010, Parties agreed to the following seven REDD+ safeguards:

I That actions complement or are consistent with the objectives of national forest programmes and relevant international conventions and agreements;

II Transparent and effective national forest governance structures, taking into account national legislation and sovereignty;

III Respect for the knowledge and rights of indigenous peoples and members of local communities, by taking into account relevant international obligations, national circumstances and laws, and noting that the United Nations General Assembly has adopted the United Nations Declaration on the Rights of Indigenous Peoples;

IV The full and effective participation of relevant stakeholders, in particular indigenous peoples and local communities, in the actions referred to in paragraphs 70 and 72 of this decision;

V That actions are consistent with the conservation of natural forests and biological diversity, ensuring that the actions referred to in paragraph 70 of this decision are not used for the conversion of natural forests, but are instead used to incentivize the protection and conservation of natural forests and their ecosystem services, and to enhance other social and environmental benefits;

VI Actions to address the risks of reversals;

VII Actions to reduce displacement of emissions

2.4 MRV and Registry Systems (Carbon Accounting System)

A well-functioning MRV system is necessary for assuring the efficient and equitable distribution of REDD+ benefits among stakeholders and is therefore closely tied to the issue of social safeguards[2].

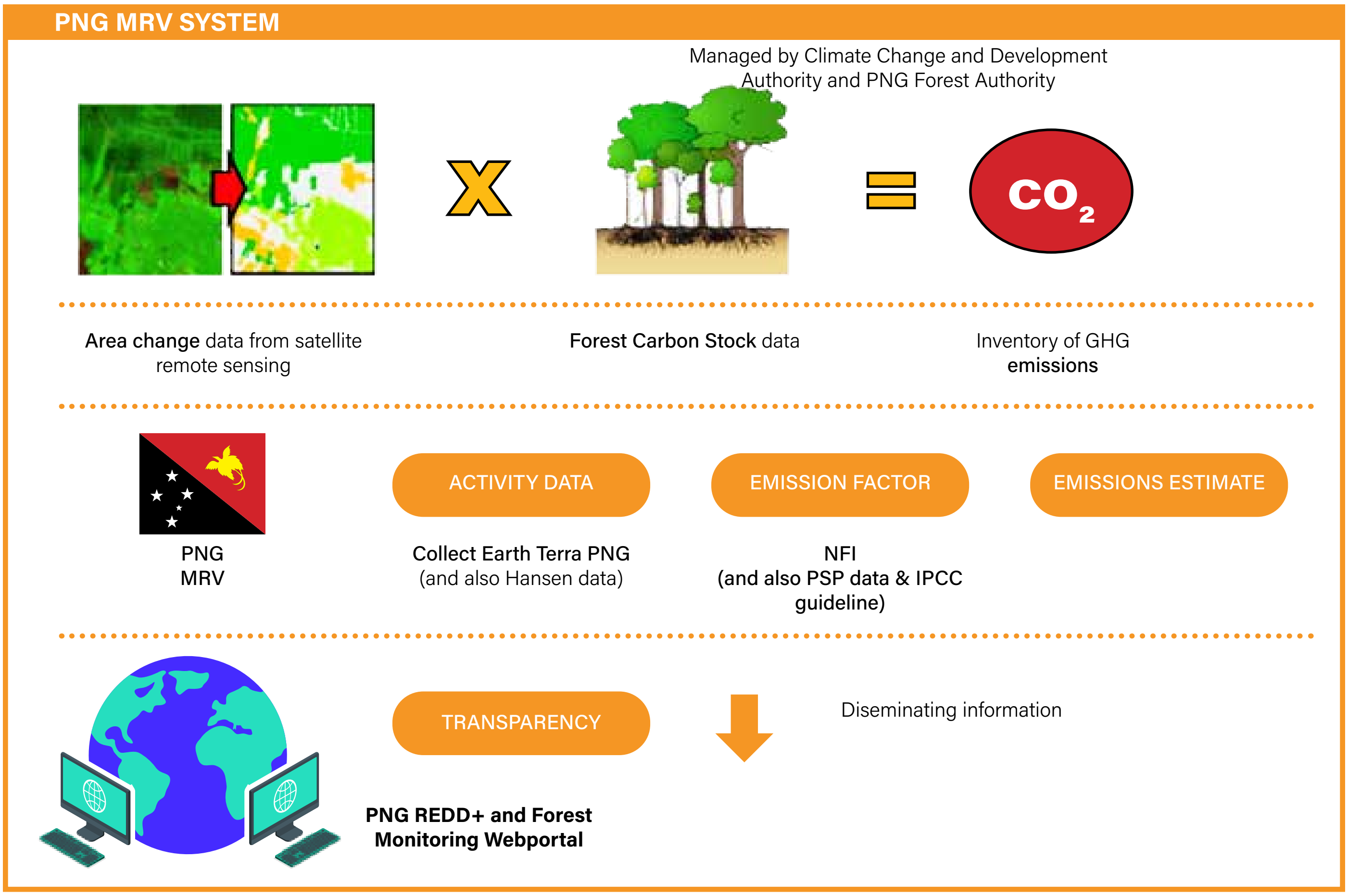

Figure 1. The PNG MRV System is a robust system with an in-country verification mechanism consisting of two different Remote Sensing monitoring system operated by two different government agencies (CCDA & PNGFA).

2.4.1 Scale of the system

Papua New Guinea will adopt a nested approach to REDD+ benefit sharing. Nesting will allow for utilisation of the benefits of a national scale system while using factors from a project-level scale[3]. Differences in REDD+ initiatives, policies, frameworks and methodologies can be reconciled through a nested REDD+ system[4]. PNG plans to undertake a hybrid nesting approach, which includes elements from both the centralized nested system and the decentralized nested system.

2.5 Private sector participation

A key determinant of REDD+ success will be ensuring effective private sector engagement. Funding is a major concern in the implementation of REDD+ activities and involving the private sector will be absolutely critical to scale up investment in REDD+. The private sector can also make vital contributions to REDD+ initiatives in light of its broad expertise and therefore be part of the solution to mitigating climate change by addressing key drivers of deforestation under attractive conditions[5].

2. https://www2.cifor.org/gcs/modules/redd-subnational-initiatives/measuring-reporting-verification-mrv/
3. (Crane 2015). Ward. A. (2019). A recommended REDD+ benefit sharing system for PNG. (report prepared for UNDP).
4. Pascoe 2015, REDD+ Governance in Papua New Guinea, http://devpolicy.org/Events/2015/2015-PNG-Update/Presentations/Day-2/Agriculture-and- forests.paper.Pascoe.pdf
5. IISD. (2012). https://www.iisd.org/system/files/publications/redd.private.sector.brief.pdf

2.6 Dispute Settlement

The Climate Change Management Act, 2015 provides for the establishment of a 'Dispute Resolution Mechanism[6] to address all forms of disputes arising from climate change related projects or activities in the country. This formed the legal basis for the establishment of specific measures like the REDD+ Grievance Redress Mechanism (GRM). In 2017 CCDA began the process of developing the GRM Guidelines for the implementation of the National REDD+ Strategy (NRS). The process involved wider range of stakeholders. The National GRM process will only take effect if the grievance cannot be resolved at the project level after exhausting established project level GRM.

The National GRM spells out the system, procedures/process and resources established by CCDA with consultation with key government agencies and development partners to receive and address concerns that may arise from the implementation of the NRS policies and measures (PaMs) at the national level as well at the subnational level.

2.7 Sustainable Land-Use Planning

The National Sustainable Land Use Policy (NSLUP) addresses the issues relating to land usage and planning in PNG, which reiterates on the country's domestic and international obligations to protect and sustain land and its natural resources. The NSLUP aims to inform aspects of the current policy framework relating to physical planning and the allocation, use and management of land in PNG, the majority of which is under customary landownership. This involves the promotion of people-centered development, participatory decision-making, "bottom-up" land-use plans at all governance levels (ward, local, urban, district, provincial, national) and improve coordination with all relevant government authorities to inform the bottom-up sustainable land-use planning process. Hence, this document aligns with the principles and objectives of the NSLUP, particularly with regards to participatory sustainable land-use planning with all affected customary landholders and local communities, which would guarantee long-term sustainable management and protection of their forests.

6 Section 105 of the Climate Change Management Act 2015

3

FINANCIAL AND INSTITUTIONAL FRAMEWORK

This section presents the institutional and financial framework of how benefits will be shared and distributed within the context of REDD+ implementation. CCDA will be the key national government agency responsible for various functions under the different approaches, namely:

1. National level-approach
2. Independent/private fund approach
3. Voluntary carbon market project approach

There must be strong emphasis on collaboration and cooperation between the various sector agencies involved in REDD+ in PNG, from all levels of government, industry and civil society. Additionally, the institutional structure within CCDA for ensuring REDD+ benefits are fairly shared and distributed is intended to be a part of the overall safeguard's implementation and monitoring, namely through the SIS Platform. The SIS Platform is anticipated to merge the data and information relating to FPIC, GRM and the Benefit Sharing and Distribution System amongst its other functions.

The different approaches are broadly defined according to the following categories:

1. Institutional arrangements that involve several stakeholders from all levels of government (and the relevant TWC bodies), private sector, civil society and customary landholders
2. Source and types of benefits
    a. Investment finance that includes development partner funding for REDD+ readiness and demonstration phases.
    b. Results Based Payments under the Compliance Market (Paris Agreement art 6.2 ITMOS, and PA art 6.4 projects/credits, CORSIA,) and Voluntary Market (ART/TREES, LEAF, VCS, CCBS and other internationally recognised VCM standards)
    c. National government revenue generated levies and fees imposed on the private sector
    d. Grants and/or funding from bilateral and multilateral agencies
    e. Refer to section 1.4 for further elaboration on the types of benefits
3. Beneficiaries as guided by section 1.5
4. Procedures that are provided by either existing legislation (such as the PMMR Act) or the processes described in this document.

Table 1. Summary of the different approaches to REDD+ benefit sharing and distribution against the four categories.

BSD Category	National-level approach	Independent/private trust fund approach	Voluntary carbon project approach
Institutional arrangement	1. Department of Finance has direct control and management of levies/fees 2. National REDD+ Steering Committee... 3. National Climate Change Board 4. CCDA Safeguards Unit 5. RBP managed by an independent trust fund[1]	1. Board of Trustees or Directors comprising of representatives from the private sector, government and non-government organisations. 2. Asset Manager will be responsible for managing and investing the funds	1. National Climate Change Board (interim NEC) * 2. NRSC, REDD+ TWC etc. 3. CCDA Safeguards Unit
Source and types of benefits	1. Levies/fees (revenue) collected through the Department of Finance, which is then disbursed to CCDA 2. Funding from bilateral/ multilateral agencies towards RFIP activities under the compliance market 3. REDD+ results- based payments administered through multilateral agencies or coalitions to the national government	1. gifts and donations from public, private, national and international sources; 2. any fees, levies, taxes and fines that are specifically allocated to the Trust by national laws, regulations or executive orders; 3. revenues from investments; 4. proceeds from services provided by the trust; and 5. any other sources of revenue deemed appropriate by the Board.	1. Monetary and in-kind benefits from the project developer (private sector) to the specific project sites, that can be in the form of carbon and/or non-carbon benefits 2. Regulatory fees paid by the voluntary carbon project developer, which are collected by the national government
Beneficiaries	1. DoF (secondary beneficiary) 2. CCDA (primary beneficiary) 3. REDD+ sector agencies at national and sub-national level (secondary beneficiaries) 4. Customary landholders and local communities (primary beneficiaries) 5. Sub-national governments (primary beneficiaries)	The fund can either develop its own criteria (for CLLCs, CSOs, sub- national governments) or be guided by the processes set out in section 3.3.3 and other relevant sections of this document.	1. DoF (secondary beneficiary) 2. CCDA (primary REDD+ beneficiary) 3. Customary landholders and local communities (primary beneficiaries) 4. Sub-national governments (primary beneficiary)
Procedures	1. Revenue collected as fees is subject to the Public Money Management Regularization (PMMR) Act. 2. The proceeds from RBPs and bilateral or multilateral funded-projects will be guided by section 3.1.5.	The fund can either develop its own criteria or be guided by the processes set out in section 3.3.4 and other relevant sections of this document.	Refer to section 3.3.4

* *Development projects and/or commercial arrangements that the State agrees to above the value of PGK10 million must have NEC endorsement.*

1. Safeguards and Trust Deeds for any such mechanism must be clearly articulated to ensure efficient accessibility by participating customary landholders and the GOPNG.

Customary Landholding and Local Communities institutional arrangements

In order for REDD+ initiatives to guarantee any permanence of emission reductions, the basis of all on-the- ground REDD+ implementation has to be centered around participatory sustainable land use planning at the community level. Such planning must involve all affected customary landholders and local communities that have ownership and/or user rights over the project area(s). The land involved in the planning has to include all community land to ensure that the community is able to collectively plan for their other land use needs, and then decide on the forest area that will be part of the national REDD+ scheme or a voluntary carbon market project. This means that REDD+ implementation in PNG has to be primarily focused at the community level, not just at the clan level.

To facilitate nesting, both the national level REDD+ initiatives and the voluntary carbon market projects must aim to use the Census Unit and Ward boundaries for their REDD+ project areas as much as possible. This must also be taken into consideration in the development of Benefit Sharing Plans and Agreements. The preference for following Ward boundaries aligns with the NSLUP, which promotes a bottom-up approach from the community-level, and the Protected Area Bill that also provides for participatory sustainable land use planning and zoning as the basis for the proposed Community Conservation Area system

Therefore, customary landholders have to organise themselves into legally recognized entities based on the community sustainable land use plan area and their local or traditional governance systems. This can be in the form of an ILG, association or business group.

3.1 National-Level Approach

3.1.1 Roles and Responsibilities of National and Sub-National Entities

A number of central government agencies play key roles in developing and implementing climate change activities, policies and planning frameworks. The roles and contribution of key central government agencies in relation to REDD+ is crucial to enabling an effective benefit sharing system, whilst the engagement of Provincial Governments, District Development Authorities and Local Level Governments are also vital for ensuring that the local communities receive the full potential of benefits being distributed (both monetary and non-monetary).

Table 2. Key REDD+ stakeholders' roles and responsibilities

National Entity	Roles and Responsibilities
Department of Prime Minister and	- Appraise REDD+ funding proposals
National Executive Council (PMNEC)	- Develop policy, strategy and legislation pertaining to REDD+ and benefit sharing. - Authorize the cessation of REDD+ RBP transactions should grievances be unresolved at the project and national level
CCDA	- Central role in coordinating REDD+ action across government sectors - Designated national authority (NDA) for approving REDD+ actions including benefits sharing agreements - Ensuring Environment and Social safeguards are respected throughout REDD+ implementation and in particular with benefits sharing arrangements - Host of the REDD+ Safeguards Unit and the SIS platform
Department of Finance (DoF)	- Approve government finance for REDD+ results-based payments from the national budget. - Provide approval for REDD+ initiatives and programs implemented by multilateral banks (ADB, WB). - Potential role for monitoring and tracking of climate-related expenditures in the national budget system.
Department of Treasury (DoT)	- Develop and coordinate the annual national budget and allocate national resources towards REDD+ activities. - Approve government finance for REDD+ Initiatives from the national budget.
Office of State Solicitor (OSS)	- Provide legal clearance for benefit sharing agreements, plans and other related documents and pre-requisites
Department of National Planning and Monitoring (DNPM)	- Manage the coordination of foreign aid projects to ensure there are synergies with REDD+ financed activities. - Strengthen the enabling environment for adaptation and mitigation activities and ensure that climate change is mainstreamed into national plans and priorities. - Prioritise climate action through high-level plans and strategies, which will help create a conducive environment for the downstream development of sectoral and provincial policies that further contribute to adaptation and mitigation objectives.
Department of Lands and Physical) Planning (DLPP	- Responsible for ILG registration of REDD+ project areas
PNG Forest Authority (PNGFA)	- Responsible for monitoring and controlling the wood and forest-based industries and the management of PNG's forest resources.
Conservation and Environment Protection Authority (CEPA)	- Environmental management, biodiversity protection and assessment and environmental impact assessment policy development and coordination
Department of Provincial and Local Level Government Affairs (DPLLGA)	- Statutory responsibility for all matters relating to local government. This includes coordinating action between central government and provincial and local governments, facilitating budget transfers, and supporting development assistance at the local government level. - The National Disaster Centre is also under the DPLLGA and is responsible for the development and maintenance of measures to reduce risk to communities and manage the consequences of disasters in PNG.
DAL	- Responsible for guidelines and regulation for improving sustainable agriculture production and livelihoods through responsible Commodity Boards Sub-National Entity Roles and Responsibilities
Provincial Government (PG)	- PGs play important roles in implementing and engaging with stakeholders (especially communities) on climate change - REDD+ and disaster risk reduction activities. - Lead the mainstreaming of REDD+ and mitigation into provincial development plans and provincial budgets. - Build awareness and capacity of local government officials on climate change and REDD+ related issues.
Provincial Climate Change Committee (PCCC) or Climate Change Focal Points -	- Serve as the main mechanism for the Designated National Authority to engage stakeholders in the provinces and sub- national levels. Function as the main sub-national channel to mainstream and formally incorporate adaptation and mitigation activities into provincial, district, and local development plans.
District Development Authority (DDA)	- Support community engagement in the development of REDD+ project ideas
Local Level Government (LLG) -	- Support community engagement (among landowners, community leaders, and church leaders) for REDD+ activities Facilitate bottom-up sustainable land use planning at the community/Unit/Ward level

3.1.2 Institutional Arrangements

The flow of finance for REDD+ results-based payments through the national government system will be applied using the existing legal requirements for government financing. Therefore, the funding will be administered through the Department of Finance (DoF) and the Department of Treasury (DoT) as the mandated authorities in PNG. The CCDA Board will hold the powers to issue decisions for funding disbursement at the National Level allocated for implementation of the National REDD+ Strategy (NRS).

- National REDD+ Steering Committee responsible for overseeing the cohesive function and benefit distribution of the REDD+ benefit sharing system. It could comprise of key members of the Technical Committee or a group of members independent of the other Committees.
- Technical Committee responsible for the review, finalisation and distribution of the emission reduction results of REDD+ projects. REDD+ and emission reduction experts should be the contributing members of this entity.
- National level REDD+ implementation agencies responsible for implementing national regulations, policies, and strategies to strengthen REDD+ initiatives in the country.
- Provincial level REDD+ implementation agencies operated by provincial government officials to handle REDD+ implementation at a provincial level. These agencies should engage with ILGs (or similar) in their area to: (1) further REDD+ objectives and project creation (2) convey any necessary material to the relevant Committee or Agency and, (3) ensure local and provincial REDD+ activities align with the national REDD+ agenda.
- Incorporated Land Groups or a similar representative conglomerate body to be responsible for facilitating, implementing and reporting on REDD+ projects and benefit sharing at the local or community level. These groups should comprise of members directly engaged in the emission reduction activities.

3.1.2.1 Safeguards Information System (SIS) and Safeguards Unit

The objective of PNG's SIS is to provide information that is accessible by all relevant stakeholders to demonstrate that the seven Cancun safeguards are being addressed and respected throughout REDD+ implementation. As such, the SIS will be used to support the preparations of the biennial Summary of Information reports on how all the Cancun safeguards are being addressed and respected. The SIS Framework and the first REDD+ Summary of Information (SOI) were endorsed by the government on 4 November 2020.

CCDA will undertake capacity-building initiatives to train REDD+ Focal Points at the sub-national level who will be responsible for the effective monitoring and reporting of safeguards compliance, which includes ensuring that the principles and practices outlined in this document are adhered to. These Focal Points will be required to closely liaise with and report to the CCDA REDD+ Safeguards Unit.

3.1.3 Sources and Types of Benefits

The NRS marks PNG's transition from a REDD+ Readiness Phase to that of REDD+ Demonstration (see Figure 3). This phase will require investment in the development and implementation of the Action Areas noted in Component 1 of the NRS as well as further strengthening of systems presented in Component 2. CCDA will work with its partners to implement the REDD+ Finance and Investment Prospectus (RFIP) that provides a clear framework for how much these actions will cost and how they will be financed from a combination of government, private sector and civil society finance accessed both domestically and internationally. From the perspective of domestic government finance, investments in REDD+ are not anticipated to require significant additional finance but may require changes in target spending within key sectors.

3.1.3.1 REDD+ Finance Investment Prospectus (RFIP)

The RFIP identifies gaps in existing and proposed future government finance and provides recommendations on areas in which further investments or changes in government spending may be required. The RFIP provides an assessment and seeks to access, through collaboration between CCDA and DNPM, potential international financing options for REDD+ and how these can be used to leverage further investment that may not be REDD+ specific. In line with the approach of the NRS the RFIP will target financing mechanisms under the UNFCCC. This work will initially focus on the Green Climate Fund (GCF) as well as bilateral and multi-lateral development partners who have stated interest in supporting REDD+ developments linked to the UNFCCC process.

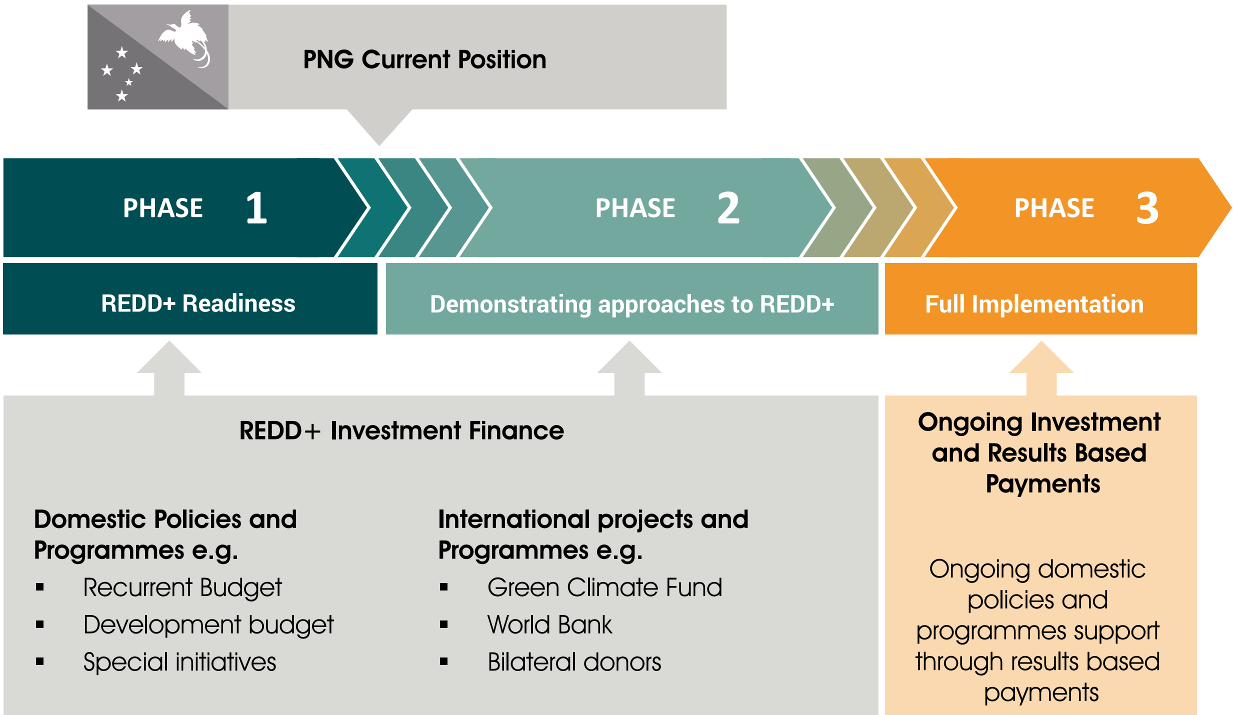

Figure 2: Investment financing within the three phases of REDD+
Source: *National REDD+ Strategy, 2017-2027*

3.1.3.2 Preferred Financing Options Determining Development Partner Investment Packages

In the best interest of the National Government, this policy guidelines determines that any financing attracted from its development partners supporting REDD Initiatives should prioritise concessional, untied, and non- complex investment packages based on "best international practice", free from coercion and corruption.

- Any **Concessional Borrowing** should encourage low interest rates-long term repayment (with 3-5 years grace period). Such assistance will include 2-Step Loans through Treasury, RDB, CDDA or NFA with a revolving fund for ongoing credit assistance to local beneficiaries developing income-earning opportunities in forest, fisheries, agriculture, livestock activities.
- **Grant Funding** with 15%-20% GoPNG Counterpart funding to meet local administration costs. Such assistance would assist in core infrastructure, institutional strengthening, capacity building, etc.
- **Technical Assistance** for professional and technical expertise provision by PNG's bilateral and multilateral partners to build implementation capacity within agencies of Govt, NGOs, CBOs, etc.
- **Other Private Investment Flows** Other PIFs negotiated through commercial arrangements by beneficiaries at sub national level shall be considered and vetted by the National Designated Authority or CDDA prior to its finalisation for approval and disbursement.

3.1.3.3 Revenue from Levies

The national government currently imposes levies on fuel and fertilizer (nitrogen content) on the private sector. An approved Supplementary Budget Committee Determination (SBCD) on Fees and Charges clarifies on expenditure specific to the imposed levies, inclusive of priority activities for Climate Change Adaptation, REDD+ & Mitigation, MRV & National Communications, required regulation development, sectoral projects, as well as the administration of these fees and charges.

3.1.4 Beneficiaries

The main beneficiaries of REDD+ financing will depend on the specific purposes and conditions linked to the various REDD+ financing sources. It is important to ensure that sub-national stakeholders including customary landholders and local communities, are included in REDD+ financing arrangement(s), where applicable, and that the benefits received by customary landholders and local communities are maximised.

Revenue collected as fees and levies are received by the Department of Finance, which are then disbursed to CCDA. However, this arrangement is currently under review pending the consequential amendment of the Climate Change Management Act 2015 as amended. In line with the SBCD, these proceeds, upon the establishment of formal and transparent disbursement arrangements, will be horizontally distributed to REDD+ national sector agencies, which may also involve vertical distribution to their sub-national offices as well. CLLCs would also be the end beneficiaries under initiatives led by REDD+ implementers.

RBPs claimed by PNG under the compliance market will be subject to the following benefit sharing allocations: 20% towards the national government as it performs its monitoring, reporting and regulatory functions, most of which may be administered through CCDA/NCCB, and other REDD+ sector agencies; 20% to be distributed at the sub-national government level; and 60% to the customary landholding communities.

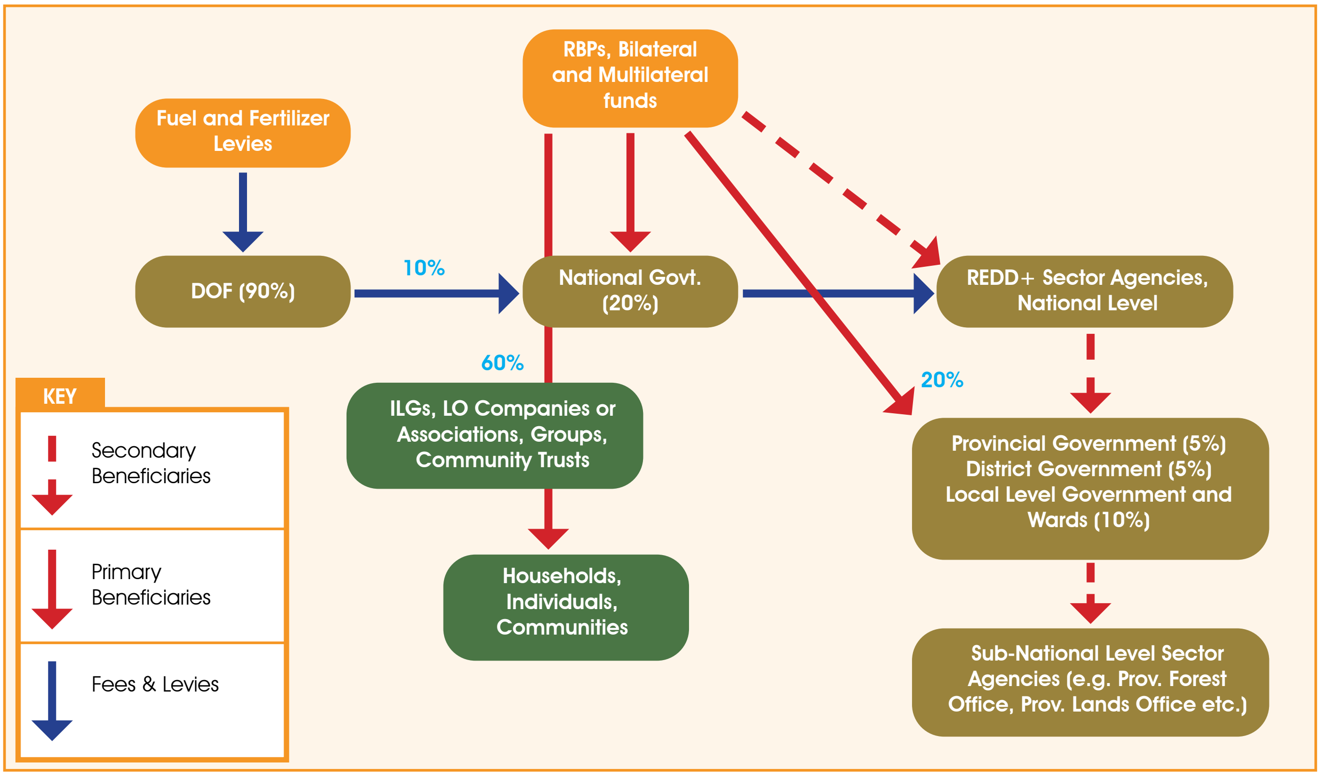

Figure 3. Distribution of benefits under the national-level approach. The dashed arrows indicate benefits to secondary beneficiaries. Benefits will be defined in accordance with Section 1.4 on types of Benefits.

3.1.5 Procedures

Revenue from energy and fertilizer levies that is collected by the national government is subject to the Public Money Management Regularization (PMMR) Act.

REDD+ Results Based Payment (RBP) programs and bilateral/multilateral funded-projects that support national REDD+ sector agencies to implement REDD+ initiatives will be guided by the following criteria to determine the monetary benefits for any participating customary landholding communities:

a) Available arable land per family (hectares/family)

b) Size of forest protected (hectares/community or ILG)

c) Degree of threat to the forest area (opportunity costs in PGK/hectare)

d) Community conservation efforts (rules enforcements & impact monitoring)

e) Other criteria, taking into consideration appropriate circumstances within participating customary landholding communities - as deemed appropriate by the National REDD+ Steering Committee.

The National REDD+ Steering Committee (NRSC) and the relevant RBP program or bilateral/multilateral funded-project committee shall convene on a regular basis to decide which participating customary landholding communities (and their respective subnational government agencies) will be selected as beneficiaries for that specific RBP program or bilateral/multilateral funded-project.

3.2 Independent/Private Trust Fund Approach

3.2.1 Institutional Arrangements

International and national REDD+ revenues, both investment and results-based payments, can be channelled into a fund outside of state administration. These are private, legally independent institutions that provide sustainable financing for REDD+ activities. These institutions will aim to finance part of the long-term management costs of a country's REDD+ initiatives as well as conservation activities and sustainable development initiatives. The core business of these independent/private funding entities will be to mobilize resources from diverse sources – including international donors, national governments and the private sector – and to direct them in the form of grants to multiple programs and projects on the ground through non-governmental organizations (NGOs), community based-organizations (CBOs) and governmental agencies[7]. The independent/private fund mechanism will also apply to development partner (DP) funding through which the DP acts as an Accredited Entity (subject to international donor fund requirements). A readily available independent/private fund mechanism includes the likes of the Biodiversity and Climate Trust Fund.

- National level Trustee or Board of Directors to manage funds received from donors and investors. This will be a non-government entity such as a national development bank or development agency.
- Fund/Asset Manager will be an independent body which will act as Secretariat to the Trust Fund and will implement the activities of the Trustee, to improve the transparency and accountability of the benefit sharing system.

The Trust Fund will be governed by their own constitution and operational procedures in line with domestic laws, best international practices and robust fiduciary standards. The Trust Fund will serve as the overarching vehicle for the disbursement of monetary and non-monetary carbon benefits. Funds intended for the national government beneficiaries will flow from the Trust Fund to the accounts of the beneficiary government agencies following the Fund's monitoring, reporting and approval processes.

Funds intended for customary landholders and local communities should be transferred to registered CLLC bank accounts (such as ILG or association accounts) for disbursement to finance the communities identified priority needs, following a due diligence processes of planning, monitoring, reporting and approval. In order to reduce risks associated with under-performance, 3% of the funds intended for government and CLLC beneficiaries should be held back in a performance buffer with the intention to off-set benefit sharing financing gaps, but if unused would be shared in the final disbursement.

3.2.2 Sources and Types of Benefits

The revenues of the Trust Fund may be generated from the following sources:

(a) gifts and bequests;

(b) public and private donations from national and international sources;

(c) any fees, levies, taxes and fines that are specifically allocated to the Trust by national laws, regulations or executive orders;

(d) revenues from investments;

(e) proceeds from the sale, lease or transfer of tangible and intangible property as defined by relevant laws and regulations;

(f) proceeds from services provided by the Trust;

(g) exceptional and miscellaneous income or gains; and

(i) any other sources of revenue deemed appropriate by the Board

The Government of PNG shall also provide matching co-financing contribution in relation to any future contributions to the Trust Fund as negotiated between the Government, the Trust Fund Board and the contributor.

Contributions may be made to the Trust Fund by national and international parties including bi-lateral and multi- lateral development partners, climate change and non-climate change funds and private benefactors providing that such funds are utilised in support of the objectives of the Trust Fund and the funding is legally sourced.

7. https://www.conservationfinancealliance.org/practice-standards-for-ctfs

3.2.3 Beneficiaries

The Technical Secretariat established by the Trust Fund (TF) and managed by the Asset Manager will apply specific selection criteria for project interventions that support the objectives of the TF. Proposed project interventions will be screened against criteria set by the Board and then granted to proponents once approved by the Board. At this stage, it is envisaged that potential proponents (and therefore the end beneficiaries) would include a range of stakeholders, including customary landholders, local communities, civil society, academic institutions, sub-national governments, national government agencies and the private sector.

3.2.4 Procedures

The Trust Fund may develop their own benefit sharing and distribution (BSD) practices or apply the approach outlined in section 3.3.4 and other relevant sections of this document. This determination would be made by the Board and is beyond the scope of this policy document.

3.3 Voluntary Carbon Market Projects' Approach

3.3.1 Institutional Arrangements

It is important to distinguish that this approach is different from the approach outlined in section 3.1, albeit the key institutions involved are similar. The voluntary carbon market project approach is the process that guides the screening and nesting of voluntary carbon market project and their nesting within the overall national level approach. CCDA is the national government agency responsible for regulating the VCM project approach in PNG. In contrast, the national level approach is focused on the guidance provided for BSD application within the international compliance market.

Project based financial flows will be channelled to landholder/community beneficiaries through the implementation of an authorized benefit sharing plan.

- National REDD+ Steering Committee responsible for overseeing the cohesive function and benefit distribution of the REDD+ benefit sharing system. It could comprise of key members of the Technical Committee or a group of members independent of the other Committees.
- Technical Committee responsible for the review, finalisation and distribution of the benefits of REDD+ projects. REDD+ and emission reduction experts should be the contributing members of this entity.
- National level REDD+ implementation agencies responsible for implementing national regulations, policies, and strategies to strengthen REDD+ initiatives in the country.
- Provincial level REDD+ implementation agencies operated by provincial government officials to handle REDD+ implementation at a provincial level. These agencies should engage with ILGs (or similar) in their area to: (1) further REDD+ objectives and project creation (2) convey any necessary material to the relevant Committee or Agency and, (3) ensure local and provincial REDD+ activities align with the national REDD+ agenda.
- Incorporated Land Groups or a similar representative conglomerate body to be responsible for facilitating, implementing and reporting on REDD+ projects and benefit sharing at the local or community level. These groups should comprise of members of all affected clans (with some form of ownership and/or user rights) of the land on which the emission reduction activities are taking place.
- CCDA REDD+ Safeguards Unit will perform a crucial role in ensuring that the relevant environmental and social safeguards are complied with, specifically those related to benefit sharing, GRM and FPIC. The Safeguards Unit will also regularly collect data and information from sub-national REDD+ focal points and lead the national level monitoring and reporting, particularly through the SIS Platform that will inform the Summary of Information.

3.3.2 Sources and Types of Benefits

The main source of benefits are those that are generated based on the successful operations and consequent carbon credit sales by the voluntary carbon project developer. These can be classified as:

a) ***Monetary***

   i. Fees and charges imposed by CCDA once the permitting process for VCM projects outlined in the REDD+ regulation comes into effect

ii. Government tax to sub-national governments

iii. Royalties, allowances or commissions to the customary landholders (via ILGs or their preferred legally recognised group/body) with all funds to be earmarked for overall community development purposes identified and prioritised by the community, and compatible with their sustainable land use plan. Examples of such community development purposes can include the non-monetary benefits listed below.

b) ***Non-monetary***

i. Community projects (general health, welfare, education and well-being of CLLC) and the maintenance of such project

ii. Infrastructure development grants

iii. Future generation trust (higher education/tertiary trusts)

iv. Local savings and loans societies

v. Financial literacy training

vi. Micro- and small business support

vii. Or any other purposes as identified by the project area CLLCs

The sharing and distribution of monetary and non-monetary benefits shall be based on:

1. Sharing of gross benefits, with transparency on the prices paid by the end users of the carbon credits / average mark-ups of -sellers
2. Project development and management costs to be covered by the benefit percentage assigned to the project developer, which shall not exceed 40% of the gross benefits, preferably with a written agreement on the sharing of local monitoring costs with the communities involved
3. The resident landholding communities receiving the highest percentage of benefits with a minimum of 60 percent of the gross benefits
4. Whether community monetary benefits should or should not be in the form of direct cash payments to individuals, families or clans. This will be context-specific for each project and must be consulted widely with the customary landholders and local resident communities before being captured in the BSP
5. Community benefits disbursements to be divided over the total duration of the project in a manner that would ensure long-term community commitment to the project and maximise the guarantee of permanence of the project's emission reductions
6. How and if benefits would be shared and distributed with non-resident landholders
7. Benefits generated by each project area from their carbon credits sales or through other means must be recorded separately from the benefits generated from other project areas, particularly if the project areas are on adjacent portions of land. If proposed BSPs include the distribution of benefits to CLLCs outside the proposed project area, then the proposed BSP (and the BSA, if applicable) and its scope and projected values of the benefits must be clearly communicated to the CLLCs within the project area boundaries prior to obtaining their consent.
8. The project developer has to provide a clear plan for all benefits to be delivered under the project, with details on extend, time of realization, and funding source of all planned benefits.
9. Applying the processes outlined in the FPIC Guidelines to ensure that customary landholders and local communities have a clear understanding of the total value of the benefits to be generated, and the timeline of benefit disbursements.

3.3.3 Beneficiaries

The main beneficiaries of VCM projects are the customary landholding communities (via ILGs or their preferred legally recognised group/body). CCDA will collect fees charged at a rate of 7% for providing administration and regulatory oversight of VCM projects, through the REDD+ registry and the Safeguards Unit. Additionally, 3% - 5% of the gross benefits generated from VCM projects, agreed between the project developer and the respective customary landholding community, will be distributed to sub-national government levels. The project developer will get a maximum of 40% and the customary landholding communities a minimum of 60%. Figure 3 below illustrates the thresholds in which VCM project developers must be guided by in preparing a Benefit Sharing Plan (BSP). Once the BSP is agreed to with the customary landholders and local communities, it must be submitted with the other required documents outlined in the REDD+ Development Guidelines, specifically the Project Concept Note stage.

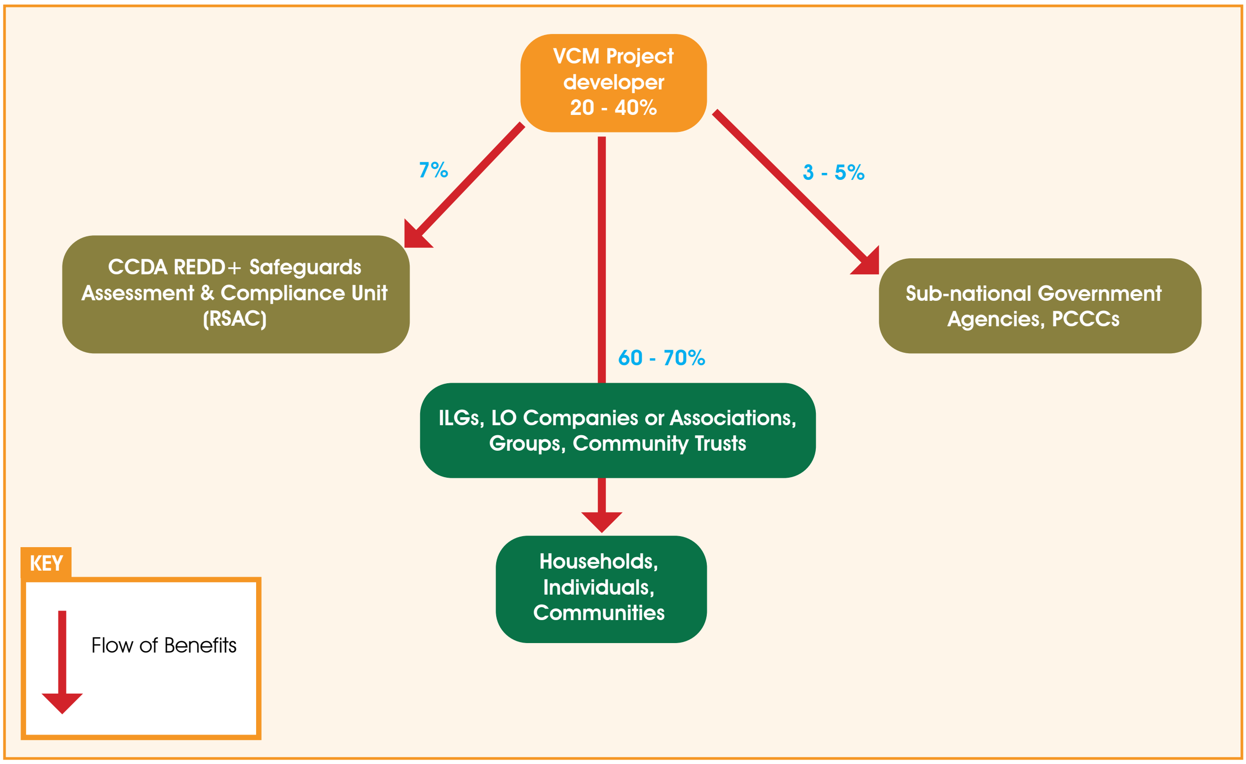

Figure 4. Distribution of benefits under the project-level approach.

It should be noted that benefits for compliance projects are usually embedded within bi-lateral or multi-lateral agreements which govern these compliance initiatives. In most cases, compliance projects are not recipient to monetary benefits but rather in-kind benefits. However, under a scenario where a compliance project looks to monetize emission offsets under a compliance market; these thresh-holds will apply, as with a scenario that an in-country compliance market is established.

3.3.4 Procedures

These are the supporting documents that need to be attached to the Project Concept Note, as further detailed in the National REDD+ Guidelines

- Project Identification Document
- Free, Prior, Informed Consent (FPIC) conducted and the necessary forms completed as outlined in the FPIC Guidelines section 5.
- Social Mapping and
- Identification of the customary landholding communities
- Organization by the landholding communities into legal entities; ILG(s) or similar multi-clan conglomerate body
- Social and Environmental Safeguards Assessment
- Grievance Redress Mechanism
- Gender Equality and Social Inclusion (GESI) Action Plan
- Benefit Sharing Plan (BSP)

The project proponent/developer has to develop the BSP in close consultation with customary landholders and local communities. Below are the stages of developing the BSP, which aligns with the overall FPIC process, and final settlement of the Benefit Sharing Agreement (BSA):

3.3.4.1 Community-level Consultations

Proponents must be guided by the principles and process described in Section 5.2 the FPIC Guidelines. This involves disclosing the risks and benefits of the proposed project, and may require the liaison support of sub- national REDD+ focal points. Once the consultations have concluded, a Land Investigation Study (LIS) must be prepared.

1. CONSULTATION PROCESS	2. BENEFIT SHARING PLAN	3. OBTAIN CONSENT	4. BENEFIT SHARING AGREEMENT
▪ Proponents must be guided by the principles in the FPIC Guidelines. ▪ Proponents must disclose the risk of the proposed project/activity, and contracts must be fully explained and translated ▪ Land investigation study (LIS) to be issued.	▪ The LIS will inform the development of the **Benefit Sharing Plan (BSP)** ▪ The BSP will be an Annex to the Benefit Sharing Agreement (BSA), which can be in draft form at this stage.	▪ When all CLLCs in agreement with the project, their consent will be evidence by a Certificate of Consent (Annex 7.4 of the FPIC Guidelines). ▪ The Certificate of Consent, LIS and BSP will be submitted to CCDA before a project is approved, as outlined in the REDD+ Guidelines	▪ CCDA will obtain clearance of the BSA from OSS ▪ Once the proponent has been granted approval from CCDA, they can begin to liaise with CLLCs to finalize the BSA. ▪ REDD+ focal points can support this liaison process untill the **BSA is agreed to and signed by all beneficiaries**
3-6 months	2-4 months	1-2 months	1-4 weeks

Figure 5. The stages whereby the BSP and BSA requirements align with the overall FPIC process, which is also captured in the National REDD+ Development Guidelines.

3.3.4.2 Benefit Sharing Plan

The LIS will inform the development of the BSP (template at annex 1) which must be guided by the following[8]:

Program Design and Incentive Mechanisms

Benefit Sharing Plans are essential for the sustainable implementation of VCM projects, in particular for addressing drivers of emissions from deforestation, forest degradation and other land uses, and for providing incentives to stakeholders for continued project support and buy-in. Developing Benefit Sharing Plans requires a good understanding of the VCM project's drivers of emissions from deforestation, forest degradation and other land uses and their significance; the types of stakeholders involved in addressing these drivers; and the incentives needed to reduce emissions and reverse trends.

Stakeholder Consultations and Expectations Management

Stakeholder consultations are required for the development and finalization of the Benefit Sharing Plan as they create stakeholder support and buy-in for the VCM project, clarify roles, and provide an understanding of the kind of monetary and non-monetary benefits to be shared with beneficiaries.

Consultations related to benefit sharing and distribution should be conducted in alignment with the National REDD+ FPIC and in line with the REDD+ Communication and Knowledge Management Strategy for consistency and efficiency purposes. It is also important to manage consultations in a way that does not raise stakeholders' expectations.

Benefit Distribution

Benefits can be shared in different proportions and combinations to incentivize participation in the VCM project. For example, some Benefit Sharing Plans may specify that:

1) a proportion of such benefits will be distributed equitably to all or a group of beneficiaries in the VCM project area to ensure all stakeholders see some level of benefits from the project; and/or

2) a proportion of benefits will be distributed according to beneficiaries' relative performance in reducing emissions.

8. https://www.forestcarbonpartnership.org/sites/fcp/files/Benefit%20Sharing%20Note.August%202020.English 0.pdf

In addition to this, some Benefit Sharing Plans also include provisions to:

1) distribute a set proportion of benefits to stakeholders that have historically been successful in managing their forests and maintaining low levels of emissions and are unlikely to further reduce emissions during the lifetime of the VCM projects; and/or

2) distribute a small proportion of benefits to stakeholders who under-perform despite efforts to reduce emissions (e.g., in the case of force majeure).

Benefit Sharing Plans should also specify the planned timelines for the benefit sharing process, which takes into account the anticipated timing of ER generation (including when underlying activities are expected to start and end), ER verification, and payments (including payments for transferred ERs and any agreed advance payments). Risks to these timelines, as well as potential impediments to the Benefit Sharing process, should be identified to help manage beneficiaries' expectations. The BSP must also clearly indicate how disbursements of community benefits continues throughout the duration of the project/program in a manner that will guarantee long-term community commitment to maintaining the ERs generated.

With VCM projects normally aiming at a minimum commitment of 30 years for the ER to be guaranteed, it is essential for the disbursements of benefits to the customary landholders and participating local communities to be spread out over this period. It is also important that the communities have part of the monetary benefits earmarked for investment for the benefit of future generations, or even have this included as a project/program condition.

Management of Performance and Risk

While each VCM Project aims to achieve certain results in the form of generated, verified and transferred ERs, there is a risk that VCM Projects may under-perform or not perform at all, for example due to unforeseen events and/or VCM Project under-performance within the VCM Project area. Throughout consultations, anticipated results and corresponding ER payments are typically discussed with stakeholders, which may create expectations among beneficiaries regarding the amount of monetary and non-monetary benefits available for Benefit Sharing under a VCM Project. Risks of VCM Project under-performance or non-performance and efforts to mitigate these risks should be clearly communicated throughout this process.

Fiduciary and Administrative Responsibilities and Costs

It is recommended that information on institutional arrangements relevant to benefit sharing, including the following issues, also be summarized in the Benefit Sharing Plan:

- Ability to reach relevant Beneficiaries and the distribution channels required to do so.
- Institution(s) responsible for Benefit Sharing.
- Governance and decision-making for Benefit Sharing.
- Costs of implementing the Benefit Sharing Plan.
- Impact of any advance payments on Benefit Sharing.

Monitoring and Reporting Provisions

Benefit Sharing Plans must include information on monitoring provisions throughout its implementation. VCM project developers will be required to report on the implementation of their Benefit Sharing Plan in an annex to Interim Progress Reports, if applicable, and ER Monitoring Reports as well as through annual self-reporting and third-party monitoring of the VCM Project. Benefit Sharing Plans should note these provisions as part of the monitoring approach. VCM project developers are also encouraged to consider opportunities for participatory monitoring by beneficiaries, if relevant.

VCM project developers shall have annual public community meetings with all resident customary landholders and communities involved, at locations in the project area that are agreed to by the communities and allow easy access for community members. The project developers must report on all income received through the project, and the use and disbursement of that income. This financial reporting shall be done in Tok Pisin or Motu and information presented using clear graphics and pictures, and ensuring that the non-financially literate individuals fully understand. Ample time shall be given during these meetings for further explanation and discussion in the local language.

Communicating/Disseminating the Benefit Sharing Plan

Benefit Sharing Plans also include information on where they will be made publicly available and how they will be shared with relevant stakeholders, including Beneficiaries. Descriptions of this can refer to websites, media coverage, regular meetings, consultations, etc. Considerations should be made for the communications needs of Beneficiaries and how disclosure of Benefit Sharing Plans will address these.

The BSP shall be a public document, written in English and Tok Pisin or Motu, and will be made available upon request. Beneficiaries will receive a written copy of the BSP that shall be translated into their local language, if requested. Publication of the BSP will be done via websites, media coverage, regular meetings, consultations, as outlined in the REDD+ Communications and Knowledge Management Strategy. Considerations should be made for the specific modes of communication for different beneficiaries and how the BSP will address these to ensure proactive disclosure.

3.3.4.3 Obtaining Consent

Proponents must be guided by the principles and process described in Section 5.3 the FPIC Guidelines. Once all the customary landholders and local communities are in agreement with the proposed project, their consent must be recorded in a Certificate of Consent (Annex 7.4 of the FPIC Guidelines). The Certificate of Consent, LIS and BSP will be submitted to CCDA, as part of the overall Project Concept Note (PCN) process, for approval.

3.3.4.4 Benefit Sharing Agreement

It will be compulsory for the project developer/proponent to enter into a Benefit Sharing Agreement (BSA) that stipulates benefit sharing arrangements as prescribed in the Benefit Sharing Plan (refer to Annex 2). Once the BSP and draft BSA have been submitted to CCDA, CCDA shall seek clearance from the Office of the State Solicitor. Should any discrepancies be identified in the BSA relating to legal requirements, they will be communicated to project proponent/developer in a timely manner. The BSA will also be reviewed through the Technical Committee and National REDD+ Committee with recommendations submitted to the National Climate Change Board for deliberation and a final decision of the entire project. Once the proponent has been granted approval from CCDA, they can begin to liaise with CLLCs to finalize the BSA. REDD+ focal points can support this liaison process at the community and sub-national level until the BSA is agreed to and signed by all beneficiaries.

3.4 Jurisdictional Nested REDD+ (JNR) Benefit Sharing

Nesting requires considerable policy and technical support from both the private and public sectors. As such, it is important to understand why the Government of Papua New Guinea is considering nesting and the potential costs and benefits. The many reasons to consider nesting include but not are limited to the following[9]:

Providing early and future benefits. Local-scale activities (including carbon projects) can stimulate private investment, provide operational on-the ground capacity often lacking in countries, and offer lessons (and results) that, ideally, can be replicated. If the conditions are right, such activities/projects can support and become critical building blocks for jurisdictional programs. Some have been able to access finance from the voluntary carbon market.

Creating a pathway for governments to implement policies to reduce emissions, particularly in countries where mitigation is expected to occur on private or community-controlled land. For example, a government may enact a policy that provides incentives to landholders or managers who operate at a smaller scale than a national or subnational scheme, thus engaging multiple players to contribute to jurisdictional performance and track the impact of such policies. In this regard, nesting can create a standardized framework to test a variety of implementation options— including incorporating suitable technologies and approaches—and to integrate lessons from lower-level units to the jurisdictional level in a structured way. Nested systems may also provide the opportunity to engage private sector actors operating land use– based supply chains in a jurisdictional REDD+ policy.

Reducing the cost of mitigation actions. This can occur through domestic trading of Emission Reduction units (ERs), including the transfer of carbon units and flows of funds back to a group; international trading, including tracking of ERs and moving them from one country report to another; and the reduction of measurement, reporting, and verification (MRV) and transaction costs. A nested system may also provide potential purchasers of ERs with greater certainty, increasing demand (and price) for such units. Improving national MRV systems. Projects can support subnational and national estimates by generating additional data at more refined scales. Projects designed to fit within national programs are more likely (though not always) to use reporting and accounting rules consistent with those used at the national scale. This is an important distinction when considering nesting.

Verified Carbon Standard (VCS) Jurisdictional and Nested REDD+ (JNR)

The JNR Requirements ensure REDD+ interventions are consistently monitored and quantified across various scales, thereby incentivizing GHG emission reductions while maintaining environmental integrity. This gives governments a comprehensive, integrated reporting, accounting and crediting framework to help operationalize REDD+ policies and programs and build on existing REDD+ projects, while ensuring projects are properly integrated and aligned with governmental programs. The JNR

9. https://documents1.worldbank.org/curated/en/670171523647847532/pdf/Main-report.pdf

Requirements defines all the key elements to support robust REDD+ accounting: baselines, monitoring, reporting, verifying emission reductions and/or removals, addressing potential leakage and permanence of credited reductions[10].

The JNR Requirements allow for customized application, enabling jurisdictions to choose their preferred approach. For example, each jurisdiction can determine regionally appropriate systems for monitoring, allocating benefits and establishing environmental and social safeguards. The JNR Requirements may be applied at the national and/or subnational levels and may or may not include nested subnational jurisdictions and projects, as determined by the jurisdictional government and relevant stakeholders[11].

3.5 Monitoring and Evaluation

Monitoring and evaluation of benefit sharing arrangements will be addressed through consistent and mandatory reporting to CCDA. All VCM projects will be subject to providing annual reports to CCDA. Periodical assessments will be conducted by the CCDA REDD+ Safeguard Unit through site visits and consultations with beneficiaries to ensure that there are minimal grievances and to verify that the BSP is being implemented effectively and in accordance with the terms of the BSA.

The Safeguards Unit's responsibilities with respect to benefit sharing monitoring and reporting include:

a) Monitoring and guiding safeguards implementation, including application of FPIC, GRM, BSD and other relevant safeguards outlined in the National REDD+ Guidelines.

b) Submitting reports on safeguards implementation, the SIS Platform and making reports publicly available

c) Ensuring that the data and information related to safeguards on the REDD+ Registry is kept updated and is easily accessible

d) Overall liaison and monitoring of the implementation of the BSP and BSA, including supporting the reporting on disbursement of funds, and sharing of benefits to beneficiaries particularly at the sub- national level

e) Communicating and coordination with the National Climate Change Board with respect to the NCCB's responsibilities in the broader processes described in the National REDD+ Guidelines.

Moreover, CCDA's responsibilities with regards to forest monitoring, reporting and verification (MRV) include:

a) Coordinating the forest monitoring at the project level

b) Reviewing forest monitoring reports for responsive actions at the project level

c) Submitting monitoring reporting on ERs generated for independent verification

d) Sharing relevant reports to the CCDA Board, the Technical Review Committee and ensuring that the reports are available to all stakeholders

e) Reporting ER transactions on the REDD+ registry and hybrid nesting system.

10. https://verra.org/wp-content/uploads/2016/05/English-Updated-JNR-Factsheet-Nov-2014.pdf
11. https://verra.org/wp-content/uploads/2016/05/English-Updated-JNR-Factsheet-Nov-2014.pdf

ANNEXES

I. Benefit Sharing Plan *(Template)*

Project Overview	
Project Title	*Insert project/programme title*
Project Description	*Must include the following information:* - *Geographical Scope and Location* - *Scale (National/Sub-national)* - *Scope* - *Results Period* - *Total Project Area (m2)* - *Total number of expected Beneficiaries* - *Total Funding (include estimate in PGK)* - *Duration*
Definitions	*Insert relevant definitions applied to document*
Benefit Sharing Design	
Design and Structure	*Provide details on benefit sharing design and structure that will be undertaken by the project proponent/developer*
Principles applied for Benefit Sharing	*Describe the key principles and how they will be applied to the Project's benefit sharing arrangements*
Process for Review and Modification of Submissions	*Describe the process, either existing or that which will be established, to review and modify submissions of the benefit sharing plan to CCDA*
Beneficiaries	
Beneficiary Categories	*Describe the beneficiary categories*
Beneficiary Eligibility	*Provide details relating to the eligibility of beneficiaries within the project area*
Beneficiary Identification	*Describe how beneficiaries will be identified throughout the FPIC process*
List of Beneficiaries (to be added to annex)	*Provide a list of relevant beneficiaries*
Benefits	
Monetary and Non- Monetary Benefits	*Describe and define the monetary (estimates in PGK) and non-monetary benefits expected from the Project*
Carbon Benefits	*Describe and define carbon benefits expected from the Project*
Non-Carbon Benefits	*Define and describe non-carbon benefits expected from the Project*
Conditions for Use of Benefits	*Specify the conditions for the use of benefits*
Use of Proceeds	*Provide a detailed description of the use of proceeds and how they will be distributed amongst beneficiaries*
Timeline for Benefit Distribution	*Provide a clear timeline for benefit distribution that will be applied*
Scale of Benefits	*Describe in detail the scale of benefits that will be applied to the system*
Standard Operating Procedures for Benefit Distribution	
Pre-Project SOP's	*Provide a detailed description of pre-project standard operational procedures*
Project Implementation SOP's	*Provide a detailed description project implementation standard operational procedures*
Post-Project SOP's	*Provide a detailed description of post-project standard operational procedures*
Guidelines for Participation in the Benefit Sharing Plan	
Participation of Beneficiaries in the Benefit Sharing Plan	*Describe how participation of beneficiaries in the FPIC process was conducted. Provide detailed descriptions of how women and vulnerable groups were included, and the number of participants (disaggregated sex data) during consultations.*

Monitoring Provisions for the Benefit Sharing Plan	
Participation of Beneficiaries in Benefit Sharing	*Describe how participation of beneficiaries within the project site was conducted and provide justification*
Monitoring the Use of Proceeds (Using KPI's)	*Provide details on how the use of proceeds will be distributed against the Project's key performance indicators to monitor effectiveness*
Benefit Sharing Management Model	*Describe the benefit sharing management model*
Monitoring of Non- Carbon Benefits	*Explain how Non-Carbon benefits will be monitored*

Legal	
Compliance to Climate Change (Management) Act 2015 *(as Amended)*	*Provide a summary on how legal requirements have been met in accordance with the Climate Change (Management) (Amended) Bill 2020*
Compliance to relevant legal and regulatory requirements across sectors	*Provide a summary on how legal requirements have been met in accordance with relevant legal and regulatory requirements across all sectors involved*
Due Diligence Process for Benefit Sharing MoU/MoA	*Describe and justify the application of due diligence throughout the process of development the MoU/MoA*

Safeguards	
Application of Cancun Safeguards	*Describe in detail how the Cancun Safeguards will be applied to benefit sharing throughout the project lifespan*
Feedback, Grievance Redress Mechanism	*Provide a summary on the establishment of feedback, grievance redress mechanism at the project level and how it links to benefit sharing*

Checklist of Mandatory Pre-Requisites (to be submitted as attachments to the Project Concept Note)		
Benefit Sharing Plan	☐	*(Additional Comments)*
Project Identification Document	☐	*(Additional Comments)*
Project (Implementation) Agreement	☐	*(Additional Comments)*
Social Mapping and Landowner Identification Report	☐	*(Landowner Investigation Study as outlined in FPIC process)*
Free, Prior and Informed Consent (FPIC) Report	☐	*(Must include the Certificate of Consent, the Landowner Investigation Study and completed initial consultation forms)*
Social and Environmental Safeguards Assessment	☐	*(Additional Comments)*
Grievance Redress Mechanism	☐	*(Additional Comments)*
Gender Equality and Social Inclusion (GESI) Action Plan	☐	*(Additional Comments)*

II. Benefit Sharing Agreement *(Template)*

[PROJECT NAME] **BENEFITS SHARING AGREEMENT**

Between

THE *(PARTY 1)*

And

THE *(PARTY 2)*

And

THE *(PARTY 3)...*

This Benefits Sharing Agreement *("Agreement")* is made and entered into on this *[DAY]* day of *[MONTH] [YEAR] ("Effective Date")* by and between:

[PARTY 1], a *[PARTY 1 STATE OF INCORP]*, with an office located at *[PARTY 1 ADDRESS]*; and *[PARTY 2]*, a *[PARTY 2 STATE OF INCORP]*, with an office located at *[PARTY 2 ADDRESS]*; *[PARTY 3]*, a *[PARTY 3 STATE OF INCORP]*, with an office located at *[PARTY 3 ADDRESS]*;..

1. GENERAL

a) All parties see the benefits of this project, have a desire to pursue the project and have determined that each brings unique expertise and experience necessary to accomplish the objectives outlined above.

b) *[PARTY 1]* has unique expertise and experience in the following areas:

c) *[PARTY 2]* has unique expertise and experience in the following areas:

d) *[PARTY 3]* has unique expertise and experience in the following areas

2. DEFINITION

In this Agreement, the following definitions apply unless the context otherwise requires:

a) "Act" means the Climate Change Management Act 2015, as amended

b) *[continue list relevant to the project]*

3. INTEPRETATION

The following rules of interpretation apply to this Agreement –

a) The headings do not affect the interpretation or construction of this Agreement;

b) References to an act or provision of an act includes the amendments to that act for the time being in force and also to any legislation or regulation passed in substitution thereof;

c) A reference to a Party to this Agreement or Parties to this Agreement includes that Party's or Parties' successors, and permitted assigns and, where applicable, the Party's or Parties' legal personal representatives;

d) References to a Recital, Clause, Schedule or Attachment are to a recital, clause, schedule or attachment of this Agreement;

e) If there is any conflict between the body of this Agreement and the Schedules or Attachments, the body of this Agreement prevails to the extent of the inconsistency; and

f) If there is any inconsistency between the provisions of this Agreement and the Act, the Act will prevail to the extent of the inconsistency.

4. PURPOSE AND SCOPE

The purpose of this Benefits Sharing Agreement is to set forth the terms and conditions, scope of work and responsibilities of the parties associated with their collaboration on *[DESCRIBE COOPERATIVE PROJECT]*.

Specifically, both parties will cooperate to develop *[SPECIFICS AND OBJECTIVES RELATED TO PROJECT INCLUDING REFERENCE TO THE VCM PERMIT/LICENCE(S)]*.

5. PROCESS AND REPRESENTATION

5.1 Requirement of Free Prior Informed Consent

a) The parties agree that this Agreement has been developed following a process of consultation with customary landholders in the *[NAME OF PROJECT] [VCM LICENCE]* areas. The process was conducted in accordance with the principles of free, prior and informed consent (FPIC) and is evidenced by the Certificate of Consent at Attachment 1.

b) *[INCLUDE OTHER RELEVANT DETAILS PERTAINING TO FPIC..]*

5.2 Project Area Landholders

a) The parties acknowledge that:

i. The legitimate customary landholding clan/community leaders have been identified in the Landowner Identification Study undertaken by *[NAME OF PROJECT DEVELOPER]*;

ii. There was at least one woman representative from each VCM licence area selected by Project Area Landowners at a meeting organised by CCDA in the respective fields and the representative is from a clan/community identified in the Landowner Identification Study undertaken by *[NAME OF PROJECT DEVELOPER]*

5.3 Local Level Government

a) An Local Level Government (LLG) shall be represented by its President and in his absence by an authorised nominee, accompanied by a Ward Councilor or Councilors from the VCM licence area; and

b) The President of an LLG is authorised to sign this Agreement for and on behalf of his LLG and in the absence of a President and authorised nominee may sign.

5.4 Provincial Government

The Provincial Government (PG) shall be represented by its Provincial Administrator or his delegate who shall sign on behalf of his PG.

5.5 National Government

The National Government shall be represented by the Managing Director of the Climate Change and Development Authority (CCDA) or his delegate who shall sign on behalf of the National Government.

6. *[PARTY 1]* RESPONSIBILITIES

[PARTY 1] shall undertake the following activities under this Agreement:

7. *[PARTY 2]* RESPONSIBILITIES

[PARTY 2] shall undertake the following activities under this Agreement:

8. *[PARTY 3]* RESPONSIBILITIES

[PARTY] shall undertake the following activities under this Agreement:

9. BENEFIT PACKAGE AND DISTRIBUTION

a) The parties acknowledge that [NAME OF PROJECT DEVELOPER] shall provide to all other parties to this Agreement and all inclusive total benefits package ("Total Benefits Package") and its distribution among Project Area Landowners, affected LLGs and PGs (collectively known as the "Beneficiary Group") in accordance with this Clause.

b) The benefit sharing system shall be applied in accordance with this Agreement and the Benefit Sharing Plan at Annex 2.

9.1 Total Benefits Package

The Total Benefits Package consists of the following elements:

[DESCRIBE BASED ON OR WITH REFERENCE TO THE BENEFIT SHARING PLAN]

9.2 Monetary Benefits

The Monetary Benefits consists of the following elements:

[DESCRIBE BASED ON OR WITH REFERENCE TO THE BENEFIT SHARING PLAN]

9.3 Non-Monetary Benefits

The Non-Monetary Benefits consists of the following elements:

[DESCRIBE BASED ON OR WITH REFERENCE TO THE BENEFIT SHARING PLAN]

10. MANAGEMENT OF BENEFITS

10.1 Trustee Arrangements for Monetary Benefits

11. GOVERNING LAW AND JURISDICTION

The validity and interpretation of this Agreement shall be governed by the laws of the Independent State of Papua New Guinea, and the parties hereto expressly agree to submit disputes arising hereunder to the exclusive jurisdiction of the Courts of the State.

12. TERMS AND CONDITIONS

It is mutually understood and agreed by and between the parties that:

1. Each party takes legal and financial responsibility for the actions of its respective employees, officers, agents, representatives and volunteers. Each party agrees to indemnify, defend and hold harmless the other to the fullest extent permitted by law from and against any and all demands, claims, actions, liabilities, losses, damages, and costs, including reasonable attorney's fees, arising out of or resulting from the indemnifying party's acts or omissions related to its participation under this Agreement, and each party shall bear the proportionate cost of any damages attributable to the fault of such party, its officers, agents, employees and independent contractors. It is the intention of the parties that, where fault is determined to have been contributory, principles of comparative fault will be applied.
2. Each party, at its sole cost and expense, shall carry insurance or self insure to cover its activities in connection with this MOA, and obtain, keep in force and maintain, insurance or equivalent programs of self-insurance, for general liability, workers compensation and business automobile liability adequate to cover its potential liabilities hereunder.
3. This Agreement may be amended from time to time by mutual agreement of the parties in a written modification signed by both parties.
4. This Agreement may be terminated by mutual agreement of the parties, and shall automatically terminate upon completion of all responsibilities as stated herein, unless otherwise amended.

An alternative to the above termination provision is to allow each party to terminate for convenience with notice, and/or for default under certain circumstances. Be careful though, as you may want some kind of minimum commitment given that you are investing time and resources toward the cooperative effort.

13. FUNDING COSTS

The parties shall each be solely responsible for any and all costs associated with their responsibilities under this Agreement.

14. EFFECTIVE DATE AND SIGNATURE

This Benefit Sharing Agreement shall be effective upon the date of the last party to sign this Benefit Sharing Agreement below. The parties indicate agreement with this Benefit Sharing Agreement by their signatures below.

[PARTY 1]

[NAME], [TITLE]

DATE *[WITNESSED BY]*

[PARTY 2]

[NAME], [TITLE]

DATE

[WITNESSED BY]

[NAME], [TITLE]

DATE *[PART 3]*

[NAME], [TITLE]

DATE *[WITNESSED BY]*

Thanks to our development partners, for their financial and technical support towards the development of the National REDD+ Benefit Sharing and Distribution Guidelines.