

OFFICE MEMORANDUM

RECEIVED

DATE: June 2, 2010

JUN -3 AM 9: 29

TO: Roberto Lenton, Chairman, Inspection Panel, IPN

FROM: Juan José Daboub, Managing Director, MDD

INSPECTION PANEL

EXTENSION: 35572

SUBJECT: **Management Report and Recommendation in Response to the Inspection Panel Investigation Report regarding the Cambodia: Forest Concession Management and Control Pilot Project (Credit No. 3365-KH and Trust Fund 26419-JPN) – Third Progress Report**

Regional Management has prepared a third Progress Report on the status of outstanding issues following the Inspection Panel Investigation Report and Management's Report and Recommendation regarding the Cambodia: Forest Concession Management and Control Pilot Project. The specific actions set out in the Action Plan by Management were approved by the Executive Directors on June 29, 2006 in response to the Inspection Panel's findings (RQ05/01). The Board asked for a progress report on implementation of the Action Plan. The first Progress Report was delivered in May 2007, followed the second Progress Report in September 2008.

**Third Progress Report
to the Board of Executive Directors
on the Implementation of Management's Action Plan
in Response to the Inspection Panel Investigation Report on the
Cambodia: Forest Concession Management and Control Pilot Project**

May 2010

I. Introduction

1. On March 30, 2006, the Inspection Panel submitted its Investigation Report No. 35556-KH on the Cambodia: Forest Concession Management and Control Pilot Project (FCMCP) to the Board. On May 16, 2006, Management submitted its Report and Recommendations in response to the Inspection Panel's Investigation Report (INSP/R2005-0001/3). Since the project closed before the Inspection Panel Report was completed, no project-specific actions were possible. Management's Action Plan therefore acknowledged the inherent and continuing challenges to increasing public participation in the forest sector in Cambodia, and laid out a strategic and forward-looking agenda to support the development of a more equitable and socially-inclusive approach to natural resources management.
2. The Management Action Plan included specific actions to be taken at two levels: (a) *across the Bank* to mainstream improvements in environmental screening and classification and to expand the use of Strategic Environmental Assessment with targeted training to familiarize Bank staff with these tools; and (b) *by the EAP Region* to complete: (i) Community Consultation Guidelines; and (ii) the legal and regulatory framework for Indigenous Peoples' land rights in Cambodia. Recognizing that a sustained effort would be required, the Management Action Plan also included a section outlining a phased approach to building a broad consensus with Government and other development partners on the way forward in the forestry sector (see Annex 1).
3. On June 30, 2006, the Board discussed and endorsed the proposed Action Plan and asked that Management provide updates on progress in its implementation. Management submitted its first Progress Report to the Board in May 2007 and a second Report in September 2008. Subsequent to the second Report, Management committed to reporting on implementation progress to the Board again in one year (September 2009). Preparation of the third Progress Report was delayed, in part because the same staff members were preparing the Management Response for the Cambodia Land Management and Administration Project (LMAP),¹ and because the team was waiting for key follow-up actions by the Government in the forestry sector (see paragraph 6 below).

¹ A request to review LMAP was received by the Inspection Panel on September 4, 2009; the Management Response on LMAP was submitted on October 30, 2009 (revised November 19) and the Inspection Panel's Eligibility Report was submitted on December 2, 2009. The Board of Executive Directors approved the Panel's recommendation to investigate the project.

Progress Report Structure and Content

4. The present Report follows the structure of the original Action Plan, detailing recent progress and challenges in the text and summarizing progress since June 2006 in table form. Previous updates and the Inspection Panel Investigation Report are available on the Inspection Panel Website (www.worldbank.org/inspectionpanel). This Report builds on the progress reported in earlier Board updates and does not repeat actions that were previously reported.

Summary of Progress and Remaining Challenges

5. Since the September 2008 Report, Management has continued to confront a number of challenges in Land and Natural Resources Management (L&NRM) in Cambodia. In general, there is a well-developed policy and regulatory framework for L&NRM and leadership for policy implementation from within the respective line Ministries; however, there are both critical capacity constraints and political interference that result in inconsistent application of the legal framework. The weakness of formal government institutions relative to political parties and personal patronage networks means that resource allocation decisions at both central and provincial levels lack transparency.

6. Despite these challenges, progress has been made in some key aspects during the period under review, including the following:

- **Completion of the Community Consultation Guidelines** – The *Manual on Community Participation in Forest Division Planning* to be used in the forest sector to ensure adequate stakeholder involvement in decisions relating to forest resource management was finalized through a collaboration between an NGO (Community-Based NRM) and the Community Forestry Office of the Forest Department in 2009.
- **Expansion of Community Forestry** – At present, 424 sites covering 400,000 ha have been identified (by provincial staff of the Forest Administration in consultation with local communities) and a number of these have been further processed: 177 Community Forest (CF) Areas have been officially mapped; 151 of these are formally approved CF sites; another 111 are currently under consideration; the Forest Administration is developing ambitious plans to expand Community Forestry to 1,000 sites (1 million ha) by 2029.
- **Strengthening Indigenous Peoples' Communal Land Rights** – A sub-decree on *Procedures for Registering Land of Indigenous Communities* to guide implementation of the Land Law's provisions related to Indigenous Peoples' land rights was finalized in 2009, and registration of Indigenous Peoples' land rights in Mondulkiri and Ratanakiri Provinces is continuing albeit slowly.
- **Finalization of the National Forest Program** – Following public consultation at national and sub-national levels, the *National Forest Program (NFP) Strategic Framework Document for Cambodia* was finalized and endorsed by the Ministry of Agriculture, Forestry and Fisheries in December 2009. It was submitted to the Council of Ministers for review and endorsement in January 2010 and approved by the Council of Ministers in May 2010.

- **Piloting Forest Boundary Demarcation** – Forest boundary demarcation has been piloted using Bank-executed Canadian trust funds, and scaling-up by the Forest Administration is identified as a priority in the National Forest Program.
- **Recent Crackdown on Illegal Logging** –A strong public condemnation of illegal logging in January 2010 by the Prime Minister highlighted the failure of authorities at both central and provincial level to control such activities. Over the past 5 months Government carried out several high profile enforcement actions and changed the Director for the Forest Administration.
- **Implementation of Social Land Concessions** – Land Allocation for Social and Economic Development (LASED), the Government’s social land concession project funded by the Bank, is expected to transfer land and support livelihood investments and services to 3,000 land recipient families through 20 commune-based social land concession sub-projects in three provinces (Kratie, Kampong Cham and Kampong Thom), where some project sites include forest preservation through communal forests.
- **Law and Regulations on Resettlement** – The Expropriation Law was promulgated in February 2010; the draft sub-decree on Resettlement, the sub-decree on Management of Right of Way and the circular on Squatter Settlement Resolution are under development, drawing on consultative processes.

II. Action Plan Implementation

7. The following paragraphs provide an overall assessment of progress made on implementing the Action Plan since September 2008.

A. Actions Across the Bank

8. This set of actions was reported on in the previous progress reports. During the period under review, more Strategic Environmental Assessments (SEAs) in the NRM sector have been prepared, among them assessments for the forest sector in the Democratic Republic of the Congo, Liberia and Yemen. In addition, the use of Strategic Environmental and Social Assessment (SESA) has become an important tool in the preparation of activities under the program for Reduced Emissions from Deforestation and Degradation (REDD). These actions are also summarized in the table following paragraph 28.

B. Specific Actions within the East Asia Pacific Region

9. There has been progress over the past 18 months on implementing two specific actions that Management agreed to support in Cambodia. With respect to **community consultation**, the manual noted above and related training materials have been developed to strengthen both the understanding of the process and the actual consultation skills of field-level staff within the Forest Administration. The objectives of the manual and training materials are to ensure that community concerns and interests are adequately assessed and incorporated into forest management planning. Specific concerns relating to protecting religious forest and memorial gardens have been incorporated to ensure appropriate treatment of locally-recognized physical cultural resources. While no specific mention is made to “chance finds” of national archeological significance, the treatment of such finds, which was a specific concern raised by the Inspection Panel, is covered by the Constitution of Cambodia and the Law on the Protection of National Cultural Heritage and other national regulations.

10. With respect to **Indigenous Peoples' access to land**, it is important to acknowledge at the outset that these communities face continued tenure insecurity. Rights provided to Indigenous People under the Land Law (2001) are weakened as concessions and private land acquisition overlap areas that were previously held under customary arrangements. In an effort to address these issues, the Government issued a policy on Indigenous People's land in May 2009 and a sub-decree on Procedures for Registering Land of Indigenous Communities in June 2009. The Bank and other Development Partners (DPs) reviewed these documents jointly in 2008 and wrote collectively to the Council on Land Policy providing comments and suggesting amendments to the draft sub-decree focusing on two key areas:

- (a) *Protection of indigenous land pending registration* – proposing that any indigenous community that has taken the initial step of establishing community by-laws may lodge an application for the registration of collective title, prior to its final registration as a legal entity; and
- (b) *Joining and leaving an indigenous community* – proposing the draft sub-decree be amended to remove the requirement to integrate private land into collective title and proposing instead that this issue should be regulated by community by-laws.

11. While these suggestions were not reflected in the final drafts the legal framework emerging from this process is seen as a modest step forward and a basis for generating practical experience to inform future iterations of the policy and implementation guidelines. The respective Ministries—the Ministry of Interior (MOI), responsible for registering communities as legal entities and developing locally-appropriate by-laws, and the Ministry of Land Management, Urban Planning and Construction (MLMUPC), responsible for land survey and titling—can now proceed to gain experience and confidence through implementation. At the same time, it must be acknowledged that the titling process will continue to be slow and may be successful in only a fraction of the total number of indigenous communities. Success will be affected by continuing grants of land concessions over areas used by Indigenous People; lack of measures to protect indigenous lands prior to titling; lack of incentives for Government to accelerate titling; local-level endorsement of land transactions and a range of other factors that weaken the basis for communal land holding.

12. A dialogue on a range of community and Government initiatives to address issues of indigenous land tenure and livelihoods has been and to the extent practicable will continue to be pursued in collaboration with other DPs through the Technical Working Groups (TWGs) on Land and Forest/Environment and through the Poverty Reduction and Growth Operation (PRGO) series, as noted below.

C. Approach Moving Forward

Phase I: Deepening the Land and Natural Resources Management Dialogue and Building Consensus

L&NRM Framework

13. As reported previously, the L&NRM Strategic Partnership Framework (2007) informed the choice of specific actions included under its PRGO pillar. This framework also served as a key reference in developing the National Forest Program. The framework emphasizes: (a) increasing public participation in decision making and improving public access to information;

(b) expanding local-level planning and management of natural resources and strengthening the voice of local stakeholders; and (c) working closely with partners in developing programmatic approaches.

Dialogue to Build Consensus

14. The Management's Action Plan proposed a dialogue with the Government and other stakeholders to help define the way forward on the various dimensions of L&NRM in Cambodia. With support from key senior public sector officials, and based on the continuing dialogue with other DPs in the related TWGs, progress is being made on a number of issues (some examples are cited above). TWG discussions also provide an opportunity to review progress against Joint Monitoring Indicators (JMI) on an annual basis. However, despite recent advances, there have also been significant reversals during the period under review. Analysis indicates that as the influence of private investors has increased with Government administrators, the momentum of reform in the L&NRM sector has slowed. This trend is particularly evident in increasing concerns about land tenure security for poor communities living on land claimed by the state. There are also examples of such land being allocated as economic land concessions (ELCs) or under long-term leases to private investors without due consideration of the overlapping rights of long-term residents.

15. The Bank has used multiple instruments to address various dimensions of the L&NRM agenda – Regional Forest Law Enforcement and Governance discussions, grant- and trust fund-financed operations (some of which are NGO implemented), and development policy lending such as the PRGO mentioned above. This last has provided an opportunity: (a) to raise key issues and foster discussion among partners on inter-ministerial coordination in relation to state land management and measures to safeguard Indigenous Peoples' lands; and (b) to review with counterparts the efforts to assess and revise ELC agreements and to bring ELCs in excess of 10,000 hectares in line with the relevant sub-decree.

16. Progress under the PRGO has been slower than expected, in part due to concerns relating to progress on ensuring Indigenous Peoples' tenure security. A recent *Procedures and Progress Review* conducted jointly with other DPs highlighted some of the causes of delay and possible areas of support, and helped to develop an implementation schedule. Consultations at provincial level in Ratanakiri and Mondulakiri on proposals contained in the review will be followed by a national workshop to define next steps and identify sources of financial support. Some DPs have already indicated their commitment to supporting the initiatives. The latest progress reports indicate that survey and boundary demarcation have now been completed in three indigenous communities and at least three new communities are scheduled to follow in the coming year.

Dialogue on the Forest Sector

17. In December 2009, the *National Forest Program (NFP) Strategic Framework Document for Cambodia* was completed following public consultation at local and national levels. The NFP was formally endorsed by the Ministry of Agriculture Forestry and Fisheries in January 2010 and by the Council of Ministers in May 2010. The Government task force for NFP development included membership from all of the relevant Ministries and DPs and representatives from the NGO sector. The inclusive and participatory approach embraced by the Government and supported by DPs helped to rebuild a consensus on the way forward in the sector; as noted above, however, there is significant continuing pressure to convert forest land to ELCs for bio-fuel plantations and agriculture. Investors from several countries have engaged the Government to

explore large-scale land concessions for various economic purposes. These discussions are seldom transparent or inclusive enough to provide adequate input from affected communities.

18. As reported previously, the Bank continues to support the expansion of Community Forestry in Cambodia with a Japanese Social Development Fund (JSDF) grant implemented through the Regional Center for Community Forestry Training (RECOFTC). This grant, which is due to close in June 2010, was designed to foster efforts to expand participatory approaches to forest and land management and participatory monitoring at the local level. As of the date of this report, 177 Community Forest (CF) boundaries have been mapped; 89 communities have approved CF regulations; 151 CF management committees (MCs) have approved by-laws; and 203 CFs have elected their MCs with a *Deika* (official declaration) issued by their respective commune councils. A participatory land and forest monitoring system based on a community network was established and is now functioning in 13 communes, helping to identify, negotiate and resolve issues as they arise. These achievements indicate that the activities supported by this grant are likely to achieve the overall objective to build the capacity of forest dependent villages, the Forest Administration, NGOs and local governments to implement innovative approaches to collaborative forest stewardship and participatory monitoring activities aimed at improving forest protection and forest-based livelihoods. The Forest Administration has recently announced ambitious plans to expand Community Forestry from the present 424 identified sites (400,000 ha) to 1,000 sites (1 million ha) by 2029.

19. Despite this progress, some established CF areas still face difficulties when overlapping ELCs are approved without prior consultation. Market forces in the region, including the rapidly-expanding wood products processing industry and proposals for large-scale commercial plantations, are bringing new pressures to bear on forests in Cambodia. The World Bank has recently initiated a study of large-scale land acquisition for agricultural production, to be carried out in 32 countries (including Cambodia). It is expected that this study will provide new insights into both the economic opportunities and the governance challenges associated with expanding Foreign Direct Investment in agriculture and help to distill lessons from global experience that should inform the dialogue on these issues.

Dialogue on the Land Sector

20. Dialogue between RGC and the World Bank concerning tenure insecurity and conflict resolution mechanisms for poor communities has become increasingly difficult during the period under review. Tensions in both rural and urban areas related to land tenure security have become headline news not just within Cambodia but in the regional and international press. The Bank continues to work closely with other donors through the TWG on Land to provide comments and advice in relation to developing the legal and regulatory framework in the land sector. In its relationship with Government, the Bank has sought to balance praise for continuing improvements in the legal and regulatory framework with criticism of gaps between policies and on-the-ground realities for communities facing threats of eviction or resettlement from rapidly appreciating urban land. Through a transparent and well-targeted process the LASED project, financed by IDA, is contributing to improved land and natural resource tenure security for poor and formerly landless or land-poor recipients.

21. Despite notable achievements, including improvements to the legal framework and the issuance of over 1.1 million titles through Bank support for land titling, the LMAP came to an end in September 2009 when the Government informed the Bank of its intention to cancel the remaining undisbursed balance of the related IDA Credit. This decision was precipitated by a fundamental disagreement over the applicability of Bank safeguards to the resettlement of

residents from the Sras Chok area in central Phnom Penh. As noted above, a Request for Inspection of LMAP was received immediately following the Government's decision. The project is currently under investigation by the Inspection Panel. Details about the Request and the Management Action Plan are included in the LMAP Management Response submitted on October 30, 2009.

22. Many of the problems relating to both urban resettlement and ELCs are a manifestation of a broader issue which relates to competing claims to state land. As the demand for land has increased rapidly over the past 20 years, people have moved to settle in areas, both urban and rural, over which the state asserts ownership. These areas may have been historically vacant but in many cases local decision-makers either granted permission for temporary settlement or turned a blind eye to their occupation. As land prices have increased, however, state and private sector investors recognize opportunities to make significant profits from trading in or developing these areas, often displacing existing occupiers. The absence of proper mechanisms for adjudicating the rights of existing occupiers or for arranging for their resettlement and/or compensation renders these transactions prone to dispute. Areas particularly liable to these sorts of issues include urban slums and the fringes of forests and lakes.

Dialogue on Biodiversity Conservation

23. A Protected Areas (PA) Law signed in February 2008 established the legal framework required to secure Cambodia's system of parks and protected areas. The recently-approved NFP details plans to protect an equally important and larger geographic area of legally defined "Protection Forest" under the management of the Forest Administration. As reported in the previous update, the Bank was engaging the Ministry of Environment and providing financial resources to support preparation of a new operation. The proposed operation was expected to expand protected areas management to several parks in the northeast section of the country and to build on the previous Biodiversity and Protected Areas Management Project (BPAMP; closed in December 2007). The preparation of this follow-on operation was dropped in July 2009, as the authorities decided that in the context of the economic downturn it was preferable to redirect scarce IDA resources to poverty alleviation and the social sector.

Dialogue on L&NRM Governance

24. During the period under review, Forest Law Enforcement and Governance (FLEG) received increased attention and the Forest Administration undertook high profile enforcement actions against both military and politically-connected individuals. An offer from the Bank to support development of an analytical base to assist in the design of the FLEG component of the NFP was not accepted. However, the FLEG objectives outlined in the NFP are consistent with the principles of engagement outlined in the Management's Action Plan. The NFP FLEG objective highlights the need for forest authorities to engage in regular (twice yearly) public meetings with a range of stakeholders including other Ministries and civil society. The FLEG component of the NFP also commits to development of a forest monitoring and reporting system updated monthly and available in the public domain.

25. Under the Bank-financed Demand for Good Governance Project, the Ministry for National Assembly Senate Relations and Inspections is preparing to implement a Land Law dissemination component that will include piloting public forum-style events at the commune level and monthly roundtables on the national broadcaster TVK, beginning this month. Social accountability is also being promoted with grant support to civil society organizations. The first full call for grant proposals will take place in June 2010, but under a pilot Program to Enhance

Capacity for Social Accountability (PECSA) two grants were provided to support participatory monitoring of access to land and natural resources in the northeast.

Phase II: Guiding Principles and Approach for Re-Engagement

26. The Management Action Plan clearly indicated that the Bank would only consider new operations in the forest sector in Cambodia if substantial progress was made in the policy and operational activities reviewed above. Moreover, any expansion of Bank engagement would be based on the completion of the NFP and on up-front analytical work and/or piloting that adequately ensured a shared understanding of policy issues, constraints and opportunities to inform project design.

27. There is a clear recognition that numerous challenges remain and that progress in key areas, such as tenure security for Indigenous Peoples and conflict resolution, will require continuing attention. Management reiterates its commitment to work with the Government and other DPs to pursue implementation of these lagging activities and to explore the use of innovative partnerships with civil society and private sector as appropriate. As indicated in the Management Action Plan, the Bank will only consider expanding its portfolio in the forest sector for projects designed along the following principles: active and informed participation of primary stakeholders; conferral of secure rights to land and other natural resources; collection and wide dissemination of information; and focus on integrated L&NRM planning; community-based and entrepreneurial approaches.

28. Based on the fact that the actions that Management committed to implement in the Management Action Plan have already been completed or are of an “ongoing” nature, Management proposes that the current report be the last update to the Board on implementation of the Management Action Plan in Response to the Inspection Panel Investigation Report on the Cambodia: Forest Concession Management and Control Pilot Project. Management will continue to monitor progress on the issues outlined in this report through ongoing dialogue with Government counterparts and other DPs engaged in L&NRM in Cambodia.

Status of Action Plan Implementation

ISSUE/FINDING	PROPOSED ACTION	IMPLEMENTATION STATUS
1. ACTIONS IDENTIFIED FOR THE BANK		

Environmental Assessment

Promote the use of SEAs and related methodologies to support the preparation and implementation of selected L&NRM projects to provide more information on baseline environmental and social trends and conditions.

Ongoing. The Bank is continuing to promote the preparation of SEAs in the forest sector, disseminating good practice guidance notes on the use of methodologies and doing seminars on the preparation of and lessons learned from these SEAs. In the last year, the Bank has undertaken forest sector SEAs in Liberia, the Democratic Republic of Congo (DRC), and Yemen and is initiating an SEA in Vietnam. The Liberian Forest Reform policy is focused on the commercial, conservation and community aspects of forest management (3Cs). The institution-centered SEA primarily informed the development of the community rights to forest lands law and helped assess capacity and institutional adjustments that were needed in the implementation of the Liberian National Forestry Reform Law of 2006 to improve forest governance and performance within the forest sector. The SEA also examined challenges posed by the interrelationship between the forest sector and other sectors, such as agriculture and mining. In the DRC, an Environmental Impact Assessment has been completed for the National Forest and Nature Conservation Program which also covers the Bank's support to DRC in the forest sector. The SEA in Yemen is focused on integrated coastal zone management policy and its implications for mangrove forests.

Terms of Reference (ToRs) have been prepared for a SEA on the cocoa sector in Côte d'Ivoire, which includes an assessment of the implications for forest-dependent communities of the intensification and/or expansion of cocoa plantations, and the analysis of climate change and social issues affecting the cocoa sector.

The emerging SEA at Climate Investment Fund (CIF) at programming level helps to screen social and environmental issues at an early stage of implementation.

OPCQC, together with the Agriculture and Rural Sector (ARD) Forest team, continues to provide targeted training programs on the forests safeguard policy (OP 4.36), along with programs examining land use management issues in general, as part of the safeguards policy training workshop series.

ISSUE/FINDING	PROPOSED ACTION	IMPLEMENTATION STATUS
Protection of Forests of High Ecological Value and Natural Habitats	Take steps to ensure that approaches, such as landscape level biodiversity management, best management practices for PAs, and information-sharing (e.g., mapping, gap analysis, review of the PAs system) are introduced in future projects of this type.	<p>Bank-wide technical and project work in biodiversity continues to focus on efforts to strengthen the protection and management of forests of high biodiversity value, both within and beyond PAs, including the provision of more sustainable management practices and alternative livelihoods to reduce pressures on forests within PA buffer zones, biodiversity corridors and in critical watersheds. The Bank is also actively informing and engaging local communities in forest management through community land mapping, co-management of resources, indigenous reserves, forest stewardship arrangements and participatory monitoring. Linkages between biodiversity and climate change are also being examined; for example, the Bank's biodiversity team released this year economic and sector work on an eco-systems approach to climate change (see www.worldbank.org/biodiversity or www.worldbank.org/climatechange), which emphasizes the important roles that natural ecosystems play in climate change mitigation and adaptation – as carbon stores and sinks, as well as protecting key ecosystems services such as watershed protection, water quality, flood control, coastal protection and other services of critical value to human livelihoods.</p> <p>Regional (e.g., Forest Law Enforcement and Governance, FLEG) and global initiatives contribute to achieving results for the sustainable development of forests and other land resources. The World Bank-managed Program on Forests (PROFOR) launched a program to promote improved forest governance in the Mekong River countries (including Cambodia). The Program aims at strengthening cross-border collaboration in curtailing illegal logging, related trade and other forest crime. In 2009, the FLEG trust fund supported (together with FAO and the Government of Germany) FLEG country reporting covering most ASEAN member states (including Cambodia) and other key Asian countries. The reports were presented in a workshop in December 2009 and in a publication due mid- 2010. This was part of the collaboration on forest governance between the Bank and ASEAN.</p> <p>PROFOR also published in November 2009 a toolkit for analyzing poverty-forests linkage. The toolkit had been piloted in Cameroon, Ghana, Madagascar and Uganda.</p>

ISSUE/FINDING	PROPOSED ACTION	IMPLEMENTATION
---------------	-----------------	----------------

New instruments on climate change have been developed (the Forest Carbon Partnership Facility, FCPF, and the Forest Investment Program, FIP) with the active consultation and participation of IPs and communities at program and country level.

The Growing Forest Partnerships initiative and the FIP Special Initiative aim to build capacity at local level and to support “bottom-up” involvement in national and global processes;

The Forest Carbon Partnership Facility, which became operational on June 25, 2008, focuses on reducing emissions from deforestation and forest degradation (REDD) by helping countries to develop the systems and policies for REDD and piloting performance-based payments for greenhouse gas emission reductions. Thirty-seven ‘REDD countries’ (14 in Africa, 15 in Latin America and the Caribbean, and eight in Asia and the Pacific) have been selected in the partnership. The 13 financial contributors have committed about US\$160 million to the Readiness Fund and the Carbon Fund of the FCPF. The governance structure includes a 20-member committee elected by the REDD countries and the financial contributors, six observers nominated by forest-dependent Indigenous Peoples and other forest dwellers, NGOs and international organizations, and the Bank acting as overall convener and trustee, providing secretariat services and chairing the Participants Committee. The FCPF cooperates closely with the UN-REDD Program.

II. ACTIONS TO BE TAKEN WITHIN THE EAST ASIA PACIFIC REGION

Consultation and disclosure in the development of SFMPs/ESIAs

Support the finalization of the draft Community Consultation Guidelines in Cambodia; also ensuring that the guidelines explicitly include a reference to the legal framework in Cambodia and provide guidance regarding the appropriate authorities to inform when “chance finds” occur.

- **Community Consultation Guidelines –** Completed; field manual and related training materials have been developed to strengthen both the understanding of the process and the actual consultation skills of field-level staff within the Forest Administration (see paragraph 9 above).

ISSUE	PROPOSED ACTION	IMPLEMENTATION STATUS
Indigenous Peoples' access to land and forest resources	Recognizing the urgency of securing land and resource rights for Indigenous Peoples, make a strong and immediate effort (including providing technical assistance) in collaboration with other donors and Government under the TWG for Land, to finalize, as a matter of priority, the legal and enabling implementing procedures required for making the provisions of the Land Law a reality for indigenous communities in Cambodia.	<ul style="list-style-type: none"> • Legal and enabling procedures – First iteration complete (see paragraphs 10-11 above). • Implementation – Ongoing; but slow progress against joint monitoring indicators – three IP community boundaries demarcated and three more IP communities scheduled for boundary demarcation through end 2011; implementation experience is expected to build confidence and momentum but the coverage is still limited and an approach to protection pre-titling is still absent.

III. APPROACH MOVING FORWARD

NRM Framework	Prepare a natural resources management framework that is based on the general governance framework in the CAS and that focuses on the three pillars of transparency, decentralization and partnerships.	<ul style="list-style-type: none"> • Completed; see paragraph 13.
Dialogue to Build Consensus	Deepen the dialogue on forest and land management and biodiversity conservation, integrating and coordinating efforts with government and other DPs.	<ul style="list-style-type: none"> • National Forest Program – Completed December 2009 (see paragraph 16 above). • Community/Partnership Forestry – Ongoing; achievements to date under the JSDF-financed operation indicate that it is likely to achieve the overall objective to build the capacity of forest dependent villages, the Forest Administration, NGOs and local governments to implement innovative approaches of collaborative forest stewardship and participatory monitoring activities aimed at improving forest protection and forest-based livelihoods (see paragraph 18 above). • State Land Registration and Forest Demarcation – Forest demarcation pilots completed; expansion of forest demarcation included as a priority in the NFP (see paragraph 16). • Land Administration and Titling – LMAP cancelled; under Inspection Panel Review (see paragraph 21 above). • Economic Land Concessions Ongoing; Some public information available on MAFF website; 39 ELCs cancelled, however concerns remain given the dynamic situation with new international investors entering, and limited institutional capacity to screen / monitor concessions (see paragraphs 15, 19 and 22 above)

ISSUE/FINDING	PROPOSED ACTION	IMPLEMENTATION STATUS
---------------	-----------------	-----------------------

- **Social Land Concessions** – Ongoing: Through a transparent and well-targeted process the LASED project, financed by IDA, is contributing to improved land and natural resource tenure security for poor and formerly landless or land-poor recipients (see paragraph 20 above).
- **Environmental Management and Biodiversity Follow-on Operation:** Dropped in response to request from Government to redirect scarce IDA resources to quick-disbursing poverty alleviation activities as a result of the economic downturn (see paragraph 23 above).

Annex 1

Proposed Management Action Plan as Presented in the Management Report and Recommendations in Response to the Inspection Panel's Investigation Report (2006)

The Management Action Plan is divided into two parts: the first, *Specific Actions*, addresses measures arising specifically from the project and broader institutional actions that Management could apply to other similar projects in the Bank. The second part, *Approach Moving Forward: NRM Framework* outlines a longer-term approach to dealing with forestry and other natural resources in Cambodia.

A. SPECIFIC ACTIONS

The project raised a number of important issues related to its design, analytical tools, and environmental and social assessment, which the Panel addressed in its findings. Drawing from lessons learned and specific commitments that could be undertaken, even though the project has closed, Management proposes to do the following (a) across the Bank and (b) within the Region (EAP):

Across the Bank:

- Review and update the “Guidelines for Environmental Screening and Classification” issued by QACU in 2005 to provide additional guidance on classification and appropriate methods of undertaking environmental and social safeguard related actions in technical assistance projects. This would include guidance to Bank staff on appropriate analytical approaches and procedures for consultations required for projects that support “process oriented technical assistance” in the natural resources management sector.
- Promote the use of SEAs and related methodologies to support the preparation and implementation of selected NRM projects to provide more information on baseline environmental and social trends and conditions.
- Take steps to ensure that approaches, such as landscape level biodiversity management, best management practices for Protected Areas, and information-sharing (e.g., mapping, gap analysis, review of the Protected Areas system) are introduced in future projects of this type.

Within the Region (EAP):

- Support the finalization of the draft Community Consultation Guidelines in Cambodia; also ensuring that the Guidelines explicitly include a reference to the legal framework in Cambodia and provide guidance regarding the appropriate authorities to inform when “chance finds” occur.
- Recognizing the urgency of securing land and resource rights for Indigenous Peoples, make a strong and immediate effort (including providing technical assistance) in collaboration with other donors and the Government under the TWG for Land, to finalize, as a matter of priority, the legal and enabling implementing procedures required for making the provisions of the Land Law a reality for indigenous communities in Cambodia.

B. APPROACH MOVING FORWARD: NRM FRAMEWORK

Governance and NRM

In May 2005, the Board endorsed a new CAS for Cambodia. Drawing on extensive consultations with the Cambodian authorities, NGOs, and civil society, this new CAS focuses on governance, improving donor coordination and partnerships, and results. As with the previous CAS, the focus of this CAS on governance includes specific efforts to improve the management of natural resources, especially land and forests. The proposed program consists of a USD 10 million IDA grant for a Land Allocation for Social and Economic Development Project (scheduled for FY08) that aims to provide land and/or greater security of tenure and agricultural services to the poor and landless. In addition, the Bank is preparing a USD 10 million IDA grant for a Land Management and Administration Project II (LMAP II, FY09) as a follow-up to the current support for land titling from the first LMAP (approved in FY02) that is providing around 25,000 land titles per month. Project work is being complemented by Analytical and Advisory Activities (AAA) on land, forestry and agrarian structure issues that aim to build consensus among all concerned stakeholders (government, donors, civil society, and communities) on the way forward in these critical areas of NRM. Annual Poverty Reduction Support Operations (PRSOs), commencing in FY07, will provide momentum to reforms, not only in the natural resources sector, but in governance, private sector development, and public financial management.

Building on the strategy outlined in the CAS as well as the experience with the FCMCPP, the Bank's November 2005 letter to the Government of Cambodia outlined a strategy for going forward in the forest sector, including concession management, monitoring, and a range of forest management options. Considering the complexity of issues related to sustainable forest, land and biodiversity management in Cambodia, the Bank has initiated a process of engagement with the Government of Cambodia, donors, local stakeholders, and civil society representatives in a sustained dialogue on poverty alleviation and NRM.

In March 2006, at the Consultative Group meeting for Cambodia, donors agreed that, while significant progress had been made on several governance issues, reforms needed to be stepped up in a number of areas, including NRM. On the one hand, the pace of land titling has picked up, and transparency of information regarding economic land concessions has improved following the concerted efforts of the donor community. On the other hand, however, land grabbing by the rich and powerful continues unabated and the Government does not seem to have the political will to enforce its own laws on keeping the size of economic concessions to a maximum of 10,000 hectares, as required by the Land Law. Currently, for example, it is reported that the Government is considering awarding a concession of 60,000 hectares to a Chinese company to start a rubber plantation, which would be in violation of the Land Law. The Inspection Panel report highlighted the problems the Bank has faced in the forest sector, and given the lack of political will to fight forest crimes, a consensus has yet to emerge on a clear way forward.

NRM Framework

Drawing on lessons learned not only from the project, but from other lending and policy activities, an NRM framework is being put together that is based on the general Governance Framework in the CAS and focuses on the following three pillars:

- *Transparency* – Bank engagement will promote increasing public participation in decision making and improve public access to information in support of accountability.
- *Decentralization and Local Empowerment* – Bank engagement will include support at sub-national levels: (i) to expand community and commune level planning and management of natural resources; and (ii) to strengthen the voice of local stakeholders in the governance of natural resources.
- *Partnerships* – The Bank will work closely with partners in developing programmatic approaches and integrating forest management decisions into broader NRM planning and implementation efforts. Partners will include TWGs for land; fisheries; agriculture and water; and forestry and environment; as well as the private sector, the media, local and international NGOs and other civil society representatives.

PHASE I: DIALOGUE TO BUILD CONSENSUS

In order to reach a common understanding on the way forward, a major dialogue with the Government and other stakeholders on forestry and rural development options is already underway and drawing, where appropriate, on recent analytical work undertaken by the Bank and others.¹⁰ This dialogue now needs to be deepened and would proceed with the explicit aim of exploring both the *short-term imperative to address concerns related to access to natural resources by the rural poor, illegal logging and forest land encroachment, and continuing forest loss* and the *longer-term options for sustainable management of forest resources* and will attempt to balance the competing objectives of biodiversity conservation and expanding opportunities for economic growth.

The proposed dialogue will touch on several key issues including:

- Improving the availability of information on natural resources and their management (addressing the quality, completeness, and frequency of data collection, and improving the transparency of mechanisms for monitoring and reporting, including public disclosure and dissemination)
- Development of a national vision statement building on the existing *Forest Policy Statement* of the Government of Cambodia and preparation of a National Forest Plan to guide implementation of the existing legal framework, to identify viable and sustainable forest management options, and to foster a broader national consensus on priority actions in the short and medium term.
- Integrating forestry into NRM planning and implementation (through ongoing processes and pilots at both local and landscape levels)
- Appropriate conferral of use and/or tenurial rights in the context of ongoing land use planning and demarcation of a permanent forest estate
- Development of more robust forest law enforcement via enhanced independent monitoring; strengthened accountability mechanisms; strengthening Government enforcement capacity; use of remote sensing; prosecution case tracking; prosecutor training; and strengthened court capacity.

- Mechanisms to foster inter- ministerial coordination and strengthen governance of natural resources and efforts to clarify roles and responsibilities among central, provincial, and commune level authorities.

Consideration of renewed and expanded engagement on the part of the Bank would only commence once there was a clear understanding and commitment on the part of relevant authorities within the FA, the MAFF, and other Ministries with overlapping mandates (Land, Environment), and upon consultations with other stakeholders.

PHASE II: POTENTIAL PRINCIPLES, APPROACH FOR RE-ENGAGEMENT

Depending on the outcomes of the aforementioned dialogue and on any new national consensus that may emerge, the Bank would consider a new operation with forestry in Cambodia. Any significant expansion of Bank engagement would be based on up-front analytical work and/or piloting adequate to ensure that there is a shared understanding of policy issues, constraints, and opportunities to inform project design.

Lending for projects or project components under the proposed engagement would only take place for designs that are consistent with the following principles;

- *Active and Informed Participation of Primary Stakeholders (those most directly affected by implementation)* – Development and dissemination of clear and concise guidelines for community consultation to ensure mutual understanding of overarching objectives and rights and obligations consistent with the existing legal framework.
- *Conferral of Secure Rights to Land and Other Natural Resources* – This includes associated responsibilities for conservation and sustainable use to communities and or households consistent with and supportive of a developing role for local government.
- *Collection and Wide Dissemination of Information* – Information disseminated in Khmer on program objectives and project design/implementation at local, provincial, and national level to increase transparency and build public understanding and confidence in the sector.
- *Focus on Integrated NRM Planning* – Effective protection and sustainable use of forest resources through integrated planning and development of new sources of income for forest fringe communities through improved productivity and economic returns from forests, agriculture, livestock, and fisheries.
- *Community-based and Entrepreneurial Approaches* – Adoption of approaches that encourage communities and entrepreneurs to develop skills to harvest sustainably, process, and sell produce directly in domestic markets and where appropriate to seek private sector partners to identify and access international marketing opportunities.

