

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

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 (FCMCPP) 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). Section VII of the Management Report contains an Action Plan proposed to address the Panel's findings. This Action Plan is presented in Annex 1.
2. On June 30, 2006, the Board discussed the above reports. The Board endorsed the Action Plan proposed by Management and asked that Management report back on the progress in implementing this Action Plan again in six months.¹ The present report is intended to provide information to the Board regarding the progress in implementing the Action Plan.
3. Since the project closed before the Inspection Panel Report was completed, no project-specific actions were possible. Management's Action Plan took a pragmatic approach, however, recognizing the inherent and ongoing challenges to increasing public participation in the forest sector in Cambodia while at the same time laying out a strategic and forward looking agenda for dialogue and exploration of new approaches to develop more equitable and socially responsible natural resources management.
4. As the Board is aware, the overall dialogue between the Government and the Bank in Cambodia has been strained during the past nine months as a result of the intensive discussions on strengthening governance and anti-corruption measures; this has also affected the timing for follow-up activities, including the preparation of this Report. This report outlines progress in both dialogue and implementation of the Bank's program in natural resources management (NRM), but also attempts to provide a realistic assessment of the continuing challenges as the Bank works with Cambodian Government counterparts to strengthen the legal and policy framework, overcome the inherent difficulties of working on issues requiring a high degree of inter-ministerial coordination and communication, and most importantly, close the large gaps between the legal and policy framework and what is actually happening at the field level in respect to forestry.

Action Plan Implementation

5. The implementation of the FCMCPP and the Panel's review raised a number of important issues related to project design, technical versus broader integrated livelihood approaches, and environmental and social assessment. Management's Action Plan was

¹ The reasons for the delay in submitting the Progress Report to the Board are explained in paragraph 4.

designed to address these issues and consists of two parts. The first part, which covers *Specific Actions* to address issues arising from project implementation, includes actions *across the Bank* (updating guidance on project screening and classification especially for technical assistance projects, promoting use of strategic environment assessments and applying broader lessons in the forest sector globally) as well as actions *within the region* (to strengthen community consultation and foster tenure security for indigenous communities in Cambodia). The Action Plan also lays out a two-phase *Approach Moving Forward* based on the development of an integrated *Natural Resources Management Framework*. This second part of the Action Plan outlines a longer-term approach to building consensus on options and strategies for more equitable, sustainable and transparent management of forests and other natural resources in Cambodia.

6. The following paragraphs provide an overall assessment of progress made on implementing the Action Plan since June 2006. A more detailed assessment is provided in the matrix at the end of this report.

Specific Actions Across the Bank

7. The Quality Assurance and Compliance Unit (OPCQC) has updated the “Guidelines for Environmental Screening and Classification” to provide additional guidance on classification and appropriate methods of undertaking environmental and social safeguard related actions in technical assistance projects for natural resources management. The updated guidelines include guidance on appropriate analytical approaches and consultation procedures for projects that support “process oriented technical assistance” in the natural resources management sector.

8. The Bank is committed to promoting the use of Strategic Environmental Assessment (SEA) as a tool for sustainable development and encourages its use as a key means of integrating environment into the sectoral decision making and planning processes. The use of SEA in facilitating the implementation of the Kenya Forest Bill was the most recent work in the NRM sector. Terms of Reference have been prepared for forestry sector SEAs in Liberia and the Democratic Republic of Congo. The Bank has also developed a toolkit to provide practical guidance in preparing SEAs in East Asia and in other regions.

9. OPCQC is carrying out a Bank-wide review on safeguards implementation in forest sector operations and outcomes of this review will be incorporated into the Forest Sector Strategy Implementation Update (SSIU), which will be presented to the Board later in 2007. OPCQC has also presented seminars and training sessions on lessons learned in forest governance.

Specific Actions within the Region (EAP)

10. There has also been some progress on implementing the two agreed specific actions in Cambodia although neither of the actions has been fully completed to date. With respect to community consultation, Bank staff have been following up with Government counterparts, engaging with NGOs, and consulting field staff of the Forest

Administration (FA). National consultations have taken place on the draft “*Community Consultation Guidelines*” prepared under FCMCPP and it has been agreed to complete related work on the field manual within the next six months, with a focus on building ownership within the FA and transforming the draft guidelines into an operational field manual.

11. On Indigenous Peoples, a draft *Policy on Registration and Right to Use of Indigenous Communal Land in Cambodia* has been prepared but finalization of the policy and regulations, to enable full implementation of the communal titling provisions of the Land Law in indigenous communities, is likely to require another one to two years. In the interim, senior Government officials have publicly supported the idea of implementing *interim protective measures* (mapping indigenous community claims and providing a provisional Government endorsement of the mapped claims) to avoid further land losses by indigenous communities. The Bank and other donors are discussing with counterparts in the Council on Land Policy how to expedite implementation of the proposed interim measures, and key aspects of this discussion have been incorporated in the broader Bank lending dialogue with Cambodia.

Approach Moving Forward

Natural Resources Management (NRM) Framework

12. The Bank, through ongoing sector work and engagement in the Technical Working Groups (TWGs) for Forest, Agriculture, and Land, has deepened its dialogue on poverty alleviation and NRM with the Government, donors, and local stakeholders including civil society organizations.

13. Drawing on lessons learned from the FCMCPP and on the Government’s own strategic and sectoral planning processes, the Bank in coordination with other development partners has prepared a draft document entitled “*NRM Strategic Partnership Framework*.” The draft framework explicitly addresses key challenges to sustainable natural resources management, including cross-cutting issues such as improving public access to information on land and natural resource concessions, increasing tenure security for poor and landless households, and improving inter-agency coordination on issues related to land management and land allocation (such as implementation of the Sub-decrees on State Land Management and Forest Estate Demarcation). At present, the draft framework focuses on land administration and management, sustainable commercial and participatory approaches to forest management, and biodiversity conservation – all areas where the Bank has been engaged and continues to engage directly with the Government. Management recognizes that approaches to land and forest management in particular are evolving quickly in Cambodia and has asked that the document be updated to reflect new and emerging issues as needed. Other development partners who are working on related NRM issues (including those working on agriculture and fisheries) are also being invited to expand the scope of the framework. The draft framework has been discussed with Government counterparts and with the relevant TWGs and will shortly be shared with other stakeholders. Objectives and related focal areas in the draft framework are outlined in the box below.

14. When the draft framework was presented to the Government in December 2006, senior officials from the Ministry of Finance proposed that issues outlined in the document be considered for inclusion as milestones and or triggers under the proposed Poverty Reduction and Growth Operation (PRGO). The task team has followed up on these suggestions and in dialogue with Government counterparts has agreed on expanding the policy matrix to include forestry and biodiversity issues.

Draft Natural Resources Management Framework Outline

Primary Objective:

- To improve communities' access to and control over natural resources

Secondary Objectives:

- To agree among stakeholders on specific challenges that limit progress and strategies to address them
- To align policy and regulatory developments with piloting and implementation support
- To mobilize new resources to close the gap between policy and practice

Establish the Institutional Basis for Integrated NRM

- Build on experience with integrated land use planning at local level
- Expand titling for private lands, rural poor and indigenous peoples
- Strengthen natural resource monitoring

Strengthen Property Rights

- Identify and strengthen existing claims to land and other natural resources
- Resolve the occupancy of state lands
- Implement fair mechanism for land expropriation/resettlement
- Strengthen inter-ministerial coordination and dispute resolution mechanisms
- Improve the quality and transparency of information

Improve Forest Incomes

- Develop National Forest Program
- Pilot commune-based forest management
- Expand and strengthen community forestry
- Integrate benefit sharing into production forestry and land use planning
- Strengthen understanding and control of forest crime (prosecution, demarcation, etc.)

Improve Conservation Outcomes

- Clarify legal framework for Protected Area (PA) management
- Develop sustainable financing plan for long-term PA management
- Develop mechanisms and opportunities for greater institutional collaboration
- Strengthen and expand community role in PA management

Phase I: Deepening the Dialogue and Building Consensus

15. Building on the NRM Framework, Management's Action Plan also proposed a dialogue with the Government and other stakeholders to help define the way forward on the various dimensions of NRM in Cambodia. With support from key senior Government officials and based on ongoing dialogue with other development partners in the related TWGs, progress is being made on a number of issues. Nevertheless, major challenges remain in terms of transparency, governance, and inter-ministerial coordination. It is also clear that, as forest concession activities have declined in recent years, land grabbing and

the potentially excessive use of economic land concessions (ELCs)² have emerged as major threats to forest and rural livelihoods.

Dialogue on Forest Management

16. The dialogue on issues related to forest management has moved forward since June 2006 but progress has been uneven. The FA is currently preparing a National Forest Program (NFP) to define priorities and strategies to guide forest management and human resources development in the future. Development partners are encouraged that the proposed NFP process will include opportunities for stakeholder consultation and consensus building. It is worth noting that through the TWGs, as well as in other forums, the FA has begun to engage other ministries – justice, land, defense, and environment – in dialogue on important coordination issues related to forest management and protection.

17. In the area of forest concession reforms, the Government has indicated that no forest concessions have been allowed to resume operations, yet neither have any of the remaining forest concessions been cancelled. Recently, the Government has expressed a desire to resume dialogue on concession reform and Management is following up on this proposal. The Government continues to explore alternatives to forest concession management using a range of approaches including annual coupes, private sector partnerships and expansion of community forestry. Development partners, through the Technical Working Group on Forestry and Environment (TWG F&E),³ are encouraging the Government to explore benefit sharing options, to strengthen forest law enforcement (including through participatory monitoring) and to choose their private sector partners carefully to maximize opportunities for learning from global experience and to ensure sustainable forest management.

Dialogue on Land Management

18. The Bank is working closely with Government counterparts and other development partners in the land sector, with the dialogue focusing on a broad range of issues, including: ensuring appropriate state land mapping; registration and forest demarcation; putting in place appropriate mechanisms for approving and monitoring ELCs; fostering secure access to land for rural poor families; and continuing with the Government's overall land titling program. In these areas, too, some progress is being made (for example, 25,000 land titles are now being issued on a monthly basis). The management of ELCs, however, remains a major challenge and the Prime Minister has spoken out repeatedly against the continued problem of land grabbing. While some

² According to the Cambodian Government's Sub-decree 146 on Economic Land Concessions (ELCs), "Economic Land Concessions refers to a mechanism to grant private state land ... through a contract to a concessionaire to use for agricultural and industrial-agricultural exploitation". ELCs are generally large land areas (limited by the 2001 Land Law to 10,000 hectares though larger concessions were granted prior to the Land Law) up to a maximum period of 99 years. ELCs are distinct from *Forest Concessions* (for private management of forest areas for timber) or *Social Land Concessions* (distribution of plots up to 5 hectares to the landless and land poor for family residential and agricultural use).

³ The TWG F&E is chaired by the Forest Administration (Cambodia) and coordinated by DANIDA (Denmark), with representation from the Ministry of Environment (Cambodia), DFID (UK), JICA (Japan), USAID (USA), World Bank, European Commission, Asian Development Bank, Food and Agriculture Organization, United Nations Development Programme, and the Wildlife Conservation Society.

progress has been made in recovering illegally encroached forest land (some 207,960 hectares of encroached forest land are being taken back from offenders), enforcement actions to date remain insufficient.

19. The Bank's continuing support for land administration and titling (and proposed support for social land concessions) should help to redress an inherent contradiction – Cambodia's abundant per capita endowments of natural resources including land in contrast to high and increasing landlessness among the rural poor. Dialogue on ELCs has focused on public disclosure of information on existing and pending ELCs (including proposed boundaries) to foster public awareness of potential overlaps with existing use rights and thus to reduce the potential for future conflicts.

Dialogue on Biodiversity Conservation

20. The Ministry of Environment has recently completed an analysis of the Protected Area system in Cambodia, identifying opportunities to improve forest and wildlife protection efforts both within and outside of designated Protected Areas. Seeking broad endorsement from the Government and other stakeholders for decisions regarding realignment of conservation priorities will be challenging given the inter-ministerial coordination issues. As part of its ongoing work on biodiversity conservation the Bank is preparing an "Environment Monitor" for Cambodia that seeks to identify key issues in conservation and environmental management and includes a stocktaking of the Protected Areas system to highlight and disseminate good practice examples.

Demand for Good Governance

21. The Bank is also working on a number of initiatives in relation to the demand for good governance (DFGG) agenda, which refers to the ability of citizens acting alone or collectively to hold the state accountable and to make it responsive to their needs. This has involved work on the design of improved dispute resolution initiatives for land issues and support for a series of radio programs on land rights and land dispute resolution. A DFGG project is also under preparation that would provide competitive grant funds directly to civil society groups engaged in information dissemination and monitoring and would be open to groups working on land and NRM.

22. With respect to the Independent Monitor, Management has conducted a review of the Monitor's performance and independence. This review concluded that a more balanced approach is needed, which places equal emphasis on independent reporting and the Government's own forest crime control efforts/actions. The same review highlighted the importance of the Prime Minister providing leadership in this politically charged sector.

23. As explained earlier in this report, the governance agenda has also addressed Indigenous Peoples' rights. In February 2007, a workshop on *Indigenous Peoples' Access to Land in Cambodia* was organized by several local civil society organizations including the NGO Forum. The meeting was well attended and provided an important opportunity for representatives of responsible Government ministries/agencies to interact with civil

society organizations and other development partners on the draft policy. The Bank is also supporting and encouraging Government efforts to secure land and resource rights for Indigenous Peoples, through: facilitating discussion with the Government and other donors on implementation and monitoring of pilots for Indigenous Peoples' communal titling; and support for creating a platform for participation of Indigenous Peoples in the implementation of the state land management sub-decree.

Phase II: Approach for Re-Engagement

24. It is still too early to propose a full re-engagement in the forest sector in Cambodia. As previously indicated in the Management Action Plan, the Bank will consider new operations in the forest sector in Cambodia based in large measure on the outcomes of the ongoing dialogue referenced above and on any broad consensus that may emerge. Principles that guide these discussions and that provide broad parameters for the design of new operations were presented last June and are included in the attached annex. Expansion of Bank engagement would be based on completion of an agreed forest strategy among the Government, donors, and key NGOs in the sector and 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.

Summary of Progress Achieved on the Action Plan and Proposed Next Steps

25. Management would like to emphasize that while progress has been made with implementation of the Action Plan, more work and dialogue are still needed to achieve consensus on the NRM framework as a whole and on many specific aspects of the way forward in the forest sector. The Government's efforts to establish greater public access to information on ELCs must be weighed in light of continued problems of land grabbing and management of ELCs as well as ongoing struggles to identify and secure land and forest resources for the rural poor and Indigenous Peoples in Cambodia. In the forest sector new threats seem constantly to emerge while protective measures always lag behind; yet, with a transparent and participatory process for developing the NFP now underway and plans to demarcate forest boundaries moving forward perhaps there may be some improvement in the situation in the near future. For the moment, the Bank's engagement in Cambodia will continue toward building a common understanding of management alternatives and broadening stakeholder consensus on the way forward.

26. As discussed above and outlined below in more detail some actions have already been taken and several more are currently underway or planned over the course of the coming months. The situation in Cambodia remains very challenging, but the Bank is committed to staying engaged with the Government and other stakeholders to confront these challenges and to progressively strengthen tenure and foster greater public engagement in NRM planning, monitoring and decision making. Pending action plan activities will take some additional time to complete and are dependent on a continuing Government commitment to strengthen tenure, improve transparency, foster decentralization, and increase community control over natural resources.

27. Based on the progress made to date on implementing the Action Plan, Management reiterates its commitment to work with Government and other development partners to implement actions already proposed, to continue to deepen the ongoing dialogue in NRM, and to report again to the Board on implementation of the Action Plan in twelve months' time.

**Status of Action Plan Implementation
(March 2007)**

ISSUE/FINDING	PROPOSED ACTION	IMPLEMENTATION PROGRESS
I. ACTIONS TO BE TAKEN ACROSS THE BANK		
<p>Environmental Categorization</p>	<p>The Bank will 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 for natural resources management. This would include guidance on appropriate analytical approaches and procedures for consultations for projects that support “process oriented technical assistance” in the natural resources management sector.</p>	<p>The “Guidelines for Environmental Screening and Classification” have been updated to include technical assistance projects in the natural resources sector.</p>
<p>Environmental Assessment</p>	<p>Promote the use of Strategic Environmental Assessments (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.</p>	<p>The Bank is promoting the use of SEAs in projects of this type and identifying and disseminating good practice guidance notes on the use of such methodologies. In particular, the Bank is drawing on experiences gained from the SEA prepared for the Kenya Forest Bill (March 2007). The Kenya SEA has helped strengthen the policy dialogue regarding the sustainable use of forest and natural resources for national development. It has also helped clarify the political economy factors affecting forest sector reform; the policy and planning priorities for sustainable development; and policy measures and actions to strengthen institutions and governance needed to address key environmental and social risks associated with the use of forests and natural resources in Kenya. In addition, Terms of Reference (TOR) for forestry sector SEAs in Liberia and the Democratic Republic of Congo are currently under preparation.</p> <p>OPCQC together with the Agriculture and Rural Sector</p>

ISSUE/FINDING	PROPOSED ACTION	IMPLEMENTATION PROGRESS
		<p>(ARD) Forest team organized a well attended BBL session on “FCMCPP” and a training program on “Forests Safeguard Policy OP 4.36” for the Forestry Community of Practice and other interested colleagues to share the lessons of the Inspection Panel case and use of SEA in the NRM sector. OPCQC will continue to organize these events, as part of the ongoing safeguards policy training workshop series.</p>
<p>Protection of Forests of High Ecological Value and Natural Habitats</p>	<p>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.</p>	<p>Bank-wide technical and project work in biodiversity focuses on efforts to strengthen the protection and management of forests of high biodiversity value, both within and beyond Protected Areas, including 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. Regional (e.g., Forest Law Enforcement and Governance) and global initiatives, such as the Global Forest Alliance and the second phase of the Critical Ecosystem Partnership Fund (currently under preparation) also contribute to achieving results for the sustainable development of forests and other land resources.</p>
<p>II. ACTIONS TO BE TAKEN WITHIN THE REGION</p>		
<p>Consultation and disclosure in the development of SFMPs/ESIAs</p>	<p>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.</p>	<p>The draft “Community Consultation Guidelines” prepared under the FCMCPP address many of the shortcomings of the Environmental and Social Impact Assessment (ESIA) process followed by concessionaires, including access to resin trees and cultural resources. These draft guidelines were presented and discussed during a national workshop on the legal framework for community forest management in Cambodia in January 2007. In the context of the workshop it was proposed to develop the guidelines into a field manual.</p> <p>The Bank is following up on this proposal, and has identified a consultant and is preparing a TOR that includes a participatory process for developing, field testing, and finalization of the field manual. It was also recommended that the manual be developed jointly with a team from the FA to increase the likelihood of formal Government endorsement. Formal adoption of the manual will help ensure the inclusion of all affected villages in future consultation processes.</p> <p>Cultural property, including spirit forests and archeological chance finds, are protected by the existing legal framework in Cambodia. These issues will be explicitly addressed in the proposed field manual for community consultation to ensure that spirit forests are identified as part of consultation and that the responsible authorities are</p>

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<p>Indigenous Peoples' access to land and forest resources</p>	<p>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.</p>	<p>contacted when chance finds occur.</p> <p>In December 2006 the Council on Land Policy issued for public comment a draft "Policy on Registration and Right to Use of Indigenous Communal Land in Cambodia." Finalization of the legal framework, including regulations to enable full implementation of the communal titling provisions of the Land Law, is complicated by the need to coordinate efforts across multiple Government ministries. Government counterparts estimate that it will take another 1-2 years to complete both the policy and the implementing regulations.</p> <p>In February 2007 a workshop on <i>Indigenous Peoples Access to Land in Cambodia</i> was organized by several local civil society organizations including the NGO Forum. The meeting was well attended and provided an important opportunity for representatives of responsible Government ministries/agencies to interact with civil society organizations and other development partners on the draft policy. The Bank's Indigenous Peoples' Advisor and three other Bank staff attended this workshop. The Indigenous Peoples' Advisor made field visits to two provinces following the workshop in order to gain first hand knowledge of the current situation and advise the Bank teams working on related issues in Cambodia.</p> <p>The Bank is also supporting and encouraging Government efforts to secure land and resource rights for Indigenous Peoples, through:</p> <ul style="list-style-type: none"> • Facilitating discussion with the Government and other donors on implementation and monitoring of pilots for Indigenous Peoples' communal titling; • Support for creating a platform for participation of Indigenous Peoples in the implementation of the state land management sub-decree (under the Land Allocation for Social and Economic Development project); and • Most recently with the preparation of a Japan Social Development Fund (JSDF) grant proposal to pilot implementation of communal titling.

III. APPROACH MOVING FORWARD

<p>NRM Framework</p>	<p>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.</p>	<p>A draft framework document, "NRM Strategic Partnership Framework," has been prepared and discussed with the Government and development partners. The framework explicitly addresses cross-cutting issues of transparency, tenure security, and inter-agency coordination and outlines a multi-year program to address challenges across areas of natural resources management – land, forest, and biodiversity conservation.</p> <p>The Government requested that the framework be used to support the selection of actions for the upcoming PRGOs and to inform monitoring efforts for the National Strategic Development Plan. In preparing the PRGO for Cambodia, the Government and development partners including the</p>
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ISSUE/FINDING	PROPOSED ACTION	IMPLEMENTATION PROGRESS
		<p>Bank have drawn on the NRM Framework in discussions on milestones and triggers for PRGO years 2 and 3 – focusing more attention on issues such as secure access to natural resources for Indigenous Peoples and forest protection measures; and using the context of the PRGO to foster inter-ministerial dialogue on issues such as state land management and the review of ELCs.</p>
<p>Dialogue to Build Consensus</p>	<p>Deepen the dialogue on forest and land management and biodiversity conservation, integrating and coordinating efforts with Government and other development partners.</p>	<p>Drawing on the draft NRM framework and using ongoing discussions regarding forest, land and biodiversity management in the relevant TWGs, the Bank has deepened its dialogue with the Government and other development partners and is currently working to identify and agree on key issues and develop and implement strategies (including appropriate piloting of such strategies) to integrate work on 1) forest, 2) land and 3) biodiversity conservation and management; and to 4) strengthen demands for good governance.</p> <p>1) In the forest sector the discussions and piloting efforts have focused on:</p> <ul style="list-style-type: none"> • National Forest Program Development: As part of the work plan for the current year the Bank is engaging the Government and other development partners through the TWG on Forestry and Environment (TWG F&E) in the development of a National Forest Program (NFP) for Cambodia. Government counterparts who are taking the lead on NFP development are supported by active TWG donors including both DANIDA and the Bank. The Bank and other development partners see the stakeholder consultations related to the development and approval of the NFP as an important opportunity to build and verify an emerging consensus on the way forward in the forest sector in Cambodia. The Government is supporting this transparent and participatory approach to developing the NFP. • Forest Concession Reform: While the Government indicates that no forest concessions have been allowed to resume operations, it has yet to implement the recommendations provided by its own technical review team, the Bank, and other development partners, and none of the remaining forest concessions have been cancelled. Very recently, the Government has expressed a desire to resume dialogue on the topic of concession reform and the Bank will follow up on this proposal. • Annual Coupes: “Annual coupes,” another traditional form of commercial exploitation managed by the Government, but implemented by concessionaires, has been initiated on a small scale. During the past year one coupe in Ratanakiri Province was approved and partially implemented to supply timber for construction of the National Assembly. The scale of annual coupe operations is projected to increase over time. The Bank and other development partners have expressed their concerns about adverse governance, social, and environmental

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		<p>implications of a rapid proliferation of annual coupes. The Government has indicated its intention to apply the sustainable forest management planning approaches developed under the FCMCPP to annual coupe operations but concerns about oversight capacity remain.</p> <ul style="list-style-type: none"> • Independent Monitor: Management has reviewed the performance and independence of the Independent Monitor. This review concluded that a more balanced approach is needed, which places equal emphasis on independent reporting and the Government’s own forest crime control efforts/actions. The same review highlighted the importance of the Prime Minister providing leadership in this politically charged sector. Management has supported and encouraged the participation of Cambodian officials in the East Asia Forest Law Enforcement and Governance (FLEG) initiative and in the context of developing the NFP is seeking TWG endorsement for a “Cambodia National FLEG Dialogue” – a facilitated dialogue involving the Government, civil society and development partners with the objectives of setting priorities in forestry law enforcement, considering strategic and participatory approaches to controlling forest-based corruption and clarifying the role of independent monitoring. • Community / Partnership Forestry: A three-year \$1.7 million JSDF grant has been signed with the Ministry of Economy and Finance and the Regional Center for Community Forestry Training (RECOFTC) to foster participatory approaches to forest and land management and monitoring and to facilitate cooperative efforts among communities, NGOs, Forestry Administration staff and other local government officials. The grant will also support community-based forest monitoring and networking at the national level, building on and strengthening self-initiated groups that are already operating at the provincial level and below. • Private Sector Partnerships : At present, the Bank is not directly engaged in fostering private sector partnerships but is working with the Wildlife Conservation Society (WCS), FA and the Tropical Forest Trust to develop a model approach that fosters secure communal title for local indigenous communities while encouraging development of community forest enterprises in Mondulkiri Province. The key to moving forward is clarification of management authority through a process of forest demarcation, state land mapping, and eventual registration (discussed below). <p>2) In the land sector, the Bank’s dialogue with the Government and other development partners has focused on:</p> <ul style="list-style-type: none"> • State Land Registration and Forest Demarcation. As forest concessions activities have declined in recent years land grabbing and rapidly expanding use of ELCs have

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		<p>emerged as major threats to forest and rural livelihoods including in forest areas under community management. Control of forest land is the responsibility of the FA but forest boundaries have not yet been formally demarcated. This lack of clarity regarding forest and Protected Area boundaries undermines law enforcement and fosters illegal land grabbing activities. In recent dialogue the Bank has emphasized the need to develop inter-ministerial coordination and align efforts under the sub-decrees on Forest Estate Demarcation and State Land Management. In the context of developing the PRGO the Bank is engaging Government counterparts in both the Ministry of Land and the Ministry of Agriculture, Forestry and Fisheries in a dialogue about implementing the legal framework for demarcating state land and establishing clear, legal boundaries for the forest estate. The Government has recently approached the Bank, Danida and DFID seeking support for forest demarcation.</p> <ul style="list-style-type: none"> • Land Administration and Titling. The Bank continues to support Government efforts to secure land and resources rights for Cambodians living in rural areas through formal titling of land. The Land Management and Administration Project (LMAP) is co-financed with Germany, Finland and Canada and supports a broad range of land management activities, focusing on development and implementation of a transparent and low-cost service delivery model for land titling. Roughly 25,000 titles are issued monthly and one million titles are expected by 2008. • Economic Land Concessions. The Government adopted a sub-decree on Economic Land Concessions (ELC) in December 2005 which includes provisions for resolution of issues of prior occupancy/use of lands with local communities and requires formal classification and registration of land to exclude forests and protected areas. While the overall size of individual concessions has been kept below the 10,000 hectare limit established by the new sub-decree, the number and total area of ELCs increased significantly in 2006. Public reporting on the status of ELCs is now established (http://maff.gov.kh/elc/); however, approval for areas up to 1,000 hectares has been delegated to the provincial level and areas subject to provincial approval have not yet been included. Government counterparts have indicated concessionaires will not be allowed to begin operations before the protective provisions in the sub-decree have been implemented, but concerns remain as legal requirements for prior state land registration and environmental and social assessments have yet to be completed. Also, provisions for transparent bidding on ELC contracts are being circumvented through a loop hole in the sub-decree that allows for no-bid approvals in “exceptional” cases. These issues are central to the ongoing discussions within the TWG for Land but no

ISSUE/FINDING	PROPOSED ACTION	IMPLEMENTATION PROGRESS
		<p>immediate solutions have yet been identified.</p> <ul style="list-style-type: none"> • Social Land Concessions A recent poverty assessment has highlighted the threat of increasing landlessness in rural areas (now estimated to be close to 20 percent) and emphasized the importance of equitable access to land title and related incentives for investment to reduce poverty. The Bank is proposing to support the Government in providing targeted titling of land for poor landless farmers under the Land Allocation for Social and Economic Development Project (currently under preparation) The Bank and other development partners have repeatedly conveyed to the Government their concern that land appears to be relatively <i>freely available</i> for ELCs while remaining relatively <i>scarce</i> for social land concessions targeted to the landless poor. <p>3) In relation to biodiversity conservation, dialogue with the Government and other development partners has focused on:</p> <ul style="list-style-type: none"> • Protected Areas System Review: Ongoing support provided by the Bank to the Ministry of Environment has included assistance to complete an analysis of the Protected Area system, evaluating the representativeness of the current system to determine if there are any significant gaps in habitats included in the current system design and potentially to identify additional high value areas. Much of the information produced by this review is already available on the web. • Environment Monitor: As part of ongoing efforts in support of biodiversity conservation in Cambodia, Bank staff are preparing publication of the second in a series of “Environment Monitors” for Cambodia. The 2007 edition includes a stocktaking of the Protected Areas system; identifies key issues in conservation and environmental management; and highlights and disseminates good practice examples. • Follow-on Operation: The Government has requested a second phase of support to build on the ongoing Biodiversity and Protected Areas Management Project, in particular capacity development to strengthen national parks management and for environmental planning and management. A project concept note is currently under preparation. <p>4) In an explicit effort to build partnerships with civil society organizations, the Bank is also embarking upon a number of initiatives in relation to what has become known as the demand for good governance (DFGG) agenda. DFGG refers to the ability of citizens acting alone or collectively to hold the state accountable and to make it responsive to their needs. There are two initiatives currently under implementation or development in Cambodia that adopt a DFGG approach and which potentially reinforce efforts to move toward more equitable</p>

ISSUE/FINDING	PROPOSED ACTION	IMPLEMENTATION PROGRESS
		<p>and sustainable natural resources management;</p> <ul style="list-style-type: none"> • The Cambodia Justice for the Poor (J4P) Program has supported a number of studies on land and land dispute resolution. Crucial to this work has been the insight that the poor are often able to extract more accountability and responsiveness from the state through collective action. Applying a cross-sectoral approach the J4P is supporting a variety of Bank programs to deal with issues of access to justice. In relation to land this has involved work on the design of improved dispute resolution initiatives (with LMAP), and the development of a proposed JSDF project on Indigenous Peoples' rights. The Bank, through the J4P program, has also supported a series of radio programs on land rights and land dispute resolution. • Demand for Good Governance (DFGG) Project: A DFGG project is currently under preparation. In relation to natural resources management, the project anticipates supporting the legal empowerment of citizens through a joint government/civil society initiative on rights awareness in relation to land, fisheries and forestry. The DFGG project will also provide funds directly to civil society groups who are engaged in a range of DFGG activities, such as information dissemination, advocacy and monitoring. The details of the civil society funding arrangement have not yet been determined but it would most likely be open to groups working on land and natural resources management.

Annex 1

Proposed Management Action Plan as Presented in the Management Report and Recommendations in Response to the Inspection Panel’s Investigation Report

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.