

**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**

September 15, 2008

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 (FCM CPP) 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 took a pragmatic approach, however, recognizing the inherent and continuing 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. 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 of this Progress Report.

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 on the progress in implementing this Action Plan again in six months. Management submitted its Progress Report to the Board in May 2007 and, at that time, Management committed itself to report on implementation progress to the Board again after one year, hence the timing of the present Progress Report.

3. Since the Report of last year, Management has made some progress with the government in natural resources management (NRM) issues and, more specifically, in the forestry sector. Key accomplishments include continuing work on community consultation guidelines; Indigenous Peoples' communal land rights; development of the National Forest Program; land registration and forest demarcation; land titling; economic and social land concessions; environmental management; and Protected Area (PA) management. Challenges remain as the Bank works with government counterparts to strengthen the legal and policy framework, overcome inherent difficulties of working on issues requiring a high degree of inter-ministerial coordination and communication and, most importantly, to close the large gaps between the legal and policy framework and what is actually happening at the field level.

Action Plan Implementation

4. The implementation of the project 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 designed to address these issues and consists of two parts. The first, which covers *Specific Actions* to address issues arising from project implementation, includes actions *across the Bank* (up-dating guidance on project screening and classification especially for technical assistance projects, promoting the 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 second lays out a two-phase *Approach Moving Forward* based on the development of an integrated *Natural Resources Management Framework*. It 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.

5. The following paragraphs provide an overall assessment of progress made on implementing the Action Plan since May 2007. A more detailed assessment is provided in the matrix following paragraph 28 of this Report.

6. Because the Request to the Inspection Panel and the resulting Panel recommendations were broad and raised issues relating to the Bank's safeguard compliance and environmental categorization of forest sector operations in general, the Management Action Plan included a section on actions to be taken across the Bank as well as specific actions to be taken within the East Asia and Pacific (EAP) Region and, specifically, in Cambodia itself.

Specific Actions across the Bank

7. In the last year, the Bank continued to promote 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. For instance, in Kenya, the SEA that was prepared in 2007 for the Kenya Forest Bill helped strengthen the national policy dialogue regarding the sustainable use of forest and natural resources for national development. A SEA is being prepared for the forestry sector in Liberia that is examining strategic aspects for forest management (commerce, environmental protection and community forestry) as well as the challenges posed by the interrelationship between the forest sector as a whole and other sectors (such as agriculture and mining). In the Democratic Republic of Congo (DRC), an Environmental Impact Assessment is being conducted for the National Forest and Nature Conservation Program which also covers the Bank's support to DRC in the forest sector. Terms of Reference (ToRs) are also being prepared for forestry and natural resources SEAs in Yemen and Mozambique.

8. The Operations Policy and Country Services Quality Assurance and Compliance Unit (OPCQC) carried out a Bank-wide review on safeguards implementation in forest sector operations and incorporated key findings into the Sector Strategy Implementation Update (SSIU) – Third Review, which was submitted to CODE in September 2007. Regarding legal matters, the Environmental and International Law unit of the Legal Department (LEGEN) published in 2007 a book entitled “Forest Law and Sustainable Development: Addressing Contemporary Challenges through Legal Reform”. It analyzes the wide range of issues that should be taken into account in forest-related legislation, stressing that forest law must be understood in the context of the broader legal framework governing land use and land tenure, as well as international obligations related to trade, environmental protection, and human rights. OPCQC, with the support of the Sustainable Development Network (SDN) and LEGEN, also prepared sections on indigenous peoples (IPs) and forests for the Forests Sourcebook (2008). The Forests Sourcebook also provides guidance on landscape management, conservation, establishing protected areas and using information systems (including mapping, satellite and remote sensing) to manage forests more effectively. Finally, OPCQC has also presented seminars and training sessions on lessons learned in forest governance, incorporating lessons learned from the Cambodia FCMCPP, as well as two forestry operations in DRC that were also investigated by the Inspection Panel and discussed by the Board in January 2008.

Specific Actions within the Region (EAP)

9. There has been some further progress over the past year on implementing the two specific actions in Cambodia. With respect to community consultation, the Bank has contracted a local non-governmental organization (NGO), selected in consultation with the Forest Administration, to develop a field manual and training materials designed to strengthen both the understanding of the process and the actual consultation skills of field-level staff to ensure that community concerns and interests are adequately assessed and incorporated into forest management planning and address concerns related to chance finds of physical cultural resources. The consultant is expected to deliver the field manual and associated training materials by March 2009.

10. With respect to the access of indigenous peoples to land, the policy dialogue has moved forward in the past year. A draft Sub-Decree on Procedures for Registration of Land of Indigenous Peoples (IPs) has been circulated by the government for public comment. The Bank and other Development Partners (DPs) have written collectively to the Council for Land Policy providing comments and suggested amendments to ensure the consistency of the draft Sub-Decree with the Land Law (2001). In particular, DP comments focused 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. Progress is also being made on the provisional registration of three pilot villages by: promoting measures to enhance the protection of IPs' lands through the Poverty Reduction and Growth Operation (PRGO) policy dialogue; and facilitating discussion with the government and other donors on the implementation and monitoring of pilots for IPs' communal titling.

Approach Moving Forward

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

12. 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 the continuing dialogue with other DPs in the related Technical Working Groups (TWGs), progress is being made on a number of issues. Despite recent advances, major challenges remain in terms of transparency, governance and inter-ministerial coordination.

13. The addition of a Natural Resources Management Pillar to the continuing PRGO series has provided an important opportunity to raise key issues and to foster discussion among partners on inter-ministerial coordination in relation to state land management and measures to safeguard IP community lands. The PRGO also provides an opportunity to review with government counterparts their efforts to review and revise Economic Land Concession (ELC) agreements and to bring the largest of these in line with the relevant sub-decree.

Dialogue on the Forest Sector

14. During the past year, the process of developing a National Forest Program (NFP) for Cambodia has gained momentum. The government has formally established a task force with membership from all of the relevant Ministries and DPs and representatives from the NGO sector. The Bank has been asked to play a key role in the formulation of sub-programs on Forest Law Enforcement and Governance (FLEG), and the Forest Conservation and Management. Formulation of the Community Forestry Sub-program is being supported by a Japan Social Development Fund (JSDF) funded consultant. As detailed in the attached matrix, the government has chosen to prioritize many of the key outstanding issues in the forest sector, including defining the role and scope for commercial forestry, completing the process of forest concession reform, defining the role of annual coupes, assessing the status of forest law enforcement and defining new approaches to improving forest governance (including independent monitoring), and to do this in a very public and participatory manner. The timeline for completing the NFP is December 2008 and, while the final outcome of this process cannot be anticipated at this point, the general approach of including civil society and other Ministries in the process of drafting and publicly vetting the NFP is encouraging. This inclusive and participatory approach embraced by the government and broadly supported by DPs should help to rebuild a consensus on the way forward in the sector among a broad range of stakeholders. This dialogue will build on and address some of the key issues identified in the NRM Framework document that was highlighted in the first Board update presented last year.

15. The Bank continues to support the expansion of Community/Partnership Forestry in Cambodia with a JSDF grant implemented through the Regional Center for Community Forestry Training (RECOFTC). This grant is designed to foster the government's efforts to expand participatory approaches to forest and land management and to monitoring at the local level. This grant also provides support to 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.

16. However, 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. A recent review of Vietnamese customs data has shown that large quantities of wood are being imported from both Cambodia and Laos despite the existing bans on round-wood exports from these two countries. The Bank and other DPs are encouraging the rapid implementation of bilateral agreements that have been signed between Cambodia and Vietnam to ensure adequate monitoring and reporting on cross-border trade in wood and wood products.

Dialogue in the Land Sector

17. The Bank continues to work closely with government counterparts and other DPs in the land sector, with the dialogue focusing on a broad range of issues including secure access to land for rural poor families; expanding and extending the government's land titling program; supporting participatory boundary identification and demarcation as part of government's state land registration efforts; and fostering appropriate mechanisms to review and publicly disclose decisions related to ELCs.

18. Working closely with counterparts in the Ministry of Land Management, Urban Planning and Construction (MLMUPC), the Bank has extended by two years the Closing Date of the Credit supporting the Land Management and Administration Project. The Canadian International Development Agency (CIDA) and the Bank are supporting the expansion of this program into

three new provinces this year. Management also has encouraged the development of a new program of support for the issuance of social land concessions that will transfer state land to poor landless and land-poor families and provide livelihood support and both interim and long-term tenure security.

19. Despite the progress noted above, several challenges remain in the land sector. In the context of the PRGO discussions, the government has highlighted the continuing difficulties of ensuring conformity with the ELC Sub-decree provisions for screening of ELCs of less than 1,000 hectares before approval by provincial authorities. Dialogue is now focusing on mechanisms to ensure compliance and reporting at that level, as well as continued review of remaining ELCs granted at the national level.

Dialogue on Biodiversity Conservation

20. A Protected Areas (PA) Law was signed in February 2008 establishing the institutional mandates and legal requirements to secure Cambodia's system of parks and protected areas in perpetuity. Bank efforts to support conservation in Cambodia are now poised to move into a new phase. The Biodiversity and Protected Areas Management Project (BPAMP) closed in December 2007, and, at the request of the government, a new operation is currently under preparation. Funding has been provided to the government both for project preparation and to maintain protection efforts within the Virachey National Park during the preparation period. Under the new operation, the government has requested support not only for conservation but also for capacity building in environmental management and for the development of subsidiary legislation required by the new PA Law. Subsidiary legislation will include detailed guidelines on defining and demarcating "utilization" zones within national parks, including core conservation areas where economic activities such as mining would be excluded.

21. During the past year, with Institutional Development Fund (IDF) grant resources, the Bank has sought to develop a mutual understanding with the government on the existing capacity to undertake environmental management and impact assessment at the national and provincial levels and to develop a related capacity-building program. Despite initial progress in implementing this grant, there is concern that challenges are expanding at a faster rate than the government's capacity to assess and manage environmental threats. One area that deserves close attention is in rapidly expanding mineral exploration licenses. In the coming year, the challenges and opportunities in the mining sector will be reviewed as part of sector work on potential "sources of growth" in Cambodia.

Demand for Good Governance

22. The Bank continues 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 the resolution of land disputes. 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 also to groups working on land and NRM issues.

23. As explained earlier in this report, and detailed in the attached matrix, the governance agenda has also addressed IPs' rights. The Bank is supporting and encouraging government efforts to secure land and resource rights for IPs through: (a) facilitating discussion with the government and other donors on implementation and monitoring of pilots for IPs' communal

titling; and (b) supporting the establishment of a platform for participation of IPs in the implementation of the state land management Sub-Decree.

Phase II: Approach for Re-Engagement

24. As 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 dialogues referred to 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 are outlined in the attached annex. Expansion of Bank engagement will be based on the completion of the NFP agreed among government, donors and civil society representatives active in the sector and on up-front analytical work and/or piloting that adequately ensures 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 during the past year, more work and dialogue are still needed to complete and seek broad stakeholder endorsement of the NFP and government commitment towards its implementation. For the moment, the Bank's engagement in the NRM sector in Cambodia will continue to foster transparency and efforts to narrow the gap between policy and the legal framework and actual practice.

26. Projects under the CAS for Cambodia referenced in this Progress Report are fully consistent with the principles for re-engagement in the forest sector in Cambodia outlined in the Action Plan. The principles have been applied to all forest sector activities recently prepared (community forestry JSDF, forest boundary demarcation) and to those currently being prepared (Environment and Protected Areas Management). In addition, the principles are applied in the context of policy discussions, such as the dialogue on the National Forest Program.

27. 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. Yet, despite the progress reported in this update, the situation in Cambodia remains very challenging. The Bank is committed to staying engaged with the government and other stakeholders to confront these challenges and progressively to 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.

28. Based on the progress made to date on implementing the Action Plan, Management reiterates its commitment to work with the government and other DPs to implement actions already proposed, to continue to deepen the existing dialogue on NRM, and will report again to the Board on the implementation of the Action Plan in twelve months' time.

**Status of Action Plan Implementation
August 2008**

ISSUE/FINDING	PROPOSED ACTION	IMPLEMENTATION PROGRESS
I. ACTIONS TO BE TAKEN ACROSS THE BANK		
Environmental Assessment	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.	<p>The Kenya SEA, prepared in 2007 for the Kenya Forest Bill, helped strengthen the national policy dialogue regarding the sustainable use of forest and natural resources for national development. In 2008, AFR and ARD are preparing an SEA for the Liberian forest sector, which will be finalized by the end of 2008. Liberian forest policy is focused on the commercial, conservation and community aspects of forest management (3Cs). The SEA is examining strategic challenges posed by each of these three aspects of forest management – namely, a rapidly expanding commercial forestry industry, an expanding protected area system, and increased community forestry – but also the challenges posed by the interrelationship between the forest sector and other sectors, such as agriculture and mining. In the Democratic Republic of Congo (DRC), an Environmental Impact Assessment is being conducted for the National Forest and Nature Conservation Program which also covers the Bank's support to DRC in the forest sector. ToRs are also being prepared for an SEA in Yemen (the role of forests in adaptation to climate change, with a focus on the “fog” forest stands) and in Mozambique, which would inform the Bank’s re-engagement in the natural resources and adaptation to climate change.</p> <p>OPCQC carried out a Bank-wide review on safeguards implementation in forest sector operations and incorporated key findings into the SSIU – Third Review, which was submitted to CODE in September 2007. LEGEN published in April 2007 a book entitled “Forest Law and Sustainable Development: Addressing Contemporary Challenges through Legal Reform”. It analyzes the wide range of issues that should be taken into account in forest-related legislation, stressing that forest law must be understood in the context of the broader legal framework governing land use and land tenure, as well as international obligations related to trade, environmental protection and human rights. The book also pays significant attention to institutional arrangements and governance practices relevant to forests, including decentralization, transparency and law enforcement. OPCQC, with the support of SDN and LEGEN, also prepared sections on indigenous peoples (IPs) and forests and an annex for the Forests Sourcebook (2008) on “Applying OP 4.10 on Indigenous Peoples”, which addresses IP issues in the preparation and supervision of forest management projects. In the last year, OPCQC, together with the Agriculture and Rural Sector (ARD) Forest team, have organized several training programs on forest safeguards (OP 4.36), including a</p>

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		<p>session during SDN Week in 2008. The training has included lessons learned from the Cambodia FCMCPP and a recent DRC forestry Inspection Panel case, as well as discussion on the use of SEA in the NRM sector. OPCQC will continue to organize these events, as part of the 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 PAs, and information-sharing (e.g., mapping, gap analysis, review of the PAs 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 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 using technology (such as GPS systems) to identify protected trees, and participatory monitoring. The Forests Sourcebook also provides guidance on landscape management, conservation, establishing protected areas, and using information systems (including mapping, satellite, and remote sensing) to manage forests more effectively. Regional (e.g., FLEG) and global initiatives, such as the recently launched Forest Carbon Partnership Facility, Global Forest Alliance, and the second phase of the Critical Ecosystem Partnership Fund also contribute to achieving results for the sustainable development of forests and other land resources.</p>

II. ACTIONS TO BE TAKEN WITHIN THE REGION

<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 ESIA process followed by concessionaires, including access to resin trees and treatment of physical cultural resources. Last year, the Forest Administration (FA) agreed to work jointly with the Bank and a local NGO to develop the guidelines into a field manual by March 2009. The Community Based NRM Learning Institute (CBNRM-LI) has been contracted and is working closely with Cambodia’s FA to develop the proposed field manual in Khmer with three interlinking outputs including:</p> <ul style="list-style-type: none"> • <u>Concepts and Principles</u> A brief outline on the theory of why community consultation is important and what are the key elements of the process; • <u>Practical Field Manual</u> A detailed step-by-step “How-to” guide on community consultations consistent with the existing legal framework for community forestry; and • <u>Resource and Training Materials</u> Development of the necessary templates and tools and identification of useful reference material; including lessons learned from case study examples, and the development of training materials for a “Training of Trainers” course on concepts
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ISSUE/FINDING	PROPOSED ACTION	IMPLEMENTATION PROGRESS
<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>and principles of community consultations.</p> <p>A draft sub-decree setting out a procedure for the registration of IPs' communal land rights was drafted by the government and circulated for comment in March 2008. This sub-decree is expected to be in place by early 2009. In the meantime, progress continues to be made on the provisional registration of three pilot villages by:</p> <ul style="list-style-type: none"> • promoting measures to enhance the protection of IP lands through the policy lending (PRGO) dialogue; • facilitating discussion with the government and other donors on implementation and monitoring of pilots for IPs' communal titling; and <p>Additionally, the Cambodia country office is engaged in a discussion with civil society representatives on a potential JSDF grant proposal with the objective of strengthening the land tenure situation of IPs.</p>
<p>III. APPROACH MOVING FORWARD</p>		
<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>The NRM Strategic Partnership Framework, prepared last year, informed the choice of specific actions included under the Land and NRM pillar of the PRGO series (see Annex 2). Actions completed by March 2008 included: issuance of 20,000 land titles per month; implementation of interim protective measures to safeguard IP community lands; review of five ELCs larger than the legal limit of 10,000 ha; increasing the rate of forest boundary demarcation; and expanding the use of collaborative approaches to forest management. These actions are described in greater detail in corresponding sections below.</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 DPs.</p>	<p>Drawing on the draft NRM framework and using continuing discussions regarding forest, land and biodiversity management in the relevant TWGs, the Bank continues to develop its dialogue with the government and other DPs as detailed in the following:</p> <ol style="list-style-type: none"> 1. In the forest sector the discussions and piloting efforts have focused on: <ul style="list-style-type: none"> • National Forest Program: The government has formally constituted a task force to prepare the NFP. Task force members include other Ministries (Land, Environment, Economy and Finance, etc.), Bank and other DPs, and NGOs. The government has requested and received financial support from the Food and Agriculture Organization (FAO), the Danish International Development Agency (DANIDA) and the Bank to undertake the necessary diagnostics and conduct public consultations. The government has prioritized and proposes to tackle many of the outstanding issues in the forest sector in the context of defining the NFP. These

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		<p>issues include: defining the role and scope for commercial forestry; completing the process of forest concession reform; defining the role of annual coupes; assessing the status of forest law enforcement; and defining new approaches to improving forest governance (including independent monitoring). It is still too early to say what the final outcome of this process will be, but the government has embraced an approach that should help to rebuild a consensus on the way forward in the sector among a broad range of stakeholders. NGO Forum, the group that brought the complaint to the Inspection Panel, was invited and has joined the task force.</p> <ul style="list-style-type: none"> • Community / Partnership Forestry: With JSDF support, the Regional Center for Community Forestry Training (RECOFTC) is working closely with the FA and other DPs to expand participatory approaches to forest and land management and monitoring and to facilitate cooperative efforts among communities, NGOs, FA staff, and other local government officials. The JSDF grant also provides support to 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. <p>2. In the land sector, the Bank’s dialogue with the government and other DPs 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 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 and much state land has not been officially registered. This lack of clarity regarding forest and PA boundaries has undermined law enforcement and is fostering illegal land grabbing activities. The Bank (using CIDA trust funds) is working closely with the FA, the Wildlife Conservation Society (WCS) and Danida to support a program of participatory boundary identification and demarcation. The program began with a focus on forest demarcation, but there is recognition that experiences with demarcation of other natural resources, including fisheries, should be incorporated to strengthen and increase the effectiveness of the program. The formalization and clear marking of forest boundaries will impede uncontrolled clearance of forests and the issuance of informal and illegal land concessions. Demarcation of former forest concession boundaries is also seen as one key step towards impeding illegal conversion of this land.

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		<ul style="list-style-type: none"> <li data-bbox="829 241 1464 968"> <p>• Land Administration and Titling. The Bank has agreed to a two-year extension of its support to the government’s formal land titling program. The Land Management and Administration Project (LMAP) - co-financed with Canada, Finland and Germany - supports a broad range of land management activities, focusing on the development and implementation of a transparent and low-cost service delivery model for land titling. In late 2007, this project was extended for two years after meeting and exceeding its design targets of one million surveyed plots with 760,000 titles delivered to beneficiaries. Roughly 25,000 titles are issued monthly and, by the revised closing date of December 2009, well over one million titles will have been made available to land owners. Canada has recently agreed to support an expansion of the LMAP design into three new provinces. The government has worked closely with the Bank task team to improve the system of performance-based payments for the land registration teams. Good governance measures are being implemented in several respects, including through contracting of NGOs to support public awareness and the establishment of a hotline for the public to report problems with the titling process.</p> <li data-bbox="829 1020 1464 1686"> <p>• Economic Land Concessions. In the context of the PRGO series, the Bank seeks to foster inter-ministerial dialogue on issues such as state land management and the review of ELCs. The dialogue aims to work towards agreement with government and donors on practical mechanisms for harmonizing approaches to state land demarcation across various public agencies dealing with forestry, land management, fisheries, protected areas and other sectors that ensure transparency and participation of local communities. With regard to ELCs, the government has continued to provide regular updates on its website (http://maff.gov.kh/elc/), indicating the status of the review of ELCs, including recent cancellations and allocation of areas for social land concessions. The government has also highlighted challenges of ensuring conformance with ELC Sub-decree provisions for screening of ELC areas by provincial authorities for those ELCs under 1,000 ha that are under their authority. The PRGO dialogue is now focusing on mechanisms to ensure compliance and reporting at that level, as well as the continued review of remaining ELCs granted at the national level.</p> <li data-bbox="829 1738 1464 1885"> <p>• 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 titles and related incentives for investment to reduce</p>

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		<p>poverty. The Board has recently approved a program (the Land Allocation for Social and Economic Development Project) to support social land concessions that transfer state land to poor landless and land-poor families. The program which is now under implementation provides livelihood support and interim and long-term tenure security. Direct government funding is complemented by JSDF-supported and NGO-implemented social land concession pilots. The government is looking to the project and the JSDF-supported pilots to develop mechanisms that can be scaled up country-wide using its own and other donor and NGO support.</p> <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"> <p>Environmental Management: With support from an IDF Grant, the Ministry of Environment is currently implementing a capacity building program in environmental impact assessment (EIA) that includes an assessment and review of human resources and institutional needs for environmental assessment, and the establishment of an EIA training program. Despite initial progress in implementing this capacity building program, there is concern that challenges are expanding at a faster rate than the government’s capacity to assess and manage environmental threats. One area that deserves close attention is in rapidly expanding mineral exploration. In the coming year as part of sector work on potential “sources of growth” in Cambodia, the challenges and opportunities in the mining sector will be reviewed. The Ministry of Environment has sought Bank participation in stakeholder discussions on environmental impacts and the mining sector during the past year.</p> <p>Follow-on Operation: The government has requested and Bank Management has agreed to begin preparation of a second phase of support to build on the BPAMP which closed in December 2007. The Ministry of Environment seeks support for capacity development to strengthen national parks management, and environmental planning and management. Project preparation is under way: a Concept Note has been reviewed and approved; grant resources have been mobilized to cover preparation costs and continued patrolling and management oversight in Virachey National Park. This FY10 project is expected to provide support at the national level for park management</p>

ISSUE/FINDING	PROPOSED ACTION	IMPLEMENTATION PROGRESS
		<p>planning, ranger training and monitoring. Investments will focus on a cluster of parks, PAs and adjacent corridors in the Northeast, including Virachey National Park.</p> <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 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 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 coordination of dialogue with civil society on the development of a proposed JSDF project in support of IPs' land 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. On the government side, the project will support the Ministry of National Assembly-Senate Relations and Inspection (MONASRI) in the dissemination of the land law and in establishing a complaints handling mechanism for land disputes in accordance with the Ministry's mandate. The DFGG project will also provide funds directly to non-state actors who are engaged in a range of DFGG activities, such as information dissemination, advocacy and monitoring through a non-state grant-making component. One of the thematic areas for which both small (<\$15,000) and large (<\$150,000) grants will be given will be for DFGG activities in land and natural resource 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.

PRGO Matrix - NRM Pillar (2007)

REFORM PROGRAM OUTCOMES	PRGO-1 Actions Completed (March 2007) (Prior Actions in Bold)	PRGO-2 Actions Completed (by March 2008) (Triggers in Bold)	PRGO-3 Actions Completed (by March 2009) (Triggers in Bold)	Performance Indicators
LAND AND NATURAL RESOURCES MANAGEMENT				
<p>Ensure an environment conducive to private sector participation in agricultural sector enterprises:</p> <ol style="list-style-type: none"> 1. Extension of tenure security by plot registration and land titling with greater community participation 2. Resolution of land disputes quickly and transparently 3. Commune based social land concessions (SLCs) leading to titling integrated into majority of standard commune/sangkat development plans 	<p>Issuance of 300,000 land titles in 2006</p> <p>Delegation of signature authority to 11 provinces for systematic registration</p> <p>Initiate three pilots of communal indigenous titling</p> <p>Cadastral commissions established at district, province, and national level nationwide</p> <p>Two provinces initiate implementation of SLC guidelines, State Land Management Sub-decree, and Prakas 42 on state land management to identify land for SLCs</p> <p>Provincial Land Use Allocation Committees trained in implementation of guidelines, particularly identification of land for SLCs</p>	<p>30 systematic registration teams in 11 provinces issuing an overall average of 20,000 titles per month</p> <p>Implement interim protective measures to safeguard indigenous community lands</p> <p>10,000 hectares of land, including from cancelled or reduced ELCs, registered as state private land and made available for SLCs according to procedures set out in the SLC Sub-Decree</p>	<p>Continued expansion of systematic registration program and protective measures for indigenous community lands</p> <p>Delegation of signature authority for systematic registration to 3 additional provinces</p> <p>Adoption of RGC's policy on registration of indigenous peoples' communal land rights and issuance of corresponding sub-decree</p> <p>Assessment of experience with SLCs, including evaluations, made available for public discussion</p>	<p>Cumulative total of 1 million titles surveyed and adjudicated; of these 800,000 titles are issued, and of these 760,000 titles are delivered to beneficiaries; at an average cost of less than US\$30 per title (Baseline: 350,000 in 2006)</p> <p>Communal titles issued for indigenous communities in 3 pilot villages (Baseline: 0 in 2006)</p> <p>Interim protective measures for indigenous lands implemented in 2 provinces (Baseline: 0 provinces in 2006)</p> <p>25,000 hectares of land, including 40% released from ELCs, are registered as state private land and made available for SLCs (Baseline: 0 has. in 2006)</p> <p>Minimum of 2,000 poor families are settled on SLCs (Baseline: 0 families in 2006)</p>
<p>Management of state lands through transparent, participatory mechanisms, including review and check on commercial contracts and concession agreements on natural resources and state assets:</p> <ol style="list-style-type: none"> 1. Legal framework defining procedures for mapping, allocating, and managing state lands in place 2. Greater public access to information on location and use of state lands 	<p>COM adopts Sub-decree on State Land Management including participation of local communities in mapping and land use planning, as well as open public access at provincial level to register of state land use information and issues implementing regulations</p> <p>COM adopts Sub-decree</p>	<p>State land mapping conducted in five districts and results placed in a publicly accessible state land database</p> <p>Establish and make public log book of ELCs, including those issued at provincial level, and review a minimum of 5 economic land concessions over 10,000</p>	<p>Remaining ELCs over 10,000 hectares plus additional concessions reviewed with appropriate follow-up action</p> <p>Forest and protected area boundaries demarcated in five provinces</p>	<p>5 state land maps and databases established (Baseline: 0 in 2006)</p> <p>Review of all ELCs greater than 10,000 has. completed, including any cancellations or reductions required by law, and results reported to public every 6 months (Baseline: 0 in 2006)</p> <p>Technical Secretariat for ELCs reports publicly and regularly on outcomes of</p>

REFORM PROGRAM OUTCOMES	PRGO-1 Actions Completed (March 2007) (Prior Actions in Bold)	PRGO-2 Actions Completed (by March 2008) (Triggers in Bold)	PRGO-3 Actions Completed (by March 2009) (Triggers in Bold)	Performance Indicators
3. Improve forest management through increased transparency, participatory demarcation of forest boundaries, strengthened protected areas management and improved/expanded community forestry	<p>on Economic Land Concessions (ELCs) that includes provisions for resolution with local communities of issues of prior occupancy/use of lands and classification of land to exclude forests and protected areas</p> <p>Establish a mechanism and periodically disseminate information publicly on ELCs</p>	<p>hectares, taking appropriate action consistent with Chapter 6 of the Sub-Decree on ELCs</p> <p>Clearly define operational procedures for forest boundary demarcation that are fully consistent with state land management and demarcation sub-decrees</p>		concession review process
		<p>Disclosure of the location, legal status, and process for termination of mining concessions, Military Development Zones, ELCs, and other development arrangements situated on forest land or in protected areas (Pas) and inconsistent with law governing management of these areas</p> <p>Expand use of collaborative approaches to forest management consistent with sub-decree on community forestry and prakas on community PAs</p> <p>Develop and implement an information sharing and access policy to guide dissemination of key information sources and datasets related to PAs and protected forests</p>		<p>100% of communities managing forest areas have approved Community Forest Agreements and 25% have approved Community Forest Management Plans (Baseline: 0 Agreements in 2006; 0 Management Plans in 2006)</p> <p>Information on PAs and forests is available to the public and updated on a regular basis</p>