

# Independent Review of the Cambodia Forest Investment Plan

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Draft Report (For Consultation Only)

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## **Preface**

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This report contains the opinions of the Reviewer. The review has, as of necessity, relied heavily on the Investment Plan Document, as provided, and other documentation relevant to the verification of specific content. In some instances, this information cannot be independently verified. The Reviewer has prepared this report with care and diligence, and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. The Reviewer collated and responded to all comments and, where necessary, has amended the report based on this feedback.

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This report may only be used for the purpose for which it was prepared and its use is restricted to consideration of its entire contents. The conclusions presented are subject to the assumptions and limiting conditions noted within.



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## 1. BACKGROUND AND CONTEXT

1. It is noted that the Forest Investment Program/ Investment Plan (FIP/IP) aims to support the Royal Government of Cambodia (RGC) in three different project focusing on
  - managing protected areas (Project 1),
  - managing production forests (Project 2) and
  - supporting information gathering on forests required for national policies regarding REDD+ and forest policy making in general (Project 3).
2. These projects will support the Ministry of Environment and Forest Administration in defining and developing their roles while supporting the objectives of the national REDD+ strategies, Cambodia's Nationally Determined Contribution (NDC) as well as the Global Sustainable Development Goals.
3. The RGC outlines that its main challenge is managing growth and development while minimizing impacts on natural resources including forest. Granting land for economic land concessions (ELCs) for expansion of agriculture investments and for social land concessions (SLCs) for poor and landless families have had major impact on the forest resources. Weak forest governance and implementation of Land Law, together with a lack of state land registration and forest estate demarcation have further impacted forest resources with unauthorized encroachment of forest lands and unauthorized logging and unsustainable harvesting of forest and non-forest timber products.
4. Recent jurisdictional changes in 2016 and 2017 have transferred all protected areas plus additional areas designated as Biodiversity Conservation Corridors from Ministry of Agriculture, Forestry and Fisheries (MAFF) to Ministry of Environment (MoE), while ELCs previously under MoE have been transferred to MAFF. More than four million hectares have been transferred between the two ministries. Registration and demarcation in the field have yet to be done. The administrative system is in the process of adjustment but with a significant need for additional staff, training and capacity building as well as physical infrastructure at the field level. All protected areas (PAs) are still in need of management plans and only one out of 51 PAs has been divided according to the zoning stipulated in the PAs Law. With an ongoing decentralization process this creates a very challenging situation for the coming years.
5. Project 1: Landscape Linkages and Conservation Corridors will support the RGC to (i) strengthen forest conservation and management, so as to bring a wider range of stakeholders and initiatives to focus on priority issues; (ii) promote ecosystem connectivity through conservation corridors with multiple stakeholders; (iii) improve livelihoods of rural communities and (iv) reduce greenhouse gas (GHG) emissions from the forest sector. This will include piloting landscape management activities for strengthening linkages and management of key forest areas with the recently established corridors designated by the government.
6. Project 2: Reforestation and Production Forests through Public Private Partnerships will support the RGC to establish enabling conditions for investments in the forest sector, enhance production forestry and thus meet the future demands for wood products including fuelwood and take pressure off natural forests. This will include private sector involvement together with opportunities for communities to improve livelihoods through farming and forest activities including production and marketing of wood products.
7. Project 3: Implement National Forest Monitoring will support the implementation of a national forest inventory (NFI) as part of the National Forest Monitoring System (NFMS). This will build on existing activities and involve all three agencies responsible for land management FA and Fisheries Administration (FiA) under MAFF and General Department of Administration for Nature Conservation and Protection (GDANCP) under MoE. Information will allow Cambodia to improve reporting including for the United Nations Framework Convention for Climate Change (UNFCCC). Components two and three will

address the need for monitoring ELCs and other forest land users and the further development and piloting of a Timber Legality Assurance System (TLAS) as an enabling condition for forest investments.

## 2. THE REVIEW

8. This technical review is based on FIP guiding documents listed as references at the end of the report as well as other relevant information available. A traffic light scoring is used to give some objectivity to the quality of the FIP-IP as follows:

Green	The criteria and/or indicator has been generally met and there is no need for any revision or larger complement at this stage
Yellow	The criteria and/or indicator is partially met, it is recommended to relook at some of aspects that need further clarification
Red	The criteria and/or indicator is partially met and need to be developed [or, at the current stage the criteria is not relevant]



### 3. COMPLIANCE: GENERAL CRITERIA

<b>3.1 Country capacity to implement the plan</b>	
<p>9. In the past 3 years, the RGC has embarked on series of policy and institutional reforms geared towards strengthening environmental stewardship in recognition of the challenges the country faces in managing economic development and impacts on the environment. Cambodia has gone through various stages that have been disruptive to forest conservation and sustainable forest management. Pressure to raise revenue in the 1990s led to introduction of extensive logging concessions covering 7 million hectares between 1994 and 1997. Without strong monitoring and enforcement capacity, forest destruction reached unprecedented proportions, mainly due to over-harvesting and illegal logging.</p> <p>10. The RGC has undertaken a series critical reforms including introduction of a logging moratorium in 2002 followed by a new Forestry Law in attempts to reverse the deforestation trend. Concession holders were required to prepare strategic forest concession management plans for review and approval of environmental and social impact assessments and re-negotiation of the existing agreements. While most of the production forestry concession agreements were ultimately cancelled by 2006.</p> <p>11. Cambodia began its engagement in the REDD+ very early, with the submission and acceptance of the Readiness Plan Idea Note (R-PIN) to the FCPF as well as joining the UN-REDD Programme in 2009. The natural resource sector is now underpinned by a wide range of national policies, strategies, and programmes including:</p> <ul style="list-style-type: none"><li>• National REDD+ Strategy and National Determined Contribution</li><li>• Cambodia Climate Change Strategic Plan, 2014-2023</li><li>• National Policy on Green Growth and National Green Growth Strategic Plan</li><li>• Rectangular Strategy Phase III, 2013-2018</li><li>• Cambodia’s Second National Communication under the UNFCCC</li><li>• National Strategic Development Plan (NSDP), 2014-2018</li><li>• National Forestry Program (2009-2029), National Protected Areas Strategic Management Plan (2016-2030), and Strategic Planning Framework for Fisheries (2010-2019)</li></ul> <p>12. Cambodia is well placed to be able to successfully execute the three projects proposed in the FIP-IP. However, Project 2 has a focus on stimulating private sector and community investment in production forestry – Cambodia has had very limited experience in production forestry and faces a number market and sector governance challenges that will require additional capacity building and technical support. Safeguard measures to reduce perverse outcomes such as replacement of natural forest will need to be strongly implemented.</p> <p>13. It is reasonable therefore to state that the RGC has the capacity to implement the FIP-IP and necessary commitment and institutional capacity. The FIP-IP proposal will certainly support building further technical capacity.</p>	

### 3.2 Developed on the basis of sound technical assessments

14. The projects have been developed through a consultative process backed by sound technical analysis and problem definition and in sync with strategies and action plans already outlined in other policy documents including the National REDD+ Strategy. Across the policy spectrum, Cambodia is promoting the sustainable utilization of natural resources and the conservation of biodiversity, ecosystems and landscapes to support green development and the bio-economy. This requires implementation of actions that include appropriate legal and policy frameworks, socioeconomic incentives, broad stakeholder engagement and effective monitoring and enforcement across sectors contributing to deforestation and forest degradation.
15. **Project 1:** Project 1 will address the significant issue of forest fragmentation and efforts to reduce further encroachment into protected areas through corridor management. The project rationale is relevant to the environmental challenges facing Cambodia and draws on CBD guidelines while synergizing with other national strategies. While the general guidance provided in the FIP-IP project intervention areas is broad, it covers the critical areas as of biodiversity conservation corridors and watershed management as well as targeting deforestation hotspots. However, further socio economic and spatial analysis will be necessary during detailed project design to target relevant drivers of deforestation and locations that are technically feasible to implement relevant landscape management models that incorporate livelihood improvement and greenhouse gas mitigation.
16. **Project 2:** This aims to encourage development of a production forestry industry to curb illegal natural forest timber exploitation while plugging the wood supply deficit. This is a long-term project targeting both private sector investment and community involvement in income generation through forestry. Of the 3 Projects, Project 2 is perhaps the most challenging because of the level of complexities involved in establishing the necessary enabling conditions for public-private partnerships and community investments.
17. Project 2 is relevant and the preliminary analytical work outlines the wood flow deficits and the illegal logging and encroachment in national parks and wildlife sanctuaries. There is general agreement on the urgent need for alternative modalities for fulfilling national wood energy and wood products requirements as well as stimulating business opportunities for timber exports in a sustainable manner.
18. The major challenge is understanding the Cambodia's forestry sector economic outlook because of data paucity on timber market potential, growing potential and technical capacity for silvicultural management. In addition, SFM is highly complex and will require a range of options including policy framework, strong governance, removal of market barriers, full valuation and sharing of forest benefits through market and other mechanisms (FLEGT, FSC etc), supported by capacity building and mobilization of adequate financial resources. The combination of Project 2 and 3 is likely to yield the desired impact if supported by further analytical work during specific project formulation to identify the optimal combination of measures (market interventions, incentives for potential investors, legal instruments, certification and encouragement of corporate social responsibility).
19. Further analysis will be necessary to establish critical success factors for incentivizing forestry sector investment including analysis of regional timberland

investors and their criteria for investment. It may warrant further undertaking analysis on existing timberland investment funds such as Tropical Asia Forest Fund (New Forest), Dasos Capital (Finland), and Global Forest Partners operating in South East Asia to understand their investment strategy as part of a gap analysis. Beyond South East Asia, there are countries such Uruguay, Paraguay, Colombia, where national forest policies have been reformulated to entice private sector investment across the forest supply chain.

20. Not only have private sector investors followed the global discourse in climate change, but some have taken very deliberate actions as part of their business model. For instance, New Forests, a long-term investor has a Sustainable Landscape Investment model which they believe combine productivity, land use planning, ecosystem services, shared prosperity, risk management, and governance.
21. As of necessity, effective investment planning in the forestry sector will need to look across the entire supply chain and this is an aspect the FIP-IP perhaps needs to further address at the project design stage. Specific aspects relevant to consider will be the level of timber processing infrastructure investment required to match future plantation production capacity, potential for employment creation and skills availability, and downstream markets within and beyond the region.
22. **Project 3:** The three objectives of Project 3 are well grounded in the key building block for evidence-based policy and decision making and strengthen this FIP-IP. Strong national forest monitoring system will enable the RGC to make better and informed decisions as well as spatially identify the real impact of the underlying causes of deforestation and forest degradation in protected areas; on leased government land that is managed by private companies; and on private land; while also providing the necessary metrics for greenhouse gas reporting.

### 3.3 Demonstrates how it will initiate transformative impact

23. Targeting landscape level interventions to combat increasing deforestation and improving community livelihoods will have a transformative impact. Successful implementation of proposed interventions is likely to result in greater community engagement, offer alternative livelihoods options. However, the key dependent factor for Project 1 is that the RGC follows through with its commitment to operationalize the NRS and NDC within a reasonable timeframe.
24. For Project 2, transformative impact is likely to come from the RGC's willingness to make necessary concessions in sector reforms to create an attractive investment environment with demonstrable forestry sector governance and transparency. Important measures will need to be taken to ensure investment choices are sustainable and supportive of the national economic development agenda. Engagement on developing deforestation-free supply chains with agri-industrial investors, financial institutions and consumer markets is likely to promote and incentivize the strengthening of due diligence processes and build investor confidence.
25. For the NFP and any REDD+ Action Plans, FLEGT and other initiatives to be successful, they need to be underpinned by a robust multi-purpose forest information system based on an effective forest inventory. Therefore, the

combination of the 3 Projects will initiate transformative impact if adequately designed and successfully implemented with subsequent replication.

#### **3.4 Prioritization of investments, lessons learned, M&E, links to the results framework**

26. This review observes that the FIP-IP has highlighted and summarized other ongoing REDD+ programs and relevant laws, policies and regulations, but explicit prioritization at the component level is not articulated across all three projects. It might be possible for some form of prioritization or additional analysis for Project 1. The proposal states that the project could take place in selected corridors that protect the water systems connected to the Tonle Sap Lake. However, it would be ideal to undertake further spatial analysis to identify possible relationships between deforestation, community interests, historical efforts from other projects and be able to identify the critical path intervention options.
27. With regards to the M&E and links to the results framework, the proposals adopt the country level FIP results framework – and this is logical since project sub-components will still need to be prepared with additional analytical work.
28. Project 1 requires additional text to further guide future project component design. Such guidance needs to articulate the need for looking for lessons that can be drawn from agricultural production systems in Cambodia (success and failures). This review observes some over-generalization of potential pilot landscape management activities. For instance, are there any examples of “climate smart farm plans” and what lessons can be learnt? A basic description of what current farming systems look like would assist in making the FIP-IP more clearer and provide the necessary context for design of intervention activities in support of the “Problem Tree for Project 1”.
29. The FIP-IP could also perhaps consider looking at the lessons from long standing REDD+ pilot projects such as Oddar Meanchey in more detail and consider the challenges and success factors and how these can contribute to better component design.

#### **3.5 Stakeholder consultation and stakeholder engagement**

30. The FIP-IP has a Stakeholder Involvement Plan outlining the consultation process followed during the development of the proposals. The stakeholder consultation process has built on the UN-REDD and FCPF programmes utilizing the National REDD+ Taskforce, REDD+ Consultation Group, and CSO REDD+ Network.
31. Cambodia has a demonstrably robust stakeholder engagement process which has underpinned the development of the NRS and the ongoing FCPF work. The involvement of stakeholders began with the REDD+ Roadmap development back in late 2010 with a wide range of stakeholders including CSOs and Indigenous Peoples. A REDD+ Consultation Group was formed in 2013 with 18 members representing nine CSOs and community groups, international non-governmental organizations (INGOs), national non-governmental organizations (NGOs) Community Forestry (CF) groups, Community Protected Area (CPA) groups, Community Fishery (CFi) groups, IPs groups, the private sector, and academic institutions.

32. Consultation on the FIP-IP also involved field visits to four provinces that could be the potential sites for FIP implementation such as Preah Vihear (18 to 22 December 2016), Siem Reap (23 to 29 December 2016), Koh Kong (2 to 5 January 2017), and Pursat (6 to 9 January 2017). Stakeholders consulted/ interviewed at these provinces include Provincial Departments of Agriculture, Forestry and Fisheries; Provincial Departments of Environment; Forestry Administration Cantonments; Protected Areas Managers; Local Communities (community forestry, community fisheries, and commune councils); Indigenous People; NGOs; and Private Sector representatives.
33. The FIP-IP has gone through high level consultations and engagement. A national consultative Workshop was convened on the 6<sup>th</sup> of March 2017 attended by the Minister of Agriculture, Forestry and Fisheries and senior officials from FA, GDANCP. The RGC has fully endorsed the FIP-IP emphasizing that the IP is timely and essential for Cambodia to address deforestation while supporting the national development agendas.

### **3.6 Social and environmental aspects, including gender**

34. The FIP-IP provides a high-level perspective on social and environmental benefits of the proposed interventions as well as general mention of providing opportunities for women in livelihoods. The reviewer believes further analysis of social and environmental impacts and disaggregation of potential risks and perverse outcomes will need to be elaborated during the detailed project design stage. The NRS clearly articulates the challenges relating to land tenure and the rights of indigenous people.
35. It is anticipated that Projects 1 and 2 participatory planning approaches will take into account the needs of both women and men and support for improved livelihoods and will consider the different needs and realities of men and women in the design and implementation of activities.

### **3.7 New investments or funding additional to on-going/planned MDB investments**

36. The RGC recently submitted a Mid-Term Review report and a request for additional funding to the FCPF for further development of REDD+ Readiness activities. The RGC has been granted an additional USD5 million and according to the proposal, a large proportion the additional funding is earmarked for supporting the development of the MRV components including the NFI. There is also the implementation of the NPASMP (2016-2030) is estimated to require additional financing for the first five years of USD 9.4 million over and above the core operational funding currently provided by the MoE.
37. Proposed components under the 3 Projects are complimentary to planned activities under the FCPF Readiness Grant and expected to support the NPASMP. Project 3 has received support from FAO and JICA and the proposed activities under Project 3 will compliment further development of the NFMS.
38. The review observes some inconsistency in Project 3 text and this needs further clarification. The Project title “Implement National Forest Monitoring” can be

construed as duplication of work already underway through the FCPF Readiness Grant. Secondly, Component 1 also refers to “Implementing the NFI” which may again be construed as duplication of ongoing work. The activities under the component are valid as long as the subsequent design is more complimentary to work already planned under the FCPF Readiness Grant and the additional FCPF funding that Cambodia now has access to.

### **3.8 Institutional arrangements and coordination**

39. The FIP-IP outlines that the institutional arrangements for implementation need to recognize the different roles and responsibilities of the various government authorities that have jurisdictional authority over forest resources in the country. Therefore, the implementation of the FIP-IP is expected to follow Government agency jurisdictions based on the existing laws and policies. This review notes that in 2016, the RGC announced the consolidation of conservation areas under the MoE and the unified management of ELCs under MAFF resulting in the transfer of 1.6 million ha of protection forests from the Forestry Administration to the MoE and the transfer of approximately 450,000 ha of ELCs from the MoE to MAFF.
40. These specific policy actions and the institutional changes are positive and demonstrate the RGC’s commitment. A National Council for Sustainable Development (NCSD) has been established to address development issues at the highest level of policy and to mainstream sustainable development principles in the national policy framework that will have a positive impact on the governance and management of forest resources. It is however, unclear as to the exact role of the NCSD in the implementation of the FIP-IP. This needs to be addressed in the proposal.
41. Apart from the aforementioned clarifications, the FIP-IP is well coordinated with the implementation of the national REDD+ framework and respective thematic areas such as MRV for Project 3, and compliment the strategic action plans outlined in the NRS.

### **3.9 Poverty reduction**

42. Poverty reduction is a central theme under Project 1 and 2. The proposed interventions will contribute to the improvement of local livelihoods, poverty alleviation, and human development of forest dependent communities, including indigenous peoples. In Projects 1 and 2, participatory planning approaches will consider the needs of local communities including indigenous peoples. Local investments and capacity building will improve community livelihoods. Participation in production of wood products for sale will increase income. A timber legality assurance system will help both companies and local communities to market timber and fuelwood.

### 3.10 Cost effectiveness of proposed investments

43. Economic benefits have been estimated for each of the projects although financial and economic net benefits are estimated only for the revenue-generating components. Estimation of economic benefits is based on preliminary figures for number of communities to participate in the project in the case of Project 1. In Project 1, financial and economic net benefits are estimated only for the revenue-generating components of the project. This includes changes/improvements in livelihoods adopted by household farmers, and establishment of community forests. In Project 2, financial and economic net benefits are estimated for two out of the three components that are revenue generating, and then for the project as a whole.
44. The FIP-IP does not provide the economic benefit for Project 3 and understandably this may be too complex at this stage. However, it is worth noting that NFI data has a wide range of uses across government and private sector reducing the uncertainty in decision making hence reducing the potential cost of uninformed policy formulation. This review highly recommends providing even qualitative text to support the proposed investment and this can be done using a cost-effectiveness analysis.
45. The proposed total budget of \$55.4 million including government co-finance is still modest but will act as a catalyst for transforming the forestry sector.

#### 4. COMPLIANCE: FIP INVESTMENT CRITERIA

<p><b>4.1 FIP principles:</b></p> <p><i>In addition to the Governance Framework of the Strategic Climate Fund (SCF), the principles (i) to (vi) apply.</i></p>	
<p>(i) National ownership and national strategies</p>	
<p>46. The FIP- IP has been developed and endorsed at ministerial level and aligns well with the REDD+ strategy options, National Forest Program, NDC, and evolving and ongoing government strategies for SDGs.</p>	
<p>(ii) Contribution to sustainable development</p>	
<p>47. Forestry is a cornerstone of Cambodia’s climate change response and has and will continue to be a major source of fuel wood to meet the increasing energy demand in both urban and rural areas. Restoration and sustainable management of Cambodia’s natural capital directly contributes to the country’s economy and sustainable development goals.</p>	
<p>(iii) Promotion of measurable outcomes and results-based support</p>	
<p>48. The 3 Projects articulate objectives and outcomes that are measurable but the conditions expectations for support are not necessarily outlined. Further work will be required to outline clear roles and responsibilities during implementation.</p>	
<p>(iv) Coordination with other REDD efforts</p>	
<p>49. The FIP-IP proposal draws heavily on the platform set under the FCPF REDD+ Readiness Grant including working under the same institutional arrangements and established stakeholder engagement process. Project 3 will leverage on the work of JICA and FAO in developing the NFMS. There is mention of FAO’s Forest and Landscape Restoration (FLR) efforts under the FLR Mechanism; including a Cambodia nationwide restoration opportunities assessment (ROAM), support on Sustainable Financing for FLR, and FLR cases studies. Additionally, there is mention of FAO-led project “Strengthening the adaptive capacity and resilience of agriculture-dependent communities using micro-watershed approaches to deal with the adverse effects of climate change and extreme weather on a landscape scale” with a focus on smallholder production, the application of climate-resilient agricultural techniques, reduced green-house gas emissions through conservation agriculture, collaborative activity and value chain development, and community-based sustainable natural resource management. It is worth being more specific on how coordination is planned with these initiatives.</p>	
<p>(v) Cooperation with other actors and processes</p>	
<p>50. Reference to developmental programmes by other donors is made, including those that work specifically on enabling conditions including FAO, UNDP, JICA, EU FLEGT, and USAID. However, the modalities for cooperation are not necessarily elaborated but it can be assumed that the Cambodia REDD+ Roadmap prepared in 2010 remains the guiding document for coordinating national REDD+ efforts.</p>	
<p>51. The RGC has embarked on developing the Environmental Code - this is highly relevant for all 3 Projects and this review encourages further guidance on how the projects may contribute to the implementation and institutionalization of the Code in the future. It is also</p>	



necessary that the project designs consider the risk arising from institutional and policy changes that may disrupt project continue and relevance.	
(vi) Early, integrated and consistent learning efforts	
52. Noting that Cambodia has had REDD+ pilot projects for a relatively long time (since 2007), FIP-IP projects are the next step in upscaling lessons learnt and stand as an opportunity to develop robust mechanisms strengthening the adaptive capacity of the forestry sector and creating the conducive platform for broader stakeholder participation. Broader stakeholder participation will enable broader uptake of lessons and experiences beyond the pilot stage. From a review point of view, the proposed Projects must ensure sub-components are designed with relevant frameworks for knowledge sharing.	

<p><b>4.2 FIP Objectives:</b></p> <p><i>Providing up-front bridge financing for readiness reforms and public and private investments identified through national REDD readiness strategy building efforts, while taking into account opportunities to help to adapt to the impacts of climate change on forests and to contribute to multiple benefits such as biodiversity conservation, protection of the rights of indigenous peoples and local communities, poverty reduction and rural livelihoods enhancements.</i></p>	
<p><b><i>a) To initiate and facilitate steps towards transformational change in developing countries forest related policies and practices<sup>1</sup></i></b></p>	
53. The FIP-IP intends to address the key drivers of deforestation and forest degradation as defined in the national REDD+ framework and the ensuing NRS through a landscape management approach (Project 1) with Project 3 supporting the necessary monitoring and reporting against targets. The Readiness process has already initiated a process to look at options to address land tenure and access rights as well as capacity building for sustainable resource management, and climate change mitigation. The success of Project 2 could potentially transform the forestry sector by offering alternative timber sources in the long-term.	
<p><b><i>b) To pilot replicable models to generate understanding and learning of the links between the implementation of forest-related investments, policies and measures and long-term emission reductions and conservation, SFM and the enhancement of forest carbon stocks in developing countries</i></b></p>	
54. The proposal in Project 1 is replicable and has a multi-pronged approach of reducing deforestation and greenhouse gas emissions while enhancing carbon stock and improving community livelihoods. The proposed approach is replicable but on condition that the RGC	

<sup>1</sup> This should be done through

- (i) serving as a vehicle to finance investments and related capacity building necessary for the implementation of policies and measures that emerge from inclusive multi-stakeholder REDD planning processes at the national level;
- (ii) strengthening cross-sectoral ownership to scale up implementation of REDD strategies at the national and local levels;
- (iii) addressing key direct and underlying drivers of deforestation and forest degradation;
- (iv) supporting change of a nature and scope necessary to help significantly shift national forest and land use development paths;
- (v) linking the sustainable management of forests and low carbon development;

<p>creates the necessary platform and policies. While Project 2 is challenging because of the need to establish relevant and conducive investment environment, it could have a highly transformative impact and contribution to the Cambodian economy in general. Should the RGC agree to recommendations for incentivizing private sector investment in forestry plantations and processing infrastructure, there is likely to be success in SFM, greater opportunities for the forestry sector diversification, and emergency of new markets which will reduce the pressure on natural forest resources.</p>	
<p><b><i>c) To facilitate the leveraging of additional financial resources for REDD, including through a possible UNFCCC forest mechanism, leading to an effective and sustained reduction of deforestation and forest degradation, thereby enhancing the sustainable management of forests</i></b></p>	
<p>55. Successful implementation of production forestry through planting commercial trees, can promote the interest of communities and private sector for tree planting and restoring degraded forests, thus leveraging additional financial resources for forest-based mitigation, including REDD+. The FIP-IP is fully in line with this objective.</p>	
<p><b><i>d) To provide valuable experience and feedback in the context of the UNFCCC deliberations on REDD+</i></b></p>	
<p>56. The FIP-IP has the potential to contribute to global discourse but more importantly in the South-East Asia Region through exchange of information with countries such as Lao PDR, Vietnam, Indonesia – countries with similar REDD+ and land-use issues.</p>	

<p><b>4.3 FIP Criteria (FIP design document, additions as per FIP Investment Criteria and financial modalities)</b></p> <p><i>Identify the theory of Change behind the proposed interventions (projects) identified and how they contribute to the overall programmatic approach. Consider how the IP can also effectively meet criteria set by other funding sources, especially the Green Climate Fund, FCPF and Biocarbon Fund.</i></p>	
<p><b><i>a. Climate change mitigation potential</i></b></p>	
<p>57. With Project 1 targeting landscape level intervention through multi-sectoral engagement, it will provide local communities with further capacity for climate proofing their livelihoods and reduce pressure on the forests. Any success with Project 2, especially with forest restoration and afforestation, will enhance carbon stock. This is also a greater potential for improving national capacity for climate change mitigation should investment friendly policies and incentives be implemented.</p>	
<p><b><i>b. Consistency with FIP objectives and principles</i></b></p>	
<p>58. The FIP-IP is fully consistent with FIP objectives and principles with the larger proportion of the budget under each project target at on the ground activities. In Project 1, 74% of the budget is earmarked for pilot landscape management; in Project 2 up to 79% of the budget is earmarked for establishing trial production forests and supporting forest dependent communities establish small production forests and livelihoods. For Project 3, 65% will go towards supporting the implementation of the national forest monitoring system.</p>	
<p><b><i>c. Drivers of deforestation and forest degradation</i></b></p>	

59. Both projects clearly identify the drivers of deforestation and forest degradation in their respective forest areas. The FIP-IP is part of an overall well-coordinated national effort on REDD+ and thus holistically addresses the issues.	
<b><i>d. Inclusive processes and participation of all important stakeholders, including indigenous peoples and local communities.</i></b>	
60. All 3 Projects have been developed through extensive consultation using existing REDD+ institutional arrangements. However, the level of consultation at the community level seems limited hence for Project 1 the details of target locations are still somewhat general with high level estimates of number of communities to be involved. Ensuring project ownership at the local level needs to be recognized as a critical success factor during implementation. The FIP-IP needs to ensure subsequent component design recognize the need for joint development of the theory of change with the project owners and beneficiaries. 61. For Project 2, no specific locations have yet been identified for establishing plantations hence there is also no direct engagement of any specific communities. Attempts were made to hold discussions with forester sector private players but with limited success. This review suggests	
<b><i>e. Demonstrating impact (potential and scale)</i></b>	
62. The proposal for Project is transformative and demonstrates significant impact focusing on landscape level interventions which enables tackling cross-sector drivers of deforestation.	
<b><i>f. Forest-related governance</i></b>	
63. The 3 proposed Projects do not focus on governance issues but will be complimentary to forest sector governance efforts through supporting the REDD+ Readiness process currently underway.	
<b><i>g. Safeguarding the integrity of natural forests</i></b>	
64. Project 2 is geared towards establishing trial production forests therefore it is the one with the likelihood for perverse replacement of natural forest with exotic species. There is also a focus on afforestation and reforestation for which the project proposals have outline some safeguard measures. However, the articulation of safeguard measures is mostly descriptive of the positive outcomes rather than also outlining the safeguard measures against potential negative impacts. A practical alternative would be to apply World Bank safeguard measures or UNFCCC safeguards agreed in Cancun.	
<b><i>h. Partnership with private sector</i></b>	
65. The proposed FIP-IP strategy intends to leverage resources from the private sector for the effective implementation of some of the major sub-components in Project 2 (incl. the plantation of 6000 ha of wood plantations). The FIP-IP document species that an expectation of up to 44% (\$9.8 million) from private sector investment but the consultation with private sector does not show or suggest much potential at least for forestry investment. There has been more private sector investment through agro-industrial (rubber and palm oil) opportunities that may provide lessons on private sector investment for the forestry sector.	
66. From a review point of view, it seems the consultation with the private sector has not been broad enough. PPP considerations need to cover both plantations and downstream processing and supply chain – these aspects are not outlined in the FIP-IP but are necessary in creating a better understanding on the priorities for the proposed budget finance plan.	

<i>i. Cost effectiveness, incl. economic and financial viability</i>	
67. The cost effectiveness of the 3 Projects needs to be determined but it is only practical at the design of the component level. The proposals are well informed by the challenges the Cambodia has faced over the years on deforestation and historical policies related to economic land concessions, weak governance, and regulatory enforcement. This review perceives the projects as have relatively high cost effectiveness simply on the basis of being able to address long standing deforestation challenges. Project 2 offers good prospect for economic viability through investments in planted forests, agroforestry and activities to secure land tenure and thus sustainable management approaches.	
<i>j. Capacity building</i>	
68. Capacity building efforts are proposed in all 3 Projects and all major sub-components, addressed to a variety of stakeholders, including administration, private sector, and local communities.	

<b>4.4 Additional criteria FIP Investment Criteria and financial modalities:</b>	
<i>k. Implementation potential</i>	69. Good implementation potential overall, as the FIP-IP addresses a national and local concern and has been confirmed by the highest level of government. However, it needs to be clearly stated that investment in trees and plantation forestry are long-term requiring appropriate institutional and broader sustainable development approaches in the target communities to guarantee success.
<i>l. Integrating sustainable development (co-benefits).</i>	70. Co-benefits are generated in all 3 Projects, in particular in Project 1 and 2 through implementation in the rural domain (livelihood concerns, plantation forestry, poverty alleviation, carbon stock biodiversity corridor protection and enhancement).

*(1) Assessment towards the FIP results-framework*

<i>Results</i>	<i>Indicator</i>	<i>Comments</i>	<i>Score</i>
<i>C1 Reduced pressure on forests</i>	<i>a) Change in hectares (ha) deforested in project/program area</i>	71. Project 1 and 2 are measurable but require to be explicitly stated at component design stage	
	<i>b) Change in hectares (ha) of forests degraded in project/program area</i>	72. There is no specific mention of addressing forest degradation but it can be assumed that practicing SFM, watershed management in the corridors would lead to reduced degradation or restoration of degraded areas	
	<i>c) Percentage (%) of poor people in FIP project area</i>	73. The FIP-IP does not explicitly state how energy demand will be tackled as it is one of the drivers of forest	

	<i>with access to modern sources of energy</i>	degradation and deforestation. This needs to be assessed at component design stage	
	<i>d) Non-forest sector investments identified and addresses as drivers of deforestation and forest degradation</i>	74. Need to be further assessed when implementing Project 1 and 2	
<i>C2. Sustainable management of forest and forest landscapes to address drivers of deforestation and forest degradation</i>	<i>a) Preservation of natural forests integrated in land use planning process</i>	75. Project 2 is specifically designed support landscape level interventions in selected corridors. Corridor level baselines can be determined and measured through Project 3.	
	<i>b) Evidence that laws and regulations in project/program areas are being implemented, monitored and enforced and that violations are detected, reported and prosecuted</i>	76. This will depend on the design of the landscape management plans especially for Project 1 and 2.	
<i>C3. An institutional and legal/ regulatory framework that supports sustainable management of forests and protects the rights of local communities and indigenous peoples</i>	<i>a) Evidence that the legal framework (laws, regulations, guidelines) and implementation practices provide for non-discriminative land tenure rights and land use systems and protect the rights of indigenous peoples and local communities (women and men)</i>	77. Project 1 will review the policy framework and draft proposals for improving the regulatory framework to support landscape management in corridors. No specific laws are indicated.	
	<i>b) Evidence that a national land use plan exists and progress is made to secure the tenure and territorial rights to land and resources of forest-dependent stakeholders, including indigenous peoples and forest communities</i>	78. The implementation of the FIP-IP is subject national laws relating to land	
<i>C4. Empowered local communities and indigenous peoples and protection of their rights</i>	<i>a) Increase in area with clear recognized tenure of land and resources for indigenous peoples and local communities (women and men)</i>	79. Project 1 and 2 is expected to increase the participation of local communities in resource planning and management.  This is applicable to Project 1 and 2 but will depend in the final implementation design.	
	<i>b) Level and quality of community and indigenous</i>		

	<i>peoples participation (women and men) in decision making and monitoring concerning land use planning, forest management, and projects and policies impacting community areas</i>		
	<i>c) Improved access to effective justice/ recourse mechanisms</i>	80. Not explicit in the FIP-IP but noting the close and expected coordination with REDD+ activities, the FIP-IP will incorporate the REDD+ Grievance Redress Mechanism	
C5. Increased capacity to plan, manage and finance solutions to address direct and underlying drivers of deforestation and forest degradation .		81. Detailed indicators need to be developed in the specific project context during component design and implementation	
C6. New and additional resources for forest projects	Leverage factor of FIP funding; \$ financing from other sources (contributions broken down by governments, MDBs, other multilateral and bilateral partners, CSOs, private sector)	82. This is well outlined in the FIP-IP but opportunities for are not apparent at this stage.	
C7. Integration of learning by development actors active in REDD+	Number (#) and type of knowledge assets (e.g., publications, studies, knowledge sharing platforms, learning briefs, communities of practice, etc.) created and shared	83. Not specified	

## 5. CONCLUSION

### *Overall assessment of the Investment Proposal*

84. This independent review finds the FIP-IP well in line with responding to key national development and climate change response strategies and more specifically with the national REDD+ framework as outlined in the National REDD+ Strategy. The 3 projects proposed are feasible and justifiable and compliment current efforts under the FCPF R-PP (REDD+ Readiness Process which also continues the processes initiated under the UN-REDD programme.
85. Noting that the ultimate impact of the FIP is focused on long term changes to forest landscapes and ecosystems, Project 1 and 2 can contribute to long-term transformative changes in the forestry sector, and reduce GHG emissions from deforestation and forest degradation if successfully replicated nationally. The landscape intervention approach proposed in Project 1 falls well in line with the RGC's interests and agenda for curbing gross deforestation. Project 2 addresses the two main themes of the new WB Forest Action Plan 2016-2020 addressing *sustainable forestry* through smallholder plantations and tree planting; responsible investments in large-scale commercial reforestation in the rural domain and gazetted forests; private investments in forest value chains; and restoration of degraded forests; and *forest-smart interventions in other economic sectors*.
86. However, this review observes that the FIP-IP has relatively modest budget but proposes high value and long-term investments. It is therefore necessary to strategically select landscapes and the cluster of short rotation production forests location for Project 1 and 2 to ensure that the models are successful and provide the necessary backdrop for scaling up. The proposals for both Project 1 and 2 are currently relatively general without specifically identifying specific locations. Project suggests the number of possible corridors (up to 3) for Project 1 and some preliminary guidelines for selecting possible corridors and communities. It is important that the ensuing detailed component designs establish the relevant baselines in selected locations and communities, and ensure measurable and achievable targets.

Overall, the reviewer assessed a total of 46 criteria and indicators with the following scoring:

34	The criteria and/or indicator has been generally met and there is no need for any revision or larger complement at this stage
11	The criteria and/or indicator is partially met, it is recommended to relook at some of aspects that need further clarification
1	The criteria and/or indicator is partially met and need to be developed [or, at the current stage the criteria is not relevant]

## **6. RECOMMENDATIONS**

### **Project 1**

87. However, further socio-economic and spatial analysis will be necessary during detailed project design to target relevant drivers of deforestation and locations that are technically feasible to implement relevant landscape management models that incorporate livelihood improvement and greenhouse gas mitigation.
88. Project 1 requires additional text to further guide future project component design by looking at looking lessons that can be drawn from agricultural production systems in Cambodia (success and failures). There is some over-generalization of potential pilot landscape management activities. There is need to provide some analysis and examples of what “climate smart farm plans” might look like as well as basic description of current farming systems.

### **Project 2**

89. Effective investment planning in the forestry sector will need to look across the entire supply chain and this is an aspect the FIP-IP perhaps needs to further address at the project design stage. Specific aspects relevant to consider will be the level of timber processing infrastructure investment required to match future plantation production capacity, potential for employment creation and downstream markets within and beyond the region
90. From a review point of view, it seems the consultation with the private sector has not been broad enough. The discussion on PPP needs to outline the likely critical success factors and limitations covering both plantations and downstream processing and supply chain – these aspects are not outlined in the FIP-IP but are necessary in creating a better understanding on the priorities for the proposed budget finance plan.
91. Further analysis will be necessary to establish critical success factors for incentivizing forestry sector investment including analysis of regional timberland investors, their criteria for investment. It may warrant further undertaking analysis existing timberland investment funds such as Tropical Asia Forest Fund (New Forest), Dasos Capital (Finland), and Global Forest Partners operating in South East Asia to understand their investment strategy as part of a gap analysis. Beyond South East Asia, there are countries such Uruguay, Paraguay, Colombia, where national forest policies have been reformulated to entice private sector investment across the forest supply chain.



## **7. REFERENCES**

1. Cambodia Forest Investment Plan Draft March 26, 2017
2. FIP Results Framework (May 2011)
3. CIF (2014) Linkages between REDD+ Readiness and the Forest Investment Program. CIF Learning. Nov. 2014
4. FIP Investment Criteria and Financing Modalities (June 2010)
5. FIP Monitoring and Reporting Toolkit (March 2016)
6. Cambodia REDD+ FCPF Grant Mid Term Review and request for additional funding (July 2016)