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# Natural Resource Governance and Food Security in Cambodia

## Policy Discussion Note



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## **Background: Why natural resource governance matters**

Cambodia experienced a decade of rapid economic growth until 2007, putting it among a handful of the world's fastest-growing economies during this period. The same period saw considerable progress in reducing poverty and improving food security. Even as the country recovers from the recent global financial crisis, however, the recent growth pattern is "unlikely to be self sustaining" (World Bank and IFC 2009: xi) because it has relied narrowly on a few sectors, and was fueled by events that cannot be replicated, including the emergence from war, reestablishment of regional and global economic ties, infusion of development aid, and a very low starting point. This period of rapid growth, moreover, has depended significantly on depletion of the natural resource asset base.

Looking back, it is clear that good policies and multi-faceted efforts to improve governance in specific economic sectors have shown results, contributing to growth as well as providing new employment opportunities for the growing population. This is most evident in the garment sector, which benefited not only from international trade agreements and policies to promote private sector investment, but importantly too from adoption of international labor standards and innovative efforts at third party monitoring by the International Labor Organization and independent civil society groups (World Bank and IFC 2009).

Looking forward, it is equally clear that sustaining growth and extending its benefits more completely to vulnerable segments of the population will require confronting a range of serious risks. The recent period of growth was marked by an "unusually rapid" rise in inequality, not only between rural and urban residents, but also within the rural population (World Bank and IFC 2009), as some households were able to take advantage of economic opportunities and others, lacking the assets to do so, failed to keep pace. This lack of assets is a major source of vulnerability for rural households (World Bank 2006), and an important reason why chronic poverty and malnutrition persist. While investments in health, education, rural infrastructure and microcredit are essential to improving the asset portfolio of vulnerable households, one of the most pressing and immediate needs is to improve security of access to the natural resources that underpin rural livelihoods.

For a rural population still primarily dependent on agriculture, the rapid pace of consolidation in landholding, the widespread nature of land conflicts and the systemic failures to resolve these conflicts (CHRAC 2009) is particularly concerning. Conflicts over access to agricultural land, as well as the common pool resources of forests and fisheries, can lead to broader social instability and violence (Bannon and Collier 2003). Equitable access to natural resources is a very important element of the social safety net for poor rural households, especially in a country such as Cambodia where formal social protection programs remain very incomplete and state resources to fund these are quite limited. Indeed, securing poor households' access to natural resources can help build their resilience in the face of economic shocks and natural disasters. Over the long term, equity in landholding has been demonstrated to contribute significantly to sustained economic growth in the transition from agricultural to advanced industrial economies, as exemplified by cases such as Japan, Taiwan, and South Korea.

Sustaining growth, reducing poverty and strengthening food security in the coming years will require diversifying Cambodia's rural economy and transforming institutional and governance arrangements, building on the country's comparative advantages of abundant land, a still relatively high quality of natural assets, and inexpensive labor (World Bank and IFC 2009). To date, most of the natural resource sector's contribution to growth is due to exploitation, drawing down on the asset base, rather than sustainable management. The World Bank and IFC (2009) identify improvements in natural resource management as one of three top priorities for sustaining growth.

Given the central importance of natural resource governance for food security and rural economic development, what are the policy areas that merit focused policy dialogue and evidence-based research? The next two sections propose such an agenda. The first set of questions focus on sharpening priorities in terms of strategic goals for natural resource governance. The second set of questions focus on challenges of implementation in terms of institutional development to achieve improvements in natural resource governance.

### **Sharpening priorities: Strategic choices in natural resource governance**

“Cambodia is at a crossroad” wrote the World Bank in its comprehensive report to the donor consultative group six years ago. “...Natural resources, while still relatively abundant, are coming under increasing pressure. Current natural resource management policies, in addition to undermining the incentives for the broad governance reforms espoused in the Rectangular Strategy, are likely to lead to increased competition for resources from a growing population... Reorienting the governance of natural resources can improve livelihoods in rural areas, thus reduce the potential for conflict, contribute more substantially to economic growth and exports, provide improved environmental services, and increase public revenues.” (World Bank 2004b: 71).

The risks that the World Bank outlined in this milestone report have only intensified in the intervening years. There have been important advances in natural resource policies since that time, notably the suspension or withdrawal of virtually all commercial forestry concessions, and the adoption of regulation to support community fisheries and community forestry, as well as a range of initiatives to increase rural land titling and build capacity to resolve land disputes. But the benefits of these measures have so far paled in comparison to the new risks facing rural communities.

Conflicts over land rights, which includes both agricultural and forest land, typically pit poor farmers and forest-dependent communities against politically connected private actors, the military, and/or state agencies. According to the Sub-decree on Economic Land Concessions (2005), intended to promote agro-industrial development, “the prioritized method for granting economic land concessions is through competitive solicited proposals.” This implies the need for an overall area planning approach that would identify areas for potential development, for which proposals would then be solicited. In practice, however, these proposals have been allocated exclusively through unsolicited proposals. This is permitted by law, “where the proposer... should promise exceptional advantages.” The exception, however, has become the norm. With regards to concessions for mining and mineral exploration, the legal framework is even less well defined.

Overlaps in the areas designated for economic land concessions, mining concessions, community managed forest areas, and smallholder agricultural land are fueling renewed local resistance, protest, and conflict. According to press reports, the government has recently made new commitments to foreign governments and investors for large tracts of agricultural land that appear in excess of the total available land area. Community organizers and civil society groups that have mobilized to defend resource rights for local users have consistently failed to achieve resolution through the courts and describe an atmosphere of impunity and systematic bias against poor resource users, indigenous groups, and other local communities (IPNN 2010; Ratner and Parnell 2011).

In the fisheries sector, likewise, despite a dramatic policy shift that reduced the area of commercial concessions in favor of community access in 2000/2001, conflicts between commercial and subsistence fishers persist, along with a new set of challenges that include competing uses of water and land in the floodplain zone, and the potential impact of new infrastructure, particularly dams (So et al., 2010). No systematic framework is in place to assess the cumulative environmental and social

impacts of new projects, including hydroelectric power projects, irrigation schemes, and mining operations, nor to weigh these objectively against the expected benefits. Environmental and social impact assessment procedures have tended to disregard cumulative impacts on environmental services such as maintenance of fisheries habitat and migration routes through riverine and floodplain connectivity, as well as the social and economic implications for communities beyond the immediate project area (Nguyen-Khoa and Puthy 2006).

The Royal Government's Rectangular Strategy places good governance at its core, and highlights the agricultural sector (including forestry and fisheries) as the first among four "strategic growth rectangles" requiring priority support (RGC 2008). This is entirely sound, and provides an appropriate reference point for dialogue about strategic policy options for the future. Yet, even with such overall policy direction in place, the competition and conflict arising from current and planned natural resource use signals the need for a clearer hierarchy of goals for natural resource governance in relation to economic growth, poverty reduction, food security, livelihood diversification, equity, social stability, and community well-being. Policy dialogue in this domain can be supported by evidence-based research that aims to clarify alternative development scenarios and their implications across a range of criteria or goals such as those listed above, drawing on analyses of development trends and experience in Cambodia as well as other developing countries and regions. Research priorities include:

- a. What are the advantages of **large-scale economic concessions versus smallholder agricultural production systems** as the foundation of rural economic development? What are the relative risks in terms of equity, food security, social stability, and community well-being? What best practices in international agro-industrial investment have proven most effective to ensure an equitable distribution of benefits to local producers and safeguard their rights? What factors determine the success of agricultural investment models such as contract farming that improve access to technology and markets while maintaining smallholder land tenure?
- b. To what extent can Cambodia's common pool **forestry and fishery resources** serve as a social safety net, an engine for rural economic development, or a source of government revenue? Under what circumstances do these goals compete, and how can they be reconciled?
- c. What are the most important ways in which **infrastructure development** (particularly dams, roads, and irrigation systems) may jeopardize environmental services? What does this imply for local-level resilience and capacity to adapt to climate change and other trends likely to affect food security? How do these cumulative impacts measure against the anticipated economic and social benefits? In what ways can these competing demands be effectively reconciled?
- d. What are the likely benefits and risks of future investment in **extractive industries**, particularly oil and mining? How are these benefits and risks likely to be distributed among different social groups? How will they affect livelihood opportunities and development trends in agriculture, forestry, and fisheries? What international best practices are most appropriate to guide decision-making regarding these investments and the management of resource rents and revenue derived from them?

### **Enhancing effectiveness: Institutional development and governance reform**

Improving natural resource governance requires much more than getting sectoral policies and regulations right. It depends critically on the effective functioning of state agencies, alongside the

private sector and civil society, to help translate policy goals into practice. That means measures to ensure:

- inclusive *representation* of affected groups, particularly the poor and vulnerable, in policy formulation and development planning at all levels;
- appropriate *distribution of authority* among state, private sector, and civil society actors with regards to decision making over natural resource allocation and management; and
- robust mechanisms of *accountability* to ensure that individuals and groups granted decision-making authority are held responsible for the public consequences of their choices.

Land disputes, for example, are currently the foremost concern of indigenous peoples in Cambodia (IPNN 2010). A recent report of the Indigenous People NGO Network states that, because of the threats from economic land concessions, mineral concessions, and hydro-electric power projects, “the situation regarding land security of indigenous people has regressed... Contention around insecure land tenure for indigenous people is only indicative of the severity of the broader situation and, even if only a small proportion of these projects go ahead, it could contribute to overall environmental, social and economic instability in the country” (IPNN 2010: 5). Their top demand, however, is not a change in policy or law. They are seeking fair implementation of the existing Land Law, which already includes protections for indigenous people’s rights to the territories they have traditionally used and inhabited, though these are routinely disregarded in practice. They are seeking accountability of the courts, public authorities, and the military to abide by the law, and full participation in development decision-making regarding matters that affect their livelihoods.

Donors have invested considerably in the modernization of Cambodia’s judicial sector, but the courts continue to lack the independence, legitimacy, and capacity to effectively resolve disputes over land and other natural resources. Indeed, a study of land disputes found that “written laws, legal processes or rule-based forms of decision making were notable by their absence, in the sense that they played little role in the dispute resolution process” (Adler et al 2006: 39). Results in resolving land disputes came instead from political pressure on key decision makers, leading the authors to conclude that, in the current governance context, political mobilization in defense of local land rights remains essential to generate greater accountability and responsiveness from government actors (Adler et al 2006). A related study argues that efforts to improve the management of land disputes should include encouraging civil society engagement through innovative efforts at alternative dispute resolution (Center for Advanced Study 2006). In this light, it is important to assess the functioning of new institutions for dispute resolution established in parallel to the courts, including the Cadastral Commissions, and Provincial Accountability Boards for the Commune/District Funds administered under the decentralization and deconcentration program.

For community fisheries and community forestry organizations, likewise, securing legal recognition of rights to access and manage local resources is only a first step. Communities’ ability to defend these rights in practice depends on the responsiveness and accountability of public authorities. The distribution of benefits depends on the degree to which the leaders of such community organizations are in turn accountable towards their members. A recent review of community fisheries and community forestry found that both are demonstrating improvements in resource protection and enforcement, but that poor households are still lagging behind in their ability to realize an equitable share of benefits (Blomley et al. 2010).

Investments in mining, oil, and hydro-electric power generation could in principle provide a source of government revenue over the long term that could finance public goods through programs in public health, education, and environmental protection. Before this can be realized, however, “there

needs to be a significant upgrade of the sector's management which, at the moment, is ineffective and opaque" (World Bank and IFC 2009: xiii). In addition to clarifying the legal and regulatory framework, measures are required that would increase accountability and transparency regarding revenue collection and decision making over how this revenue is reinvested in public goods. The Extractive Industry Transparency Initiative (EITI) provides important guidance in this regard, building on international best practices.

Research priorities to assist in enhancing the effectiveness of governance processes that affect natural resource management include:

- a. What mechanisms have proven most effective in enabling **equitable representation** of poor and vulnerable groups in decision making over policy and institutional reform in the natural resource sectors? What lessons from international experience can help advance social inclusion in natural resource governance in Cambodia given its current socio-economic and political conditions?
- b. What mechanisms, both formal and informal, are most promising in efforts to improve **public accountability** of decision makers at commune, district, provincial and national levels with regards to decisions over natural resource allocation and management? What roles do grassroots community organizations and networks, NGOs, and the media play in this regard, and how can these be strengthened?
- c. What strategies are most effective in building institutions for **conflict resolution and justice** accessible to poor natural resource users? How can linkages between the courts, administrative structures, and informal, alternative dispute resolution processes be improved? What are the lessons of international experience regarding the relative emphasis and sequencing of investment in these different dimensions of conflict resolution?
- d. What investments in **institutional capacity development** are most critical in improving the effectiveness of community based natural resource management initiatives? How can these be better integrated within the newly-empowered decentralized structures for rural development planning? What obstacles need to be addressed to enable a stronger flow of benefits to poor and vulnerable households?
- e. How can **decision-making over private sector investment** be improved? What processes are effective in linking individual project assessments to a broader, strategic assessment of benefits and risks? What strategies are most promising to promote the adoption and implementation of international sector-specific standards and best practices to guide agro-industry, minerals, infrastructure, and energy investments?

## Conclusion

This short note has outlined the critical role of natural resource governance to Cambodia's prospects for sustained economic growth, poverty reduction, and food security. It has also introduced a range of challenges to improving natural resource governance, at the level of strategic goals as well as institutional capacities and processes. It is intended as a launchpad for discussion, not to provide specific answers but to focus attention on key questions that can form the basis of a collaborative agenda for policy dialogue and research.

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