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Name of Author Nguon Pheakkdey and Kent Jingfors

Name of University Clark University

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**Review of Resource Mobilization Options for the
Ministry of Environment, Cambodia**

by

Dr. Pheakkdey Nguon and Dr. Kent Jingfors

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Executive Summary

This report seeks to review resource mobilization options for the MoE from government budget support within the existing legal context of Cambodia. Specifically, the report explores opportunities for operationalizing existing and proposed Funds managed by MoE by reviewing similar experiences from the MAFF Forestry Administration (FA) and drawing from guidelines issued by the Ministry of Economy and Finance (MEF). The two Funds of particular relevance to this review are the **Environmental and Social Fund** (established in 2016) and the **Protected Areas Fund** (yet to be established). Recommendations are made on ways to diversify funding sources for MoE, optimize revenue collection, and ensure Fund revenues are directed to environmental and natural resource management priorities established as part of national strategies, such as the National Protected Area Strategic Management Plan (NPASMP).

A review of the existing legal framework suggests there is scope for establishing government NRM funds even in the absence of an overall Trust law for Cambodia provided these funds are established in line with MEF policies and regulations. Of the two government NRM Funds that have been established by Sub-Decree, the **National Forestry Development Fund (NFDF)** managed by the FA (MAFF) has been further operationalized than the Environmental and Social Fund (ESF) managed by MoE. There are several likely reasons for this and it would be useful for MoE to learn from the experiences of FA in this regard.

As the only MoE-administered Fund, the ESF is not specifically designed to provide financing support to Protected Areas that are under the core mandate of the General Directorate of Administration for Nature Conservation and Protection (GDANCP). The PA Law (2008) provides a clear legal basis for establishing a PA Fund that could be used as an additional source of funding for MoE to address the needs of a rapidly expanding PA system (now covering over 40% of the country), to better recognize the economic values this system represents, and to provide incentives and opportunities for PA staff and local communities to generate and retain funds at the PA level that can be used to support both operational costs and local livelihood benefits. Additionally, a PA Fund could be used to facilitate implementation of the NPASMP by retaining revenues from the use of natural resources and investing these in the ongoing management of Protected Areas. If properly designed to meet international management standards, a national PA Fund could also (potentially) be used to attract international and corporate financing to diversify revenue sources.

Government NRM funds would, in part, depend on the effective collection, management and sharing of revenues from taxes, fees and fines levied on the use of natural resources. Guidelines on this type of revenue currently exist in the form of joint MoE/MEF Prakas (#999 and 1000). However, the present guidelines appear out-dated in view of recent jurisdictional reforms related to MoE/FA roles, do not seem to reflect the full scope of revenues that could be collected, and provide limited opportunities for MoE to retain a larger share of the revenues.

A number of strategies are recommended for MoE to mobilize more financial resources for environmental protection and NRM management, particularly in Protected Areas:

1. Diversify funding sources: Securing stable and sustainable financing requires diversifying sources of funding and continuing to explore new and innovative funding opportunities. Enhancing the level of financial support from the National Budget, from development partners, and from more effective revenue collections will be necessary to respond to the increased responsibilities that have been given to MoE as a result of recent jurisdictional reforms.

2. Upgrade financial management capacity and governance: Equally important to generating sustainable flows of funding for NRM is to have an institutional framework that is also supportive of this. Training MoE staff and building capacity for financial and business planning will be essential to have strong and transparent systems for fund management. Putting in place financial governance and management standards that meet the requirements of new international financing mechanisms (such as the Global Climate Fund or the Forest Investment Program) opens the door for MoE to target external support for financing priorities outlined in national strategies (such as the NPASMP).

3. Raise awareness on the importance of the environment sector to the national economy: The environment sector provides a range of public goods and services that are rarely monetized and often taken for granted (i.e. assumed to be free). However, these ecosystem services (including clean air, clean water and healthy ecosystems) are now rapidly being degraded and the costs to society (in terms such as health care and livelihood losses) will continue to increase unless a renewed investment is made in environmental protection and management.

MoE should consider raising awareness, within government, for its role in implementing national strategies essential to support sustainable development. Currently, MoE is lumped within a group of “Social” line Ministries whereas it should, more appropriately, be considered one of the “Economic” line Ministries that include MAFF, Ministry of Water and Meteorology, Ministry of Rural Development and Ministry of Tourism. That would better reflect MoE’s vital role in balancing national development priorities with the required environmental protection.

4. Seek an increased allocation from the National Budget: Environmental protection is, first and foremost, a responsibility of the Royal Government of Cambodia (RGC) for the benefit of all Cambodians. By designating over 40% of the land base as Protected Areas, RGC has signaled its commitment to environmental protection. As a priority, MoE should initiate high-level negotiations with MEF to seek a substantially higher budget allocation for 2018 and onwards. A reasonable request would be a doubling of the current budget (to 1% of the National Budget) and using the RGC Reserve (unallocated) Budget as a source of this increase. The benefits of this investment would carry significant political weight, particularly in rural areas where illegal activities and encroachments are not only threatening the integrity of Protected Areas but also the very livelihoods of many forest-dependent communities.

5. Target support from Development Partners: Implementing agencies in MoE (such as GDANCP) need to be directly involved in determining implementation arrangements and ensuring support from Development Partners is directed to strategies and priority actions outlined in approved national plans (such as the NPASMP). MoE should initiate a dialogue with Development Partners to see what conditions would be required in terms of Fund design and governance to use external support as a source of investment in the ESF and a future PA Fund.

6. Review and revise current Guidelines for revenue collection and sharing: There is a need for MoE/MEF to review and revise (where necessary) Guidelines 999/1000 in view of recent jurisdictional reforms and to better reflect a fair assessment of the market value for the various services and products derived from the use of natural resources. The revenue sharing formulas, that currently appear to act as a disincentive for MoE staff in following the Guidelines need to be re-negotiated with MEF on a permanent basis to enhance revenue collection.

7. Establish a Protected Areas Fund (PA Fund): Using the PA Law (2008) as the legal basis, MoE should consider the establishment of a PA Fund as an additional source of funding for the management of Protected Areas. The Fund should be established by Sub-Decree and by including the following considerations:

- Draft the Sub-Decree along the lines of that developed for the National Forestry Development Fund (NFDF);
- Use the provisions of the PA Law to define the potential sources of income and the activities that can be supported by the Fund. Consider adding innovative sources of funding (e.g. from PES schemes, taxes from the tourism service industry, or private sector investments);
- Decide on the “model” for the Fund – should it be one Fund centrally managed, or an integrated Fund (such as in the Philippines) where revenues can be retained in the PA where these were collected?

8. Operationalize the Environmental and Social Fund (ESF): The following steps should be considered by the ESF Working Group in operationalizing the Fund:

- Consult with FA to learn from their experiences in operationalizing the National Forestry Development Fund;
- prepare a Prakas to detail the composition and functions of the Secretariat that will support the ESF Management Committee;
- clearly separate the purpose of the ESF (environmental protection largely outside PAs and under the jurisdiction of GDEP) from the PA Fund (management of PAs under the jurisdiction of GDANCP); and,
- consider incorporating in the ESF the original intent of the Environmental Endowment Fund (i.e. contributions from development project proponents). This will clarify and consolidate the two separate Funds managed under MoE.

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List of Abbreviations

AOP	Annual Operating Plan
C/S	Commune/Sangkat
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
ELC	Economic Land Concession
ESF	Environmental and Social Fund
FA	Forestry Administration (in MAFF)
GDLC	General Directorate for Local Community
GDANCP	General Directorate of Administration for Nature Conservation and Protection
GDEP	General Directorate of Environmental Protection
GEF	Global Environment Facility
Ha	Hectares
IEE	Initial Environmental Evaluation
IPAF	Integrated Protected Areas Fund
MAFF	Ministry of Agriculture, Forestry and Fisheries
MC	Management Committee
MEF	Ministry of Economy and Finance
MLMUPC	Ministry of Land Use Management, Urban Planning and Construction
MoE	Ministry of Environment
NB	National Budget
NDFD	National Forestry Development Fund
NGO	Non-Governmental Organization
NP	National Park
NPASMP	National Protected Area Strategic Management Plan
NRM	Natural Resource Management
PA	Protected Area
PDoE	Provincial Department of Environment
PES	Payments for Environmental Services
REDD+	Reducing Emissions from Deforestation and Forest Degradation and the role of conservation, sustainable management and enhancement of forest carbon stocks
RGC	Royal Government of Cambodia
UNDP	United Nations Development Programme
USD	US Dollars
WS	Wildlife Sanctuary

1. Background

In September 2015, the UN General Assembly, including the Royal Government of Cambodia (RGC) adopted the 2030 Agenda for Sustainable Development that incorporates a number of Sustainable Development Goals (SDGs) including SDG 15 (Sustainable Management of Natural Resources). In addition, several national policies have recently been approved that confirm the future development and conservation strategies of Cambodia, including the:

- National Strategic Development Plan (2014-2018);
- Rectangular Strategy Phase III (2013-2018);
- National Strategic Plan on Green Growth (2013-2030);
- Cambodia Climate Change Strategic Plan (2014-2023);
- Cambodia National REDD+ Strategy (2017-2026); and,
- National Protected Area Strategic Management Plan (2017-2031).

In most developing countries, it is generally acknowledged that government budget support for environmental and natural resources management is not adequate to meet national and international obligations. This is particularly true for the RGC where the Ministry of Environment (MoE) is not only responsible for protecting the environment but also for managing and safeguarding a Protected Area system that now covers over 40% of the country. In 2017, the annual budget for MoE represents less than 0.5% of the total RGC budget allocation. Since the vast majority of this government funding is used to cover recurrent and fixed costs (such as salaries), essential investments in infrastructure, equipment, training and operations are difficult to make. As a result, MoE implementing agencies responsible for ensuring the conservation, protection and sustainable use of the environment and natural resources are often challenged to fulfill their mandates simply because they are not provided with adequate resources.

However, even if additional funding can be generated, there is no guarantee this will have the desired results. Global experience¹ has shown that while finding a diversity of financing mechanisms to sustain funding for environmental and natural resources management is important, it is equally important to have strong and effective management capacity in the relevant implementing agencies. For these reasons, any efforts to generate flows of sustainable funding must be coupled with efforts to ensure that the institutional framework is also supportive of this.

Government budget support (in the form of direct budget allocations and revenues collected from taxes, fees and fines) still represents the best and most viable sustainable financing option provided it reflects the fair market value for various sources of public taxes, fees or fines and other services and products derived from natural resources (Mansourian and Dudley, 2008; Tolisano et al., 2016). Given the public goods and services that natural resources (especially Protected Areas) provide, continued government investments of public funding will be essential to protect this natural legacy for future generations.

This report seeks to review resource mobilization options for the MoE from government budget support within the existing legal context of Cambodia. Specifically, the report explores opportunities for operationalizing existing and proposed Funds managed by MoE by reviewing similar experiences from the MAFF Forestry Administration (FA) and drawing from guidelines issued by the Ministry of Economy and Finance (MEF). The two Funds of particular relevance to this review are the **Environmental and Social Fund** (established in 2016) and the **Protected Areas Fund** (yet to be

¹ See Emerton et al. 2006; Grieg-Gran et al. 2008; Mansourian and Dudley 2008; and Tolisano et al. 2016.

established). Recommendations are made on ways to diversify funding sources for MoE, optimize revenue collection, and ensure Fund revenues are directed to environmental and natural resource management priorities established as part of national strategies, such as the National Protected Area Strategic Management Plan (NPASMP).

The review does not consider financial mechanisms “outside” government, such as private PES schemes, non-government trust funds, or donor grants (unless the Fund is designed to meet the governance requirements of international funding mechanisms).

2. Roles of Relevant Institutions in Managing Government Funds

2.1 Ministry of Environment (MoE)

The Ministry of Environment (MoE) is entrusted by the Royal Government of Cambodia to lead and manage environmental protection, biodiversity conservation, and the sustainable use of natural resources in accordance with the **Law on Environmental Protection and Natural Resources Management (1996)** and the **Protected Area Law (2008)**.

Since 2015, the Royal Government of Cambodia (RGC) has approved a number of environmental reforms that will fundamentally change how natural resources are managed in Cambodia and, by implication, how funds related to natural resource management and conservation are administered. These initiatives include:

1. Jurisdictional reforms in Natural Resources Management (NRM): In 2016, MoE transferred all Economic Land Concessions (ELCs) in its Protected Areas to the Ministry of Agriculture, Forestry and Fishery (MAFF), while MAFF transferred forest conservation areas such as existing and proposed Protected Forests to MoE². This will include transfer of responsibilities and human resources between the MAFF and the MoE. The transfer of forest protection and conservation areas from the MAFF to the MoE, and the recent establishment of new Biodiversity Conservation Corridors³, has more than doubled the Protected Area (PA) estate under the jurisdiction of the MoE, from 3 million ha (2015) to over 7 million ha (2017) of land that represents over 40% of the entire country of Cambodia.
2. Modernization of the Ministry of Environment (MoE): To effectively deliver on its new, broader mandate, the MoE has undergone several re-organizations with the most recent approved in July 2016⁴. The General Directorate of Administration for Nature Conservation and Protection (GDANCP) is still responsible for biodiversity protection, conservation, and the rational and sustainable use of natural resources within Cambodia’s national Protected Area system. A new General Directorate for Local Community (GDLC) will be responsible for managing and coordinating the development of local communities to strengthen the management, protection and conservation of Protected Areas. The General Directorate of Environmental Protection (GDEP) is responsible for managing and coordinating environment safeguards, including strategic environmental assessments and environmental impact assessments.
3. Development of an Environment and Natural Resources Code of Cambodia: In March 2015, the RGC announced its intent to develop an environmental code. The Code aims to establish

² *Sub-Decree on Revision of the Roles and Duties of the Ministry of Environment and the Ministry of Agriculture, Forestry and Fisheries in Managing Economic Land Concession Development Investment Areas and Managing Forestry and Fishery Protection and Conservation Areas (#34, 04 March 2016)*

³ *Sub-Decree on The Establishment of Biodiversity Conservation Corridors (#07, 26 Jan. 2017)*

⁴ *Sub-Decree on The Organization and Functioning of the Ministry of Environment (#135, 05 July 2016)*

overarching legal principles to guide the implementation of existing laws for the achievement of sustainable development. The Code will propose statutory changes to ensure legal harmonization and to clarify the roles and mandates for governing natural resources among different ministries. A draft final Code was presented to the Minister of Environment in early 2017 and is now undergoing technical review.

2.2 Ministry of Agriculture, Forestry and Fisheries (MAFF)

The Forestry Administration (FA) of MAFF is responsible for managing Cambodia's forest estate in accordance with the **Law on Forestry (2002)**. It is specifically responsible for forestry management outside Protected Areas, conducting assessments of national forest carbon stocks, and developing and arranging for forest carbon trades and forest services to increase revenue for effective forest operations and development.

2.3 Ministry of Economy and Finance (MEF)

The Ministry of Economy and Finance (MEF) is responsible for public financial management in Cambodia and plays a central role in all matters related to state revenue collection and expenditure in accordance with the **Law on the Public Finance System (2008)**. Its responsibilities include mobilizing national revenues through revenue collection, establishing a national uniform financial system, preparing and administering the national budget, collecting tax and non-tax revenues, controlling and endorsing expenditures of public institutions, participating in the aid mobilization, and monitoring performance. For duties related to the competence of other institutions, respective responsibilities are allocated and implemented through a joint Prakas of both institutions.

The role and responsibilities of MEF will have a direct influence on how a Fund may be established and operated, particularly if domestic revenues are to be included or the fund is to be established under Cambodian law. While technical and policy oriented decision-making powers usually fall to the technical line Ministry, MEF maintains high levels of control of financial management, and decision-making processes surrounding the allocation of funds.

3. Review of existing laws and regulations on funds

Relevant laws and regulations (Sub-Decrees) related to government funds focusing on natural resources management (NRM) are summarized below. The detailed legal texts are provided in Annex 1. Both approved and proposed new legislation that may affect government NRM funds are included to consider opportunities for enhancing legislation.

3.1 Law on Environmental Protection and Natural Resources Management (1996)

The Law on Environmental Protection and Natural Resource Management 1996 ("Environment Protection Law") under MoE establishes a broad framework on matters including national and regional environmental plans, natural resource management, environment protection and pollution control, and environmental impact assessment. It also provides for the establishment of an **Environment Endowment Fund** (Article 19), a special Treasury account to be created and administered by MoE for environmental protection and natural resource conservation in Cambodia. Sources of revenue would include government contributions, grants from international organizations, donations from individuals and non-government organisations, and other lawful sums.

3.2 Law on Protected Areas (2008)

The Law on Protected Areas 2008 ("PA Law") establishes a framework for the management, conservation and development of Protected Areas, under the jurisdiction of GDANCP of MoE. The PA Law contains enabling provisions (Article 32) for the establishment of a **Protected Areas Fund ("PA Fund")**. Similar to the Forestry Law, the PA Fund is to be organized, managed and given

responsibility by a Protected Area Committee, which is to have the Minister of Environment and the Minister of Economy and Finance as co-chairs. The details of the organization and functioning of the committee is to be established by Sub-Decree.

The PA Law specifies that funding support for “rehabilitation, improvement of Protected Areas and biodiversity” is to come from the national budget, Protected Area entrance fees and other service fees, environmental endowment insurance, donations, assistance from development partners, and assistance from international environment funds. It also specifies that the PA Fund may be used for activities within Protected Areas including the protection, conservation, rehabilitation and enhancement of biological resources and ecosystems, technical and scientific research and study, maintenance and extension of eco-tourism services, training, human resource development and capacity building of staff, support for establishing Community Protected Areas, education on Protected Areas, and infrastructure needs.

3.3 Sub-Decree #72 on Environmental Impact Assessment Process (1999)

This Sub-Decree provides Ministry of Environment (MoE) with the authority to review Environmental Impact Assessment (EIA) reports and monitor compliance of Environmental Management Plans (EMPs) during project construction, operation and closure. Projects and activities subjected to EIA and EMP requirements are listed in an annex to the Sub-Decree.

Project proponents are required to submit EIA review and EMP monitoring fees to the National Budget Account with fees specified by the Ministry of Economy and Finance based on recommendations from MoE. Note that there is no mention of the establishment of the Environment and Social Fund in this Sub-Decree (see 3.4 below).

The Sub-Decree compels Project proponents to consider the obligation to make a donation to the Environmental Endowment Fund as stipulated in Article 19 (Chapter 8) of the Law on Environmental Protection and Natural Resources Management (1996) – see 3.1 above.

3.4 Draft Law on Environmental Impact Assessment (05 Feb. 2015)

The draft Law on Environmental Impact Assessment (“draft EIA Law”) establishes mechanisms for MoE to oversee environmental impact assessments caused by all development projects that may create impacts on the environment, health, society, economy and culture. Depending on the type of development project, Project Proponents are required to prepare, and fund, an Initial Environmental Evaluation (IEE) or a full Environmental Impact Assessment (EIA), and an Environmental Management Plan (EMP). Project Proponents are liable for all costs associated with preparing these requirements as well as the costs associated with implementing and monitoring the EMP. MoE will collect fees and service charges for reviewing IEEs/EIAs and EMPs (as determined by an Inter-ministerial Prakas between the MoE and the Ministry of Economy and Finance) to be used for capacity building to enable MoE officials to carry out their duties to review monitoring reports, respond to requests for investigation of environmental complaints, and to carry out routine compliance monitoring during both construction and operation phases of the project.

Article 55 stipulates that MoE should create an **Environmental and Social Fund** to provide finance for the restoration of environment, conservation of biodiversity and social development in and around the area where the project is located. The Project Proponent shall make payment of a minimum of 1% of the project costs to the Environmental and Social Fund. Furthermore, Article 56 states the Project Proponent shall make payment to an **Environmental Endowment Fund** based on the agreement between MoE and Project Proponent, on an annual basis until the end of business, based on the type and scale of development project.

3.5 Draft Environment and Natural Resources Code (#8 – 05 June 2017)

In Book 8 (Economic Measures, Accounts, Fees and Fines for the Environment) of the Draft Environment and Natural Resources Code, the **Environmental and Social Fund** is mentioned with references made to the 2016 Sub-Decree. Further details on procedures and rules would be outlined in relevant legal instruments.

Mention is also made of **Environmental Trust Funds** that could be established by legal instruments as determined by the Ministry of Economy and Finance in coordination with the MoE. Environmental Trust Funds may include conservation trust funds, wildlife trusts, climate and forest funds, rehabilitation and restoration funds, collaborative management funds, or other forms of delivery of environmental, social and economic benefits. Assets could originate from the National Budget, development aid, grants from international organizations, payments for natural resource goods and services, or direct donations from the private sector, philanthropists and non-governmental organizations. An Environmental Trust Fund is typically transferred by a settlor to, and managed by, a trustee for the benefit of a beneficiary in accordance with the trust instrument.

There is no mention made of a specific **Protected Areas Fund** in the Draft Code.

3.6 Joint MEF/MoE Prakas (Guidelines 999 and 1000)

These Guidelines provide the administrative details on what types of revenue can be collected by the MoE in the forms of fees and fines (Guideline 999) and how each type of revenue should be divided between the National Budget, MoE and the Ministry of Finance by % (Guideline 1000).

Details on these Guidelines are covered in Chapter 5 and in Annex 2.

3.7 Law on Forestry (2002)

The Law on Forestry 2002 (“Forestry Law”) establishes the legal framework for the management, harvesting, use, development and conservation of the forests in Cambodia. In Article 62, it enables the establishment of a **National Forestry Development Fund (NFDF)** to be administered and managed under the responsibility of the National Forestry Development Committee (the organisation and function of which is to be set out in Sub-Decree), and co-chaired by the Minister of Agriculture, Forestry and Fisheries, and the Minister of Economy and Finance. The Forestry Law specifies that its revenue sources will include government allocations, premiums on forest products/by-products, wildlife conservation fees, contributions from international organisations, donations from individuals and non-government organisations, and revenue from other services in the forestry sector. Activities the NFDF’s funds may be used for reforestation, silviculture and forestry rehabilitation, forest and biodiversity protection and conservation, scientific and technical research, extensions services, development in the forest and wildlife sector, development of community forestry, and, training human resources for the forest and wildlife sector. The revenue of the fund must not be used for the organization and functioning of the FA (Article 64).

3.8 Law on Public Finance System (2008)

The Law on the Public Finance System 2008 (“Public Finance Law”) sets fundamental principles for managing the overall government financial system and, as such, is considered a “fundamental” law requiring compliance by all national and sub-national administrations.

The Public Finance Law recognizes proceeds from concessions, fees, fines and financial donations as “non-fiscal revenue”. State service fees are defined as charges for public services delivered to private or third parties (e.g. fees by MoE for reviewing EIAs) and shall be under a price list determined by the Royal Government according to a request by the Minister of Economy and Finance and suggestions by line ministries and institutions. State services that are minimal (e.g. fees generated from administrative authorization, entry fees, and receipts of fines) are to be determined

by a joint Prakas issued by Minister of Economy and Finance and the ministers of relevant line ministries. Some revenues may be allocated only for actual expenditure items, under forms and conditions specified by law (enabling ear-marking).

Ministers are responsible for executing their budgets. Revenue collection and spending shall comply with their jurisdiction of authority as defined by relevant laws. Line ministries can request the Minister of Economy and Finance to establish a special account of the National Treasury to record separate revenue bookings for specific financing to public service transactions (known as “specially arranged account”). Special accounts enable separation from the main state budget. This is generally the procedure followed in the Sub-Decrees for establishing the National Forestry Development Fund (NFDF) and Environmental and Social Fund (ESF).

4. Current status of NRM Funds

While specific Laws briefly outline the purpose or objectives of a Fund, its sources of funds, and the overall framework for governance and management, the details are usually provided in specific Sub-Decrees. These describe the organization and function of the fund mechanism, with a particular focus on governance and management structures as well as more technical matters, such as criteria for disbursing funds. There is currently no overarching law (such as a Trust Law) or any Sub-Decree that guides or regulates the establishment of funds generally in Cambodia.

4.1 Environmental and Social Fund (MoE)

The Environmental and Social Fund (ESF) was established by Sub-Decree #238 on 22 November 2016 to ensure effectiveness, transparency and accountability in the use of revenues from development projects and other sources (details are provided in Annex 1).

The ESF will be managed by an ESF Committee, which includes the following members:

- | | | |
|--|---|------------------|
| - Minister or Senior Official of the Ministry of Environment | 1 | Chair |
| - Representative from Ministry of Economy and Finance | 1 | Vice Chair |
| - Representative from Ministry of Environment | 1 | Member |
| - Representative from Ministry of Economy and Finance | 1 | Member |
| - Representative from GDEP (MoE) | 1 | Permanent Member |

The ESF Committee is charged with developing policies and strategies to collect, manage, allocate and use funds from the ESF, encourage project owners to pay the ESF, and review and approve proposals to use ESF funds to support the environmental sector. Unlike the National Forestry Development Fund (see below), the ESF Sub-Decree does not include details on the roles of a secretariat or support staff to assist the ESF Committee in managing the Fund. The details on an ESF secretariat located within the General Directorate of Environmental Protection (GDEP) will be further developed in a MoE Prakas.

According to the Sub-Decree, contributions to this Fund could come from private and public development projects (e.g. EIA and EMPs), income from environmental and ecological services projects, financial and material donations from development partners, national and international institutions, environmental fees and other sources.

The Fund assets can be used to finance activities in a broad range of areas including sustainable conservation of forests, biodiversity, ecosystems and sustainable living; environmental restoration across Cambodia; infrastructure development and livelihood enhancement for local communities living in and around development project areas; capacity building and human resource development

for environmental and natural resources sector; as well as environmental knowledge dissemination and awareness raising.

The ESF is not yet operational within MoE. A Working Group has been established to implement the Sub-Decree, including finalizing the governance structure and developing administrative procedures for revenue collection and distribution. The Working Group is currently limited to senior MoE staff and chaired by an Under Secretary of State.

4.2 Environmental Endowment Fund (MoE)

The Environmental Endowment Fund, originally mentioned in the 1996 Environmental Protection Law, has not been operationalized and there are apparently no immediate plans within MoE to establish this Fund.

4.3 Protected Areas Fund (MoE)

The Protected Areas Fund (PA Fund), originally mentioned in the 2008 PA Law, has also not yet been operationalized. However, there is interest from GDANCP/GDLC to explore options for a fund specifically dedicated to support conservation and livelihood programs in Protected Areas given that these now represent over 40% of the land base in Cambodia. This review will argue that the establishment of a PA Fund should be considered a priority for MoE.

4.4 National Forestry Development Fund (FA)

The National Forestry Development Fund (NFDF) was established by Sub-Decree 46, dated 17 March 2017, that outlines the mandate and management of the Fund which largely correspond to the provisions in the Forestry Law with respect to revenue sources and investment targets. A NFDF Committee is created with the Minister of MAFF and the Minister of MEF serving as co-chairs, a Sub-Minister of the Ministry of Interior serving as a member, and the Director General of the Forestry Administration serving as a permanent member.

The NFDF Committee will be responsible for:

1. setting policy and national development strategies framework for the forestry and wildlife sector;
2. coordinating with other government countries or development partners, private sector and donors that provide funds to the NFDF;
3. reporting on the annual implementation process of the NFDF to the government;
4. reviewing and deciding on the annual financial plan of the fund for supporting the development of the forest and wildlife sectors at the request of the permanent secretariat; and,
5. reviewing activities and annual results.

The NFDF Committee is supported by a permanent secretariat based in Forestry Administration (FA) led by the FA Director General and including senior managers tasked with proposing project action plan and annual financial expenditures; monitoring and evaluating project implementation; and, providing regular (annual, semester, quarterly) progress reports. The permanent secretariat has two executive bodies: a Planning and Financial body, and a Technical, Monitoring and Evaluation body (each with one Head and supporting staff). A detailed list of responsibilities for each Body is included in the Sub-Decree (Annex 1).

Governance arrangements for the NFDF are still being worked out, specifically related to the selection of MEF representatives on the Fund Committee. However, the NFDF has already been allocated USD 5 million from public service royalties that would normally have gone directly to MEF and the National Budget.

5. Strategies for mobilizing natural resource management (NRM) funds

There are essentially three main sources of funding that MoE can pursue to finance the costs of managing and protecting natural resources:

- a. **National Budget** – this represents a sustainable and reasonably stable source of funding for which MoE competes with other line Ministries during the annual budget allocation process. Currently, MoE receives less than 0.5% of the total RGC budget which is not adequate to respond to the significant responsibilities that have now fallen to MoE with respect to environmental protection and NRM, particularly given the doubling of the protected area system in Cambodia. Of this annual budget, about 73% is allocated to salaries leaving GDANCP/GDLC (implementing agencies for Protected Areas) with an operational budget of less than USD 1.7 million to oversee the protection and management of 40% of Cambodia's land area. Provincial Departments of Environment (PDoEs) receive their budgets directly from the Ministry of Economy and Finance but their small operational budgets limit the direct support they can provide to Protected Areas.
- b. **External Support** – this represents aid from development partners and is usually in the form of capacity building, training and program development for MoE. In some cases (especially from conservation NGOs), salaries of additional Rangers and staff are paid directly but, in most cases, MoE is expected to cover fixed costs from their government budget. External support from development partners are typically not given directly to government agencies but, rather, managed outside the National Budget.
- c. **Fees, fines and other royalties from use of natural resources** – the procedures for collecting these revenues are outlined in joint Prakas between MEF and MoE in the form of Guidelines (#'s 999 and 1000). The estimated revenue income from MoE to the National Budget (projected at approximately USD 2.1 million in the 2017 Budget) is detailed in 5.1 below.

The remainder of this section will focus on existing government strategies for collecting and distributing revenues from fees, fines and other royalties from the use of natural resources.

5.1 Determining revenue types and responsible agencies

The location of the existing, or proposed, Funds within the legal authority of present Laws will likely place limitations on where non-fiscal revenue is collected and by what agency. Since each Law is designed to apply only to those areas under the jurisdiction of each Ministry, it raises questions on the scope of application of both the Protected Area (PA) Law and the Forestry Law. In theory, the PA Law now applies to over 40% of the land area of Cambodia, including what was previously considered Protected Forests under the Forestry Law. Similarly, Economic Land Concessions inside Protected Areas that were previously under the PA Law will now be managed by the Forestry Administration under MAFF and, presumably, be administered in accordance with the Forestry Law.

Administrative changes are now underway to enable MoE to collect royalties or fines for new Protected Areas that were previously considered Protected Forests and managed by the FA. With respect to royalties and fees from Economic Land Concessions located in Protected Areas (including concession fees and land taxes), these will continue to be collected by MoE as the land remains under MoE authority.

The types of revenue MoE can currently collect are detailed in Guideline #999 and include the following three main categories:

5.1.1 Fees, fines and royalties from Protected Areas

As can be seen from Annex 2, the guidelines are specific with respect to the fees that can be collected from Protected Areas and include:

- fines from natural resource crimes (the size of the fine varies depending on the severity of the crime) and sales of confiscated equipment;
- land taxes from ELCs (USD 1/ha/year);
- royalties and premiums on sale of confiscated timber and fire wood;
- fees from eco-tourism services – these are limited to entry fees that vary depending on nationality (only Foreigners are charged) and size of vehicle;
- fees for projects that require “environmental protection agreements”, including film projects and mineral exploration activities; and,
- other fees related to reviewing master plans for ELC plantations and preparing agreements on investment development in Protected Areas.

Each item listed in Annex 2 includes the specific fee that can be charged and, where applicable, the number of work days that MoE can charge for each case and the duration of the license. Most of the current revenue collected by MoE for Protected Areas (projected at approximately USD 1.1 million in 2017) relates to royalties and premiums for seized timber. Very little revenue is currently collected from ecotourism activities or entry fees to Protected Areas.

5.1.2 Fees related to reviews of EIA reports and project monitoring

These are standard fees that can be charged for services provided by MoE during the review of Environmental Impact Assessments (EIAs) and monitoring of Environmental Management Plans (EMPs). The fee schedule varies depending on the size of the project or activity for which EIAs/EMPs are prepared. The projected income in 2017 related to EIAs is USD 928,000.

5.1.3 Fees related to Laboratories and environmental pollution

This category includes standard fees for MoE laboratory services (e.g. testing of specific chemical substances) as well as fines for cases of environmental pollution. The projected income in 2017 related to Laboratories is USD 135,000.

5.2 Mechanisms for revenue collection and management

All line Ministries are obligated to set up a “One Window Office” where all fees have to be paid relevant to a specific Ministry. For MoE, a representative from each General Directorate is present at the “One Window Office” to collect the revenues prescribed in the Guidelines (#999).

5.3 Mechanisms for revenue sharing and use

Whereas Guideline #999 provides details on the type and size of revenue that MoE can collect from different sources, another Joint Prakas between Ministry of Environment and Ministry of Economy and Finance (Guideline #1000) specifies the percentage by which revenue collected from each item listed in Guideline #999 must be divided between the National Budget, MEF and MoE.

The general rule is that 50% of the revenue collected goes to the National Budget (NB), 49% stays with the Ministry of Environment (MoE) and 1% goes to Ministry of Economy and Finance (MEF). This rule applies to all revenue items, except for the PA Fund (70% NB, 29% MoE, 1% MEF) and for Royalties and Premiums (97% NB, 3% MoE, 0% MEF).

It is interesting to note that the Guidelines make reference to a “Protected Area Fund” although such a Fund does not yet exist. Furthermore, most of the revenues collected as Royalties and Premiums go directly back to the National Budget as do revenues intended for the “PA Fund”. While MoE has the ability to propose changes in revenue sharing arrangements during the annual budget

negotiations with MEF, the present guidelines would appear to represent a disincentive for collecting revenues from Protected Areas as long as most of these revenues simply go directly back to the National Budget.

6. Discussion

Enabling legal framework

A review of the existing legal framework suggests there is scope for establishing government NRM funds. However, since Cambodia does not have any overarching law or Sub-Decree that guides or regulates the establishment of Funds generally, the result is that existing Funds in Cambodia have been created on an ad hoc basis through special subject-matter laws (Duggin 2014). Since each Law is targeted to specific sectoral issues and jurisdictions (e.g. the Forestry Law under MAFF and the Protected Areas Law under MoE), any Funds established by those laws would only apply to those areas under the jurisdiction of each Ministry. Duggin (2014) identified this as an issue in designing a national Fund for REDD+ activities given the overlapping jurisdictions of MAFF and MoE.

While guidelines in the form of joint MoE/MEF Prakas currently exist on the collection, management and use of revenues from taxes, fees and fines, there appears to be several issues related to these guidelines (see below).

The Public Finance Law gives significant responsibility and control to MEF to manage and administer public finances. Any legal instruments establishing a new Fund would therefore require careful drafting in close consultation with MEF to ensure that it is aligned with the Public Finance Law. With respect to the management structure for established Funds (NFDF and ESF), representatives from MEF are members of the Management Committee. In the case of the Sub-Decree establishing the NFDF, the Management Committee is co-chaired by the Ministers of MEF and MAFF. For the ESF, a MEF representative serves as Vice-Chair while the MoE Minister or senior official acts as Chair.

Current status of NRM funds

Of the two government NRM Funds that have been established by Sub-Decree, the NFDF managed by the FA (MAFF) appears to be further operationalized than the ESF managed by MoE. There are several likely reasons for this, including:

- FA has collected royalties from timber sales for many years and, as a result, has developed strong internal capacity for collecting, managing and reporting on revenues to MEF;
- The NFDF Sub-Decree provides considerable details on Fund governance, including senior MEF representation on the Management Committee (MC) and a support structure and secretariat that handles Fund administration. This provides a clear separation between the decision-making role of the MC and the implementation role of the secretariat;
- In comparison, MoE has traditionally not been a “revenue-generating” line Ministry. While the existing Guidelines 999/1000 provide opportunities for collecting revenues from fees, fines and taxes related to protected areas (illegal activities, entry fees, sale of seized timber, ELC fees, etc.,) and EIA fees, these types of potential revenues have not been systematically collected. As a result, there is less experience within MoE at both central and provincial levels in operationalizing a government NRM fund, such as the ESF;
- Unlike the NFDF, the ESF Sub-Decree does not provide details on a support structure for the Management Committee. This could be problematic when trying to operationalize the Fund. Furthermore, the ESF seems to be a financial instrument primarily for the General

Directorate of Environmental Protection to use revenues from the review and cost of development projects to finance environmental protection and restoration (i.e. not specifically targeting Protected Areas). Finally, the absence of an approved EIA Law further complicates operationalizing the ESF.

It would be beneficial for MoE to seek advice from FA on their experiences in establishing and managing the NFDF. Both FA and MoE could also benefit from reviewing established government Funds that already have a long and well-established track record. One such Fund is the Commune/Sangkat Fund (C/S Fund).

The C/S Fund has been in operation since 2002 (Annex 3). It was originally established through a World Bank project and has been able to build international donor confidence in its effective use of both domestic and international funds to provide revenue and its compliance with international management standards (Duggin 2014). It is also a strong precedent for providing a consistent stream of revenue into a national level fund, through its use of percentage-based transfers from the national budget (2.8% of national revenue is allocated to the C/S Fund). The C/S Fund uses a performance-based approach in determining revenue allocations whereby each Commune/Sangkat Council has to meet certain standards regarding financial management and implementation of participatory approaches.

Issues related to existing Guidelines (and practise) for revenue collection and management

A review, and possible revision, of the existing MoE/MEF Guidelines #999/1000 should be considered in view of the changed mandates of MoE and FA, and to provide more incentives for revenue collection by MoE staff, particularly in Protected Areas. If a larger proportion (%) of revenues could be retained by MoE and Provincial Environment Departments to help cover operational costs of Protected Areas, revenue collection would likely improve. The potential for collecting additional income from visitor fees in high-use Protected Areas (such as Kulen Mountain NP) is currently not realized and it would be useful to learn from experiences elsewhere in the country (including Preaek Toal Ramsar Site and Angkor Wat World Heritage Site). The willingness of visitors to pay an entry fee would also improve if it was made clear that the fees will be used to properly manage and protect the area.

Similarly, if a larger proportion of fees and fines related to illegal activities could be retained at the individual Protected Area level and used as incentives for improved enforcement (e.g. through rewards and new equipment), this will help motivate field staff and result in more effective protection of natural resources.

Improving both the effective collection and management of revenues will be essential to build strong and transparent systems for fund management. Training MoE staff and building capacity for financial and business planning should be just as important as trying to find new and additional sources of funding.

The need for establishing a Protected Areas Fund

As the only MoE-administered Fund, the ESF is not specifically designed to provide financing support to Protected Areas that are under the jurisdictional authority of MoE and the core mandate for GDANCP/GDLC. The PA Law (2008) provides a clear legal basis for establishing a Protected Areas Fund (PA Fund) and there are several arguments why such a Fund is needed:

- The expansion of Cambodia's protected area system requires substantial new and additional

financial investments – support for a significant increase in the MoE annual budget and the establishment of a PA Fund would signal a clear commitment by the Royal Government of Cambodia that it recognizes the importance of supporting the financing of this impressive natural legacy;

- by fairly assessing the market value of public goods and services provided by Protected Areas and effectively collecting relevant revenues (in the form of fees, fines and taxes) that go directly to a PA Fund, the economic values of Protected Areas are better recognized;
- a PA Fund could provide incentives and opportunities for managers and local communities to generate and retain funds at the PA level and use these to support both operational costs and local livelihood benefits. This is also consistent with MoE's efforts to decentralize responsibilities for PA management to provincial and local authorities;
- a PA Fund could be used to facilitate implementation of the National Protected Area Strategic Management Plan (NPASMP) by retaining revenues from the use of natural resources and investing these in the ongoing management of Protected Areas; and,
- If properly designed to meet international management standards, a national PA Fund could be used to attract international and corporate financing to diversify revenue sources.

The establishment of a PA Fund under the authority of GDANCP would also require substantially strengthening the human capacity at both central and provincial levels for effectively and efficiently collecting, managing and reporting on revenues collected from PAs. Factoring finance into PA planning and management processes, and ensuring that there is sufficient human capacity to use financial tools, is a key strategy for improving PA financial sustainability (Emerton et al. 2006).

A useful case study in establishing a national PA Fund that operates both centrally and at local (PA site) levels comes from the Integrated Protected Areas Fund (IPAF) in the Philippines (see Annex 4 for details). It is interesting to note that while the central IPAF is managed by the national PA authority, local PA "management boards" have been set up for each PA and includes representatives from the PA management authority, local authorities and local communities. The local boards can retain 75% of all revenues collected for that PA while the remaining 25% goes to the central IPAF for distribution to PAs with no/limited revenue.

The Philippines IPAF has operated since 1996 and several lessons have been learnt. The revenues generated from individual PAs only cover about 20% of their needs – additional allocations from the national budget are still required. The national PA authority has recently passed legislation to raise the level of fees and improve the efficiency of revenue collection to address this issue (most fees had remained at 1996 levels and did not reflect market values). The development of clear operational procedures and provision of modest funding for each PA to build the capacity of the local PA management boards were seen as critical needs to improve the functioning of the IPAF.

In their review of financing mechanisms for conservation of forests and protected areas in Cambodia, Tolisano et al. (2016) provided a legal opinion that public finance (i.e. Government Budget Support) is the best and most viable sustainable financing option, provided the FA in full collaboration with the MoE and other stakeholders undertake a fair assessment of the market value for various sources of public taxes, fees or fines and other services and products derived from the use of natural resources. This would also imply a review (and possible revision) of the current guidelines used to collect revenues (specifically Guideline 999) and renegotiation with the MEF for a fair re-allocation of revenues collected from PAs by GDANCP.

7. Recommendations

The recommendations are framed as strategies for MoE to consider in mobilizing more financial resources generally and, more specifically, in establishing NRM Funds to improve revenue generation in areas of environmental protection and the management of Protected Areas.

1. Diversify funding sources

Securing stable and sustainable financing requires diversifying sources of funding and continuing to explore new and innovative funding opportunities. MoE currently operates on the basis of receiving an annual allocation from the National Budget, external support from development partners, and collecting revenues from the use of natural resources. Enhancing the level of financial support from **all** three of these primary sources will be necessary to respond to the increased responsibilities that have been given to MoE as a result of recent jurisdictional reforms. The following recommendations provide suggestions for how to do this.

2. Upgrade financial management capacity and governance

Equally important to generating sustainable flows of funding for natural resource management is to have an institutional framework that is also supportive of this. Training MoE staff and building capacity for financial and business planning will be essential to have strong and transparent systems for fund management. The inclusion of MoE as one of 10 line Ministries where a new Financial Information Management System will be piloted provides an opportunity for MoE to upgrade this capacity.

Putting in place financial governance and management standards that meet the requirements of new international financing mechanisms (such as the Global Climate Fund or the Forest Investment Program) opens the door for MoE to target external support for financing priorities outlined in national strategies (such as the NPASMP).

Strengthening the human capacity at both central and provincial levels to effectively and efficiently collect, manage and report on revenues collected will be a prerequisite for establishing and operationalizing both the ESF and PA Funds. To better understand current capacities and what improvements are needed, MoE should consider carrying out an internal SWOT analysis that could be used as a basis for designing capacity building initiatives.

3. Raise awareness on the importance of the environment sector to the national economy

The environment sector provides a range of public goods and services that are rarely monetized and often taken for granted (i.e. assumed to be free). Having access to clean air, clean water and healthy ecosystems is an essential foundation for sustainable development and should be a right afforded to all Cambodians. However, these ecosystem services are now rapidly being degraded and the costs to society (in terms such as health care and livelihood losses) will continue to increase unless a renewed investment is made in environmental protection and management.

MoE should consider raising awareness, within government, for its role in implementing national strategies essential to support sustainable development. Currently, MoE is lumped within a group of “Social” line Ministries whereas it should, more appropriately, be considered one of the “Economic” line Ministries that include MAFF, Ministry of Water and Meteorology, Ministry of Rural Development and Ministry of Tourism. That would better reflect MoE’s role in balancing national development priorities with the required environmental protection.

4. Seek an increased allocation from the National Budget

Environmental protection is, first and foremost, a responsibility of the Royal Government of Cambodia (RGC) for the benefit of all Cambodians. By declaring over 40% of the land base to Protected Areas, RGC has signaled its commitment to environmental protection. However, the annual MoE budget still represents less than 0.5% of the National Budget and a renewed investment will be required for MoE to effectively fulfill its mandate.

As a priority, MoE should initiate high-level negotiations with MEF to seek a substantially higher budget allocation for 2018 and onwards. A reasonable request would be a doubling of the current budget (to 1% of the National Budget) and using the RGC Reserve (unallocated) Budget as a source of this increase. The benefits of this investment would carry significant political weight, particularly in rural areas where illegal activities and encroachments are not only threatening the integrity of Protected Areas but also the very livelihoods of many forest-dependent communities. To address these threats, MoE needs substantially more resources to strengthen conservation and enforcement actions, and work more directly with local communities dependent on Protected Areas.

5. Target support from Development Partners

While most donors try to ensure their development aid is aligned with national priorities during the project preparation stage, issues often arise during implementation that make this alignment less than effective. Implementing agencies (such as GDANCP) need to be directly involved in determining implementation arrangements and ensuring proposed investments are directed to strategies and priority actions outlined in approved national plans (such as the NPASMP). This is particularly important for GEF-funded projects that represent an important source of external funding support for Protected Areas.

Most donor support received by MoE is managed outside the government financial management system (hence the use of the term “external support”) - this does not help in building institutional capacity for effective and transparent funds management inside MoE. Both the Environmental and Social Fund (ESF) and the Protected Areas Fund (PA Fund) are open to receiving finances from development partners. MoE should consider initiating a dialogue with development partners to see what conditions would be required in terms of Fund design and governance to use external support as a source of investment in these Funds.

6. Review and revise current Guidelines for revenue collection and sharing

Several issues were identified in the joint MoE/MEF Guidelines (999/1000) currently used to establish fees for collecting various revenues from the use of natural resources, and to determine the proportion (%) of revenues that can be kept by MoE. There is a need to review and revise (where necessary) these Guidelines in view of recent jurisdictional reforms

and to better reflect a fair assessment of the market value for the various services and products derived from the use of natural resources.

Specifically, the following issues should be considered:

- The fee schedule (Guideline 999) should be updated in view of new responsibilities transferred to MoE from FA (MAFF);
- The fee schedule for “Eco-tourism Services” includes only entrance fees for Protected Areas – these could be incorporated under the PA Fund and expanded to include license fees for ecotourism companies and concessions operating in Protected Areas as well as (potentially) a small entry fee for nationals;
- The fee schedule could be expanded to include fees (or, taxes) from the tourism industry that benefit from having international visitors that come to see Protected Areas (e.g. airlines and hotels);
- The revenue sharing formulas appear to be a disincentive, particularly for revenues collected for the PA Fund (only 29% is kept by MoE) and for royalties and premiums from seized timber (only 3% kept by MoE) – these need to be re-negotiated with MEF on a permanent basis to enhance revenue collection.

In introducing new fees (e.g. PA entry fees for nationals) it is important to consider “willingness to pay” and develop a communications strategy to clearly explain how the new fees will be used for PA conservation and protection activities.

7. Establish a Protected Areas Fund (PA Fund)

Using the PA Law (2008) as the legal basis, MoE should consider the establishment of a PA Fund as an additional source of funding for the management of Protected Areas. The Fund should be established by Sub-Decree and by including the following considerations:

- Draft the Sub-Decree along the lines of that developed for the National Forestry Development Fund (NFDF) as shown in Annex 1. This would include senior-level (preferably Ministerial) representation from MoE and MEF to co-chair the Management Committee with the DG of GDANCP as the permanent member of the Committee, and as the Chair of the Secretariat for the PA Fund;
- Use the provisions of the PA Law to define the potential sources of income and the activities that can be supported by the Fund. Consider adding innovative sources of funding (e.g. from PES schemes, taxes from the tourism service industry, or private sector investments). A key for motivating the private sector to support a PA Fund would be to create an attractive business case for them to do so;
- Decide on the “model” for the Fund – should it be one Fund centrally managed, or an integrated Fund (such as the Philippines example) where revenues can be retained in the PA where these were collected? The latter could be important for local communities, conservation NGOs and other stakeholders directly involved in the implementation of PA activities.

8. Operationalize the Environmental and Social Fund (ESF)

The following steps should be considered by the ESF Working Group in operationalizing the Fund:

- Consult with FA to learn from their experiences in operationalizing the National

Forestry Development Fund;

- prepare a Prakas to detail the composition and functions of the Secretariat that will support the ESF Management Committee;
- clearly separate the purpose of the ESF (environmental protection largely outside PAs and under the jurisdiction of GDEP) from the PA Fund (management of PAs under the jurisdiction of GDANCP); and,
- consider incorporating in the ESF the original intent of the Environmental Endowment Fund (i.e. contributions from development project proponents). This will clarify and consolidate the two separate Funds managed under MoE.

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Annex 1. Enabling Legal Provisions for Government NRM Funds under Cambodian Law

Law on Environmental Protection and Natural Resources Management (1996)

Article 8:

Natural resources of the Kingdom of Cambodia which primarily consist of land, water, airspace, air, geology, ecological systems, minerals, energy, petroleum and gas, rocks and sand, gems and stones, forests and forest sub-products, wildlife, fish and aquatic resources, shall be preserved, developed and managed to use in a rational and sustainable manner. Natural resource protected zones consists primarily of National Parks, wildlife sanctuaries, landscape protected areas, multiple use areas, shall be determined by Royal Decree.

Article 19:

A special Treasury account, the **Environment Endowment Fund**, shall be created, and administered by the Ministry of Environment for environmental protection and natural resource conservation in the Kingdom of Cambodia in accordance with the Finance Law. The Environment Endowment Fund, which comes from contributions from the Royal Government, grants from international organizations, donations from charitable individuals, donations from nongovernmental organizations, and other lawful sums, shall be included in the National Budget in order to provide the above special account.

Article 21:

Any person who refuses to allow access or obstructs the inspection officials from entering to examine or carry out an inspection inside the premise as provided for in the para.1 of the article 15 of this law, shall be subject to an administrative fine in cash from 500,000 (five hundred thousand) to 1,000,000 (one million) riels. In case of repeated offenses, shall be penalized a fine of 1,000,000 (one million) riels to 5,000,000 (five million) riels or shall be punished to imprisonment from 1 month to 3 months or to both punishments. Any person who violate the article 20 of this law, shall be subject to administrative fine in cash of 1000,000 (one million) riels to 10,000,000 (ten million) riels. In case of repeated offenses, shall be penalized a fine from 21,00,000 (twenty one million) riels to 30,000,000 (thirty million) riels or shall be subject to punishment to imprisonment from 1 (one) month to 1 (one) year, or to both punishments.

Law on Protected Areas (2008)

Article 32:

The Government shall establish a fund called "**Protected Areas Fund**" which is organized, managed and given responsibility by a protected area committee with Minister of Environment and Minister of Economy and Finance as co-chairmen. The establishment and functioning of the committee shall be determined by a Sub-decree.

Article 33:

Funding support for rehabilitation, improvement of protected areas and biodiversity shall come from:

1. National budget
2. Protected area entrance and other service fees
3. Environmental endowment insurance
4. Donations
5. Assistance from national and international organizations and friendly countries
6. Assistance from international environment funds

Article 34:

Budget and funds from sources as stated in article 33 of this law may be used to support the following activities within the protected areas:

- The protection and conservation of biological resources and ecosystems;
- Rehabilitation and enhancement of biodiversity and ecosystems;
- Technical and scientific research study on the biological diversity and ecosystem;
- Maintenance and extension of eco-tourism services
- Training, human resource development and capacity building of the Nature Conservation and Protection Administration staff for effective protection and conservation of biodiversity and ecosystems;
- Programmes supporting the establishment of community protected area;
- Dissemination and education on protected area; and
- Construction, rehabilitation and maintenance of infrastructure.

Sub-Decree #72 on Environmental Impact Assessment Process (1999)

Article 2:

This Sub-decree applies to every proposed project and activities and existing and in-process, private, joint-venture and public projects that listed in an Annex of this Sub- decree, except projects deemed necessary to react to a declared state of emergency and approved by the Royal Government.

Article 3:

The Ministry of Environment shall:

a/ evaluate and review the environmental impact assessment reports in collaboration with other Governmental Institutions.

b/ take appropriate administrative action, conduct surveillance and monitor to ensure that the Environmental Management Plan during project construction, operation, and closure, which contained in an approved EIA report be implemented by the Project Sponsor.

Article 4:

Central Governmental Institutions in their capacity as the Approval Institution shall approve the project that listed in an Annex of this Sub-decree only after consideration of the findings and recommendations of the Ministry of Environment on the EIA reports.

Article 11:

The Project Sponsor will submit the review and monitoring fee to the National Budget Account. The amount of the fee is specified by the Ministry of Economy and Finance according to the proposal of the Ministry of Environment.

Article 12:

Consider the obligation to make a donation to the Environmental Endowment Fund as stipulated in Article 19, Chapter 8 of the Law on Environmental Protection and Natural Resources Management.

Draft Law on Environmental Impact Assessment (05 February 2015)

Article 52:

A detailed budget of estimated costs for environmental impact mitigation measures that must be included in the Environmental Management Plan (EMP) shall be borne by the Project Proponent. Service fees and other charges shall be determined by an Inter-ministerial Prakas between the MoE and the Ministry of Economy and Finance.

Article 53:

When the Project Proponents submit application for review and comment on IEE or EIA report, MoE has the duty to collect fees and service charges as provided in an Inter-Ministerial Prakas between MoE and Ministry of Economy and Finance on Service Charges for reviewing EIA report.

Article 54:

The Project Proponent shall make payment of fees and service charges for reviewing Environmental Monitoring Report to MoE to be used for capacity building of the officials of MoE to enable MoE to carry out its duties to review monitoring reports, respond to requests for investigation of environmental complaints, and to carry out routine compliance monitoring during both construction and operation phases of the project.

Article 55:

The Project Proponent shall make payment of a minimum of 1% of the project costs to Environmental and Social Fund to the MoE. An Environmental and Social Fund shall be created by the Ministry of Environment to provide finance for the restoration of environment, conservation of biodiversity and social development in and around the area where the project is located. The Environmental and Social Fund shall be managed by MoE in a manner determined by Sub-Decree.

Article 56:

The Project Proponent shall make payment of Environmental Endowment Fund based on the agreement between MoE and Project Proponent, on an annual basis until the end of business, based on the type and scale of development project.

Article 57:

The MoE, and Provincial or Municipal Departments of Environment, and responsible environmental agencies and local administrations have the right to make proposals for awards or certificates of encouragement, or other appropriate forms of recognition for the achievement of the EA process in Cambodia to persons, entities, companies or any organization that has made remarkable accomplishments in environmental assessment activities.

Sub-Decree #238 on establishment of the Environmental and Social Fund (22 November 2016).

Article 2:

This sub-decree aims for effective, transparent, and accountable management, uses and allocation of Environmental and Social Fund to restore and protect the environment, conserve biodiversity, and sustainable uses of natural resources and sustainable livelihoods for all generations of Cambodians in the Kingdom of Cambodia.

Article 4:

The Environmental and Social Fund is managed by the Environmental and Social Fund Committee, which include the following:

- | | | |
|--|---|------------------|
| - Minister or Senior Official of the Ministry of Environment | 1 | Chair |
| - Representative from Ministry of Economy and Finance | 1 | Vice Chair |
| - Representative from Ministry of Environment | 1 | Member |
| - Representative from Ministry of Economy and Finance | 1 | Member |
| - Representative from Environmental Protection General Directorate | 1 | Permanent Member |

Article 5:

The Environmental and Social Fund Committee has the following roles and responsibilities:

- Develop policies and strategies to collect, manage, allocate and use the Environmental and Social Fund
- Encourage project owners to pay the Environmental and Social Fund
- Establish the administrative and legal procedures to collect the Environmental and Social Fund from project owners stipulated in the Environmental Management

Plans of Environmental Impact Assessments and Environmental Protection Agreements

- Facilitate coordination between government ministries, institutions, development partners, private sector, and individual contributions to raise fund for the Environmental and Social Fund
- Review and approve financial plan of the Environmental and Social Fund to support environmental restoration, environmental protection, conservation of biodiversity and sustainable uses of natural resources and sustainable livelihoods
- Manage, uses and allocate fund collected from private and public development projects
- Review and approve proposals to use Environmental and Social Fund to support environmental sector
- Monitor and evaluate the uses of funds that are disbursed for approved proposals
- Provide technical guidance on management and uses of Environmental and Social Fund for projects that support environmental sector
- Report on the financial status and report on the progress of the Environmental and Social Fund every three months to the Ministry of Economy and Finance
- Implement other responsibilities delegated by the royal government

Article 6:

The Environmental and Social Fund Committee has a Secretariat within the General Directorate of Environmental Protection. Establishment and Operation of this Secretariat will be announced through the Ministry of Environment's Prakas.

Article 8:

The sources of revenue for the Environmental and Social Fund include:

- Royalties from owners of private and public development projects stipulated in the Environmental Management Plans of Environmental Impact Assessments and Environmental Protection Agreements
- Incomes from environmental protection, ecosystems services and conservation of biodiversity
- Donations or financial supports, equipment and other tools from individuals, development partners, private institutions at national or international level
- Other fees from environmental sector
- Other sources

Article 9:

The Environmental and Social Fund must be deposited in an account of the National Treasury or a Partnered Commercial Bank approved by the Ministry of Economy and Finance.

Article 10:

The Environmental and Social Fund should be used for the following activities:

- Environmental protection, sustainable conservation of forests, biodiversity and ecological systems and sustainable livelihoods
- Restoration of environmental and biological resources and ecological systems throughout Cambodia
- Infrastructure development to improve daily livelihoods of local communities living within or adjacent to development project areas or other areas
- Scientific research on biodiversity and ecological systems
- Environmental knowledge dissemination
- Support program to establish community protected areas and other communities to support environmental sector
- Capacity building and human resource development for environmental and natural resources sector
- Awareness raising on protected areas

Article 11:

Procedures to manage revenues and disburse revenues from the Environmental and Social Fund will be established through a joint Prakas by Ministry of Environment and Ministry of Economy and Finance.

Law on Forestry (2002)

Article 51:

The Forestry Administration shall collect the following Wildlife Conservation Fee and Wildlife Royalty:

1. A Wildlife Conservation Fee shall be paid to the Forest Development Fund; and
2. A Wildlife Royalty shall be paid to the National Budget.

The amount of a Wildlife Conservation Fee and Wildlife Royalty shall be determined by Joint-Prakas between the Ministry of Agriculture, Forestry and Fisheries and the Ministry of Economy and Finance.

Article 52:

Except as stated in Article 53 of this law, any individual or legal entity harvesting Forest Products & By-products for commercial purposes within the Permanent Forest Reserve shall pay royalties and premiums to the national budget through the Forestry Administration. The Royal Government of Cambodia shall determine the royalties and premiums upon the joint proposal of Ministry of Agriculture, Forestry and Fisheries and Ministry of Economy and Finance. The state will not require the payment of royalties or premiums for the harvesting of Forest Products & By-products from private forests. The Model Forest Concession Management Agreement shall include a table of royalties and premiums on Forest Products & By-products.

Article 56: Anyone with legal possession of a permit to harvest Forest Products & By-products shall pay all applicable royalties and premiums prior to transferring or selling any of these rights to a third party. The Minister of Ministry of Agriculture, Forestry and Fisheries, after consultation with the Ministry of Economy and Finance, may approve a delay in the payment of Royalties and Premiums on Forest Products & By-products for a permit holder who the Forestry Administration has recognized for practicing the sustainable forest management, and the delay of payment shall be based on rules and guideline under Article 55, 2nd paragraph of this law.

Article 62:

The Royal Government of Cambodia shall establish a fund known as “National Forestry Development Fund” which shall be administered and managed under the responsibility of the National Forestry Development Committee, and co-chaired by the Minister of Ministry of Agriculture, Forestry and Fisheries and the Minister of the Ministry of Economy and Finance. The organization and functioning of the National Forestry Development Committee shall be determined by Anu-Kret.

Article 63:

The National Forestry Development Fund shall have sources of revenues derived from:

1. Distributions from the Royal Government of Cambodia;
2. Premium on Forest Products & By-products;
3. Wildlife Conservation Fees;
4. Aid from international organizations;
5. Donations from charitable individuals and national and international non- governmental organizations, and
6. Revenue from other services in the forestry sector.

All of the above mentioned revenue should be deposited into the account of the National Forestry Development Fund.

Article 64:

National Forestry Development Fund shall not be used for the organization and functioning of the Forestry Administration. This fund shall be used only for the following

activities;

1. Reforestation;
2. Silviculture and forestry rehabilitation;
3. Forest Protection and Conservation and bio-diversity
4. Forest and wildlife scientific and technical research;
5. Extensions on Forest and Wildlife sector;
6. Development in Forest and Wildlife sector;
7. Development of Community Forestry; and
8. Training human resources for the Forest and Wildlife sector.

Article 94:

Any individual who has committed a forestry offense harming the forest ecosystem shall be liable for payment in order to restore or repair the forest ecosystem to its original condition.

Sub-Decree on establishment of National Forestry Development Fund (Sub-Decree 46, dated 17 March 2017)

Article 1

This Sub-Decree aims to establish the “National Forestry Development Fund “ which will be managed by National Forestry Development Fund Committee “NFDFC”.

Article 2

The NFDF will be used to support the activities below:

1. community forestry development
2. build human resource in forestry sector
3. reforestation
4. silviculture and forest restoration
5. protection and conservation biodiversity
6. scientific and technical research on forest and wildlife
7. forest extension
8. protection and development in forestry sector

Article 3

The source income/investment of NFDF from:

1. other contributions from the government
2. premium from forest products and NTFP
3. investment fund from development partner and INGOs
4. grants and concession loan from development partners and international microfinances
5. generous gift from development partners and non-governmental organizations, national and international
6. other fee from the forestry sector.

Any income above must be included in the National Forest Development Account. Forest Administration must have a National Forest Development Account which will be installed in the national treasury or any commercial banks that approved by the Ministry of Economy and Finance.

Article 6

NFDF is managed, disbursed, and responsible by the NFDF Committee. NFDFC consist of:

1. Minister of Agriculture Forestry and Fishery and Minister of Economic and Finance serve as co-chairs
2. Sub-minister of Ministry of Interior serve a member
3. Director General of Forestry Administration as permanent member

Article 7

The NFDFC has role and responsibilities as below:

1. set policy and national development strategies framework for forestry and wildlife sector
2. coordinate with other government countries or development partners, private sector and donors who provide funds to the Forestry Development Fund
3. reports on the annual implementation process of "NFDFC" to the government
4. reviews and decides on the annual financial plan of the fund for supporting the development of forest and wildlife sector at the request of the permanent secretariat
5. reviews the activities and annual results.

Article 8

The "NFDFC" has a permanent secretariat based in Forestry Administration headquarter and led by Director General of Forestry Administration and has its members to perform daily works which is under supervision and orientation from "NFDFC" and consists of:

- | | |
|---|--------|
| 1. Director General of Forestry Administration | Chair |
| 2. Deputy Chief of Forestry Administration | Deputy |
| 3. Head of Forestry and Wildlife Development Research Institute | member |
| 4. Head of Tree Plantation and Private Forest Department | member |
| 5. Head of Forest and Community Forestry Department | member |
| 6. Head of Administrative Planning and Finance | member |

Article 9

The role of the permanent secretariat is to propose project action plan and annual financial plan in accordance with the approval of procedures, policies, budget of "NFDFC" management; disburse the National Forest Development Fund from national organization and international organizations, and other donors; monitor and evaluate the implementation of the project which received funding from the National Forest Development Fund approval on any agreement on the funding support from international donors, bilateral or multilateral. Provide annually, semester, quarterly report on the progress and result to "NFDFC". Conduct meeting every 3 or 6 months. If necessary, may convene extraordinary meetings.

Article 10

The permanent secretariat of the "NFDFC" has two executive bodies as below:

1. Planning and financial body
2. Technical, monitoring and evaluation body

Each body has one head with a number of supporting staffs as necessary.

Article 11

The administrative and financial body has role as below:

- preparation of instructions on how to plan activities and project outcome indicators

- select priority projects and register into the Management Information System (MIS)
- documentation to submit to the permanent secretariat
- preparation of procedures on the Procurement and negotiations of the Agreement
- prepare contract in respect to the law provision
- responsible for daily administrative personnel, accounting, financial planning
- documentation on time to the supply of materials and equipment
- rigorous monitoring of all revenue payment for all costs
- prepare monthly, quarterly, semester, and annual report and submit to permanent secretariat of “NFDFC”

The technical, monitoring, and evaluation body has role as below:

- study on the forestry, wildlife project and the utilization of the National Forestry Development Fund
- monitor and manage the implementation of project technical aspect and that verification work is done
- technical management, quality improvement of each authentic standard
- join inspection with funding party to evaluate work on the project
- other works which the permanent secretariat assigns
- prepare monthly, quarterly, semester, and annual report and submit to permanent secretariat of “NFDFC”

Law on the Public Finance System 2008 (Public Finance Law)

Article 3

This Law has its scope as a fundamental law serving as basis and requiring compliance by national and sub-national public financial management in the Kingdom of Cambodia

Article 15

Fiscal revenue includes the revenues obtained from domestic and international trade taxes and excises, and other revenues. Non-fiscal revenue includes the revenues obtained from management, business operations and sale of state properties, proceeds from concessions, fees generated from public services, proceeds from penalties and fines, subsidies, financial donations, other proceeds and special proceeds, and other non-tax revenues.

Article 18

State service fee is a charge on public services delivered by state public entities to private and third organizations. State service fees shall be under a price list determined by the Royal Government according to the request by Minister of Economy and Finance and suggestions by line ministries and institutions. As for state services that are minimal such as fees generated from administrative authorization, formalities, tickets visiting resorts and museum, and receipts of fines shall be determined by a joint Prakas issued by Minister of Economy and Finance and the ministers of relevant line ministries or heads of relevant institutions.

Article 19

Revenues shall be fully recorded and shall not be used to directly offset expenses. Any increase by a revenue manager to an approved level of credit supplemented by basing on any special revenue sources shall be strictly prohibited.

Article 20

The entire revenue shall be allocated to all expenditure items. However, some revenues can be allocated only for actual expenditure items under forms and conditions specified by law.

Article 31

Special account of the National Treasury is an account opened in the National Treasury's record in order to:

1. Record separate revenue booking for specific financing to public service transactions, known as specially arranged account.
2. Show temporary spending of the state, known as advance account.
3. Record all transactions with industrial or commercial transactions which are secondary undertaken by the state, known as commercial account.

The special account of the National Treasury shall be created or eliminated by the Law on Finance under the conditions set forth in the provisions of this Law.

Article 33

Spending transactions that can be recorded in the special account of the National Treasury shall be processed similar to the state budget under the separate conditions as follows:

1. Total committed spending or mandated spending issued to the special account of the National Treasury shall not exceed the total resource of the account itself
2. During a managerial period, if the revenue of the National Treasury's special account is larger than the estimated planned spending, then the credit of this account can be increased by Prakas issued by the Minister of Economy and Finance within the exceeding amount of the revenue
3. Credit balance of the National Treasury's special account can be carried forward from one year to another unless otherwise specified in the Law on Finance
4. Any spending such as salaries or allowances that does not belong to special account of the National Treasury, i.e. contrary to the account's objectives is not allowed to be recorded in this account.

Article 66

Ministers, heads of institutions, and heads of similar public entities including governors at the sub-national administration level shall be responsible for executing their budgets. Revenue collection and spending shall comply with their jurisdiction of authority which is defined by laws.

Annex 2. Fees and fines related to Protected Areas (from MEF/MoE Guideline #999)

N.	Description	Fee (R: Riel; K: Thousand; M: Million)	Work Days	Validity
1	Fines on Natural Resource Crimes			
1.1	First time, Level 1 Crime	R.10K to R.10M		
1.2	Second time offender	R.20K to R.20M		
1.3	Based on court decision (level 2, 3, 4)	R. 1.5M to R.250M		
1.4	Sales of confiscated equipment	Based on actual		
2	Protected Area Fund			
2.1	Revenue from concession of development projects within PA	USD 1 per ha per year		
2.2	Contribution for environmental restoration from owners of development concessions within PAs	Based on project developers		
3	Royalties and Premiums			
3.1	Luxury wood			
3.1.1	Trees with less than 15cm diameter	R.10K per tree		
3.1.2	Tree with diameter between 15-30cm	USD110,00 per 1m ³		
	Dalbergia Cochinchinensis Pierre (Kro Ngung)	USD220,00 per 1m ³		
	Dalbergia oliveri (Neang Noun)	USD165,00 per 1m ³		
	Azelia xylocarpa (Kurz) Craib. (Beng)	USD137,50 per 1m ³		
3.1.3	Tree with diameter bigger than 30cm	USD192,00 per 1m ³		
	Dalbergia Cochinchinensis Pierre (Kro Ngung)	USD275,00 per 1m ³		
	Dalbergia oliveri (Neang Noun)	USD247,00 per 1m ³		
	Azelia xylocarpa (Kurz) Craib. (Beng)	USD220,00 per 1m ³		
3.2	Type 1 trees			
	Tree with diameter between 15-30cm	R.20K per tree		
	Tree with diameter bigger than 30cm	USD85,50 per 1m ³		
3.3	Type 2 trees			
	Tree with diameter between 15-30cm	R.17K per tree		
	Tree with diameter bigger than 30cm	USD55,00 per 1m ³		
3.4	Type 3 trees, outside classification			
	Tree with diameter between 15-30cm	R.15K per tree		
	Tree with diameter bigger than 30cm	USD27,50 per 1m ³		
3.5	Mixed trees with diameter less than 15 cm	R.2K per tree		
3.6	Mixed fuel (energy and coal)	R.5K per tree (0.6 m ³)		
4	Eco-tourism Services			
4.1	Entrance Fee for Foreigner into PA	R.20K per person		1 Day
4.2	Entrance Fee for PA (less than 5 seats vehicles)	R.10K		1 Day
4.3	Entrance Fee for PA (5 to 15 seats vehicles)	R.15K		1 Day
4.4	Entrance Fee for PA (more than 15 seats vehicles)	R.20K		1 Day
4.5	Entrance Fee for PA (1 motorbike)	R.2K		1 Day
5	Projects required to have environmental protection agreements			
5.1	Area for Telecom Antenna Station in PA	R.2M	30 Days	1 Year
5.2	Area for mineral studies in PA	R.8M	30 Days	1 Year
5.3	Request to set up processing equipment (temporary) for timber and NTFPs in development concession areas in sustainable use zone of PA	R.8M	30 Days	1 Year
5.4	Area for filming international film	R.15M	30 Days	Once
5.5	Area for filming local film	R.1.5M	30 Days	Once
5.6	Area for filming documentary film	R.800K	30 Days	Once
5.7	Area for filming karaoke film	R.250K	30 Days	Once
6	Other fees within protected areas			
6.1	Review and revise master plan for plantation for agro-industry purses	R. 8M	30 Days	Permanent
6.2	Preparation of agreement on investment development	R. 8M	60 Days	Permanent

Annex 3. Cambodia Commune/Sangkat Fund (Adopted from Duggin 2014)

The **Commune/Sangkat Fund (CS Fund)**, established under the Law on the Administration and Management of Communes/Sangkat 2001, operates to transfer national and other revenues to the Commune/Sangkat budgets. The detailed operation of the CS Fund is set out in the Sub-Decree on the Establishment of the Commune-Sangkat Fund 2002. The CS Fund's purpose is to enable the Communes/Sangkats to fulfill their general responsibilities for local administration and local development, in addition to reducing the difference in relative potential amongst them to mobilize their own revenue, and to act as an incentive for building good governance of C/S Councils.

The CS Fund operates on the basis of sourcing revenue from both domestic and international sources. It receives revenues into a special account at the National Treasury from a set percentage share of recurrent domestic revenue (2.8%), as well as grants and loans made by donors and international financial institutions, and any other sources. Annual targets are also made with respect to mobilizing external contributions to the CS Fund.

The CS Fund is governed by a Board chaired by a MEF representative and composed of representatives from government institutions and elected C/S Councils. The Board is responsible for a range of management activities, including making recommendations on the share of total revenue to be allocated to the Fund, monitoring the flow of resources from external grants and loans, adopting and reviewing the distribution formula for fund resources, adopting and revising classifications of Communes/Sangkats for allocation purposes, approving annual resource distribution plans, and liaising with Communes/Sangkats about annual entitlements, monitoring actual resource transfers, and approving annual financial statements. A Permanent Secretariat supports the Board and is housed within MEF responsible for providing administrative and technical support to the Fund Board.

The Minister of Interior has final authorisation power for all resource transfers to the individual Commune/Sangkat accounts. The Minister of Interior is also responsible for monitoring the performance of the use of the CS Fund's resources, and providing the Board periodically with detailed information on the transfer and use of the Fund's resources. The Provincial Governors are also delegated the power to monitor and certify compliance of the C/S Councils with the conditions of access to the CS Fund, and to monitor their performance. The CS Fund also establishes a specific system for resource sharing amongst the Commune/Sangkats, based on a formula. Total resources of the CS Fund are divided into two components, which caps resources at one-third for a General Administration Component, and at least two-thirds for a Local Development Component, from the total distributable resources of the CS Fund. Within these limits, the Board is to determine the division of resources. Classification of Councils supports this approach, to ensure effective and accountable use of resources, based on their financial performance. Councils must be categorised as either capable of 'making effective and efficient use of the Fund transfers earmarked for development spending' (Category 1) and those that are not (Category 2). This categorisation determines how Councils can use the fund's resources. Those in Category 1 only may access resources allocated for local development. Resources for local development are also to be distributed in three shares: an equal share, a share proportional to the population of the Commune/Sangkat and a share proportional to a poverty index, weighted by the population. Both Category 1 and 2 may access resources allocated for general administration.

In addition to the governance mechanisms noted above, the Sub-Decree also contains provisions to ensure the oversight of transfer of funds and access. The National Treasury is to make transfers to C/S accounts, in accordance with approved allocations, at the request of the Minister of Interior, in three installments throughout the course of one year. To receive the transfers, Councils must demonstrate that they have met certain conditions, including following a participatory process of planning, budgeting and implementation, completing all financial report, and mobilized beneficiaries contributions to complement Fund transfers. Provincial Governors also play a role, verifying compliance with these access conditions, and making recommendations to the Ministry of Interior for the transfer.

Annex 4. Philippines Integrated Protected Areas Fund (IPAF)

The Philippines IPAF is a government trust fund established under the provisions of the National Integrated Protected Area Systems Act (1992) to receive grants, donations, endowments and revenues generated within PAs, and to invest these back into the PA system. A Protected Area Management Board (PAMB) is set up for each PA and includes representatives from the PA management authority, local authorities and local communities. The PAMB can retain 75% of all revenues collected for that PA with the remaining 25% going to the central IPAF managed by the Department of Environment and Natural Resources (DENR) for distribution to PAs with no/limited revenue. Most common revenue collected comes from entrance fees and fees from using facilities (parking etc.,) or designated areas for hiking, biking and diving. DENR has established minimum fee schedules that can be used by each PA with higher fees for foreigners (indigenous people and local residents are exempt from paying fees).

Total IPAF income over a 17-year period (1996-2013) was recorded to be about USD 5.6 million with only 18% of all PAs (44 of 240) charging entrance fees and 13% charging for use of facilities. Most revenues are collected by those PAs in the most accessible areas PAs and with the highest visitation rate. In a review of the investment requirements for 8 PAs that have been collecting revenues from visitors, it was found that on average, the IPAF covered about 22% of the needs for each PA. The DENR has recently passed legislation to raise the level of fees and improve the efficiency of revenue collection.

A number of early issues identified in using the IPAF as a sustainable financing mechanism included:

- Very few of the non-earning protected areas have obtained financial support from the central IPAF (i.e. receiving the 25% share);
- Reasons why some PAs are not collecting revenues relate to poorly functioning PAMBs with limited capacity and guidance from the central authority on how to raise funds – the need for a functional management entity to generate resources at the individual PA site is critical;
- One factor that has contributed to the low collection of fees in many PAs is the difficulty in accessing the IPAF, particularly the lengthy bureaucratic process for fund release that can take up to six months. Current practice (in 2006) requires that fees are remitted to the National Treasury before the share of each PA is sent back (recommendations were made to have the IPAF disbursement of the 75% share approved at the local or regional level);
- Many PAMBs do not adopt a transparent and systematic recording system of their revenue collection; many suffer from a lack of systematic management systems; and, most do not receive sufficient guidance and monitoring from government agencies – the development of clear operational procedures and provision of modest funding for each PA to build the capacity of the PAMBs were seen as critical needs to improve the functioning of the IPAF.

References: Anda (2006), Fontanilla (2014), and DENR (2016)