

## Policy Brief

# TOWARDS A MORE INCLUSIVE AND RESPONSIBLE DEVELOPMENT IN PREAH SIHANOUK AND KOH KONG PROVINCES

### Key messages

- *Environmental impact assessment (EIA) regulations and clauses are not effectively enforced, revealing significant gaps in actual practice.*
- *Coastal residents remain solely dependent on the marine fisheries though there have many development and investment projects in the recent years. This highlights the overwhelming reliance on marine fisheries for subsistence and economic activity among coastal communities.*
- *The communities' natural resources have been declining, posing future local economic instability for the communities.*
- *The ineffective governance of community-based groups (CBGs) is a significant factor accelerating the decline of natural resources in many coastal communities.*
- *The external pressures exerted by individual elites and private investment companies on Cambodia's marine coastline and estuaries have been a significant and ongoing concern for nearly a decade.*
- *The issue of ineffective legal enforcement in managing and protecting natural resources, particularly marine resources, in Cambodia's coastal provinces, like Koh Kong and Preah Sihanouk provinces, has emerged as a critical concern.*
- *The issue of limited information on the project portfolios, financiers, and sustainability-related policies of coastal private investment projects in Cambodia highlights significant concerns regarding business transparency, integrity, and the overall governance of these projects.*

## 1. INTRODUCTION

EIA is mandatory for all medium to large development projects in Cambodia, including those initiated by private individuals, companies, joint ventures, public companies, or government ministries and agencies. The legal framework for the EIA is established under the Environment and Natural Resource Code, which is aligned with Cambodia's Constitution and emphasizes the importance of environmental protection. There have been concerns regarding the overseas impacts of investment projects, particularly those that rely on external financing. Many large-scale projects that lack proper and transparent EIA processes negatively impact human rights and the environment, particularly by degrading coastal underwater resources vital to community fisheries (CFis). In this context, Fair Finance Cambodia commissions a study to assess and evaluate the impacts of development projects on the socio-economic conditions of local communities and their fishery resources in Prey Nob district of Preah Sihanouk Ville province, and Botum Sakor and Srae Ambel districts in Koh Kong province. It examines the

negative impacts of investments and development projects on the environmental landscape, and economic activities of affected communities.

This study examines the socio-economic conditions and fishery resources of local communities in Cambodia, focusing on the impact of development projects on economic activities, and environmental landscape. It identifies financial institutions funding these projects and assesses their compliance with safeguards and sustainability standards. The findings inform advocacy plans for community-based groups and support the Environmental and Natural Resource Code (2023) and EIA and environment, social and governance (ESG) standards and practices.

## 2. STUDY METHODOLOGY

The study uses both quantitative and qualitative methods to gather data, including a household survey and interviews with key informant interviews. The survey included responses from 254 households in potentially impacted areas in Prey Nob, Srae Ambel and Botum Sakor districts.

## 3. KEY FINDINGS

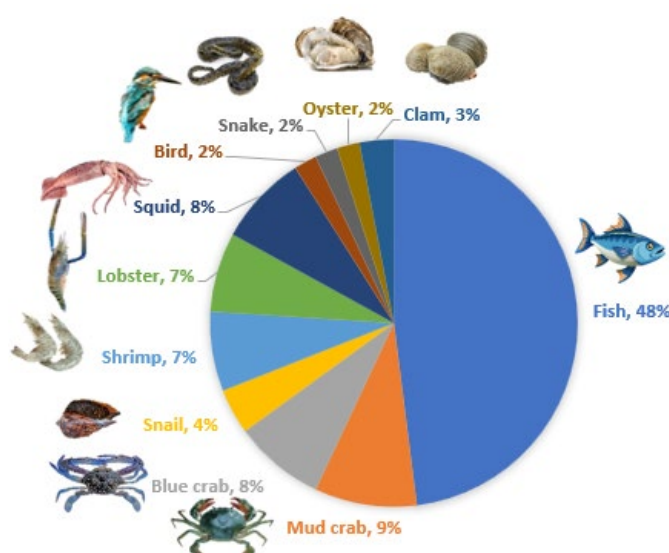


Figure 1: Varieties of marine resources collected

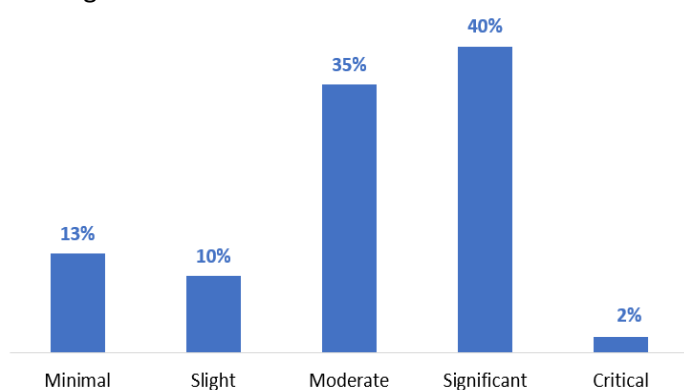


Figure 2: Perceived depletion in marine resource stocks by coastal residents

The household survey highlights dependence on marine fisheries (55% of respondents), mangroves (12%), and coastal rice farming (15%). Fish were the most significant, accounting for 48% of the total catch (Figure 1). This category also includes species regarded as commercially valuable. The high percentage of fish in the catch underscores this food source's important role in both basic nutrition and financial gain for coastal communities. Most households reported earnings between \$20 and \$250 monthly, with livelihoods centered on fishing, small businesses, and daily labor. A study found that 68% of respondents believe daily marine resource collection is crucial for coping with natural and socio-economic challenges. However, 31% expressed concerns about resource depletion and livelihood security (Figure 2). 40% believed resources had significantly degraded, while 23% rated it as minimal or slight.

The study found that 72% of respondents were unaware of investment projects in their local areas, while 28% had limited knowledge. 64% reported no benefits from these projects, while 21% felt they gained little. Only 15% reported moderate to significant benefits. Furthermore, the survey revealed that 68% of residents were unaware of EIAs, and 50.4% reported experiencing medium-to-significant adverse impacts from development projects. Local

concerns were largely centered around disrupted fishing access and environmental neglect within their community zones.

The specifics of investment project portfolios, including the identities of their financiers, remain largely unknown to the public. It is speculated that these financiers may include local tycoons or investors who have stakes in the projects. The limited disclosure of information presents considerable challenges, impeding awareness of the stakeholders involved in these projects and also the local communities. This lack of transparency undermines understanding of who may be affecting local communities and marine resources in the study areas. Consequently, it raises concerns about accountability and the capacity of community members to engage meaningfully in discussions regarding these investments' environmental and social impacts. Moreover, the absence of a robust legal framework and effective enforcement mechanisms may discourage potential investors. Insufficient regulations pose challenges for compliance-oriented investors, ultimately limiting Cambodia's ability to attract a diverse range of highly responsible investors.

Key challenges identified from the field interviews and group discussions include weak legal enforcement, inadequate monitoring of protected areas, poverty-driven resource exploitation, insufficient stakeholder collaboration in resource conservation, and non-transparent practices of private investments. As suggested by interviewed stakeholders, a balanced approach integrating community-led conservation, stricter regulations, and sustainable investment is critical to safeguarding Cambodia's coastal ecosystems while fostering equitable growth. Strengthening CBGs, enhancing EIA transparency, and highly effective law enforcement are urgent priorities.

#### **4. KEY DISCUSSIONS**

- The enforcement of EIA regulations in Cambodia is inadequate, resulting in significant gaps in community engagement, public disclosure, and monitoring over EIA practices of the projects. The mandates outlined in the Code, which require appropriate community engagement in the EIA process, public disclosure of EIA reports, posting of EIA approval letters at project sites, and regular monitoring of EIA performance, are not being implemented effectively.
- Cambodia's marine coastline and estuaries have faced significant external pressures for nearly a decade, creating a challenging environment for CBGs dependent on these resources. Fears and frustrations from unresolved conflicts with powerful external actors, such as political elites and wealthy individuals, burden these communities. Projects like sand dredging and coastal reclamation have resulted in environmental degradation, destroying critical marine habitats and threatening food security and economic stability of the local communities.
- Coastal communities, which depend heavily on marine fisheries for their livelihoods, face increasing vulnerability due to unsustainable practices such as overfishing, pollution, and habitat destruction. This depletion threatens economic stability, especially for rural households reliant on these resources.
- CBGs struggle with limited financial and material resources, hindering their ability to manage natural resources effectively. The declining support from NGOs further exacerbates this issue, leaving communities vulnerable to external pressures from powerful interests involved in environmentally damaging projects.

- Legal enforcement in coastal provinces is perceived as ineffective and biased, leading to a lack of trust in the legal system and undermining efforts for sustainable resource management. This erosion of trust can result in social fragmentation and increased inequality.
- Climate change intensifies the degradation of marine resources, disrupting daily lives and economic opportunities for these communities. Extreme weather events, exacerbated by climate change, further challenge traditional fishing practices.
- Finally, the lack of transparency and accountability in private investment projects raises concerns about their impact on local communities and the environment. The absence of the public projects' portfolios and ESG policies suggests insufficient commitment to sustainable practices and raises questions about the Cambodian government's regulatory role.

## 5. CONCLUSION

Marine fisheries are crucial for coastal communities in Cambodia, but overfishing, habitat destruction, and ineffective management threaten their future. Furthermore, the lack of effective EIA practices poses a broader threat to the sustainable development aspirations of Cambodia. The absence of proper assessments can lead to environmental degradation, loss of biodiversity, and detrimental impacts on the livelihoods of local communities, particularly those dependent on natural resources for their sustenance. The consequences of such neglect not only harm the local ecosystem but also create a cycle of poverty and disenfranchisement in communities that rely on these resources.

To address these challenges, it is essential to enhance the EIA framework by incorporating rigorous assessment methodologies, regular monitoring processes, and stronger enforcement mechanisms. Engaging local communities in the EIA process can also enhance transparency and accountability, ensuring that the voices of those most affected by development projects are heard and considered in decision-making. Additionally, fostering collaboration between government agencies, civil society organizations, and international partners can facilitate knowledge sharing and best practices in environmental management. Training programs aimed at capacity building for local stakeholders can empower them to participate actively in the EIA process, promoting a culture of sustainability that aligns with both local needs and global standards.

Ultimately, a revamped EIA framework that emphasizes proactive management rather than reactive compliance will be crucial for promoting sustainable development in Cambodia. By prioritizing environmental protection and community involvement, the country can navigate its development challenges while preserving its natural heritage and enhancing the quality of life for all its citizens. Stronger governance, legal enforcement and mechanisms (coastal management and EIA regulations), community-based resource management, and financial institutions are needed to prevent environmental degradation and socio-economic instability. Climate change impacts and lack of transparency in coastal private investment projects raise concerns about business accountability and irresponsible practices.

## 6. RECOMMENDATIONS

- The government should intensify its efforts to enhance legal enforcement, transparency, and accountability in coastal regions by establishing or reinforcing independent oversight bodies tasked with monitoring environmental laws.

- Ministry of Environment (MoE) should actively continue to enhance the effectiveness of environmental protection laws, particularly in relation to coastal development. This includes the implementation of stricter regulations aimed at deterring resource exploitation.
- To foster greater transparency and accountability within the EIA process, MoE should continue to commit to disclosing comprehensive information related to EIA procedures, reports, and ongoing monitoring activities. This commitment is in accordance with the Environment and Natural Resource Code, which emphasizes the need for public access to information.
- MoE shall dynamically dedicate itself to engaging key stakeholders, particularly local communities and authorities, in consultations regarding EIA-related discussions. This collaborative approach ensures that the voices of those most affected by coastal development are heard and considered.
- In addition to conducting a robust EIA, ongoing monitoring and evaluation of the project's impacts on the community and the environment are crucial. This should involve regular, structured reporting by the project developers to CFI, CPA members, and other relevant stakeholders.
- To further promote inclusive and transparent investment practices, the government must develop or impose business, development, or investment-related regulations that require all (coastal) projects to disclose critical information about their financiers, business models, and ESG policies. This transparency is essential for ensuring that local communities are well aware of the projects and actively involved in decision-making processes that affect their environment and livelihoods.
- Furthermore, community engagement practiced by investors and MoE, Ministry of Agriculture, Forestry and Fishery should extend beyond the initial investment project planning and implementation stages or only in the EIA process. Continuous regular dialogues and meetings between investors, government officials, and local communities are essential to build trust and ensure all parties' interests are considered during the investment cycle.
- The establishment of mechanisms for grievance redress by the project is vital. Communities should have access to formal channels to report concerns or grievances related to project impacts.
- The government should assure sustainable economic development in Cambodia by promoting eco-friendly investment projects, encouraging private investors to adopt sustainable business models, and developing a sustainable resource management framework that balances economic growth with environmental protection and local livelihoods, focusing on community-based tourism and conservation initiatives.
- Capacity building training and financial support remain important for CBGs, which can be used to enhance governance and encourage community participation in conservation activities.
- Capacity building initiatives should be tailored to equip CBGs with the necessary skills and knowledge to navigate the intricacies of investment processes.
- Empowering CBGs to monitor and report on investment projects' environmental and social impacts is vital for fostering accountability and transparency, through related capacity-building, regular follow-ups by partners and community-authority meetings to share concerns and request for responses.
- In addition, investors should consider developing a local joint support or development mechanism with local organizations or initiatives aligned with community interests. These contributions could support education, healthcare, or other social services that enhance the quality of life for residents.

- The government, in particular, shall re-strategize the development policies and priorities to attract financiers committed to high standards of ESG performance. This can be achieved by granting incentives for responsible investments, such as tax breaks or grants for projects that prioritize sustainability and social responsibility.
- Strengthening meaningful consultations with affected communities and civil society organizations (CSOs) is essential to ensure that local concerns and engagements are fully acknowledged. This approach represents a win-win strategy, fostering civic engagement and CSO participation in development decisions and impact assessments.
- Encouraging financial institutions to adopt and implement strong ESG frameworks, enhancing their sustainability credentials and accountability, prioritizing projects with robust ESG commitments, and fostering responsible investment practices.
- Raising public awareness about ESG policies and responsible investment is crucial for sustainable development in Cambodia. Government, NGOs, and the private sector can encourage a shift towards responsible investment behaviors by enhancing understanding of these concepts.

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