CORPORATE RESPONSIBILITY AND THE TOURISM SECTOR IN CAMBODIA

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# Table of Contents

1.0 Executive summary

2.0 Introduction

3.0 Tourism growth and challenges in Cambodia
   3.1 Tourism growth in Siem Reap
   3.2 Phnom Penh tourism decline
   3.3 Tourism destinations in Cambodia and diversification issues
   3.4 Economic considerations

4.0 Public-private tourism initiatives
   4.1 Development of tourism law
   4.2 Hotel classification and quality assurances
   4.3 Marketing and promotion board
   4.4 Integrated master plan for tourism planning and infrastructure (JICA)

5.0 CSR and the tourism industry
   5.1 CSR codes of conduct and certification
   5.2 CSR in Cambodia
   5.3 Emerging trends

6.0 Conclusions

**Appendix A** – Interview contact list

**Appendix B** – Criteria to measure progress in tourism sustainability

**Appendix C** – Issues to consider when developing a sustainable supply chain system

**Appendix D** – UNDP recommendations on developing backward linkages for unleashing entrepreneurship for Cambodia.
1.0 Executive Summary

As part of an assessment of labor standards for competitive advantage in the Cambodian garment sector, the Ministry of Commerce had requested FIAS to consider the potential role of CSR in other industry sectors. The team chose to consider tourism, since it is one of the most promising and important economic sectors in Cambodia, second only to the garment industry. FIAS interviewed corporate, NGO, donors, unions, and government leaders in Cambodia in December 2004 to investigate how business CSR practices can help guarantee improvements in social and environmental standards and contribute to the sustainable development of tourism in the country.

Tourism in Cambodia is growing rapidly. But the infrastructure, regulatory, and governmental management systems for the sustainable development of the tourism sector are not yet in place. A Tourism Law is in draft form, has gone through extensive consultation and legal review due to the leadership of the Tourism Working Group\(^1\), and is expected to be approved in 2005. As a result, the tourism industry considers that the government must set down the basic regulatory framework for tourism development as a primary step, before it can take any leadership in developing sustainable tourism for the country.

The number of visitors has continuously grown to reach 1,000,000 in 2004. And most of the growth was concentrated in Siem Reap and the Angkor site. While the archeological park and the temples are relatively well protected, the orderly management of growth in Siem Reap is one the highest priority for the sector. With 6000 rooms, 8000 projected for 2005, and more hotels in the planning stages, Siem Reap town is not being developed in a sustainable manner.

The Japanese International Cooperation Agency (JICA) is presently undertaking a Master Plan for Siem Reap town which will address infrastructure issues. This initiative is being fast-tracked due to the urgency of the situation. But sustainable development and CSR approaches are needed in addition to the Master Plan. At present the environment of Siem Reap is threatened and the construction and hotel boom have caused rapid shifts in local work force needs resulting in strikes, an immediate need for more trained workers, and unresolved questions about local labor practices.

The strong growth of tourism in Cambodia represents significant foreign exchange earnings and employment opportunities. But development has so far come at a cost, affecting the environment as well as social and cultural values in the main destinations. Developing Cambodia’s image based on the national heritage and culture combined with social and environmental initiatives designed to attract CSR-conscious tourists in the higher income brackets could well be an opportunity. But the private sector is looking

\(^1\) The Tourism Working Group is one of the seven Private Sector Working Groups operating under the Private Sector Forum. The working groups meet with the government counterparts to discuss industry issues, look for resolution to issues and to share knowledge in regard to future planning and other sector related activities.
first for signals from the public sector and passage of the long awaited laws that will govern the industry.

While the number of tourist is growing fast, the number of visitors to Phnom Penh is getting lower and the average time spent in Cambodia is getting shorter. Most hotel supplies are imported, leading all to agree that the country is not benefiting as much as it could from the growth of the industry.

Even as FIAS launched this brief study, the Minister of Tourism proposed to the FIAS team that there was a need for a more in-depth tourism sector study. Most people interviewed for this study agreed that a sector study along the lines of a value chain analysis with a particular focus on sustainable tourism could help identify specific administrative and market-based barriers to a more efficient industry, determine opportunities for improved backward and forward linkages, and prioritise policy options to reap the benefits of tourism growth while putting in place social and environmental safeguards. Such an assessment would help Cambodia take advantage of its full potential for sustainable tourism development, that would help to develop the nation, distribute benefits to more sectors of society, and help reinforce the nation’s cultural and environmental heritage.

This brief study concludes with a four recommendations for the Royal Government of Cambodia that could help leverage the private sector’s interest in sustainable tourism development:

- The government should develop a national sustainable tourism plan, building on existing efforts for strategic planning in the sector.
- Steps can be taken to increasingly involve the private sector in sustainable tourism development, tapping their expertise and interest in enhancing their own reputation as drivers for preservation of the culture, environmental and social sustainability and contribution to poverty reduction.
- Marketing strategies for the country could be linked to corporate social responsibility, in line with the government’s strategy to market Cambodia as a responsible place to do business, building on the success of improving working conditions in the garment industry.
- Finally, there is a need to support institutional development and capacity building for the full range of actors in the tourism sector, including hotel associations, trade unions, and the government.
2.0 Introduction

In 2002, the global tourism industry was valued at US$474 billion, or over 4% of GDP with earnings for developing countries estimated at US$ 140 billion. Direct employment in the industry’s enterprises provides about 80 million jobs or 3% of employment worldwide; and about 200 million jobs or 10% of employment, when the travel and tourism industry and its suppliers are included in the estimates.

Revenues from tourism are the primary source of foreign exchange for almost 50 least developed countries. And in 2002, international tourism receipts accounted for US$379 million, or nearly 10% of the GDP of Cambodia. It is perceived to be one of the most promising and important economic sectors in Cambodia, second only to the garment industry. Cited by the World Tourism Organization as one of the top emerging tourism destination, Cambodia received just over 1,000,000 visitors in 2004 and most predict a sustained 20-30% growth for the coming years.

![Figure 1: International visitor arrival to Cambodia](Société Concessionnaire de l'Aéroport, Cambodia)

While assessing options for improved CSR sustainability in the garment sector, de-linked from quotas, it was suggested that FIAS explore project implications for other industry sectors under consideration in the Government’s private sector growth strategy. As the second biggest contributor to GDP and with its recent high profile labor dispute and international press coverage on child prostitution, the hotel and tourism sector seemed to be one where CSR-based initiatives for social and environmental standards would be promising.

Meetings with the Minister of Tourism, the Director of APSARA and more than twenty representatives of the tourism industry (see appendix A) were held in Siem Reap and Phnom Penh, to assess options for CSR-based industry approaches. Defined as operating a business in a manner that meets or exceeds the legal and societal expectations to foster both business benefits and positive development impact, CSR is viewed as a means to

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2 SNV data
3 World Tourism Organization website: [www.world-tourism.org](http://www.world-tourism.org)
4 A top emerging destination is a destination growing at a rate double the world average. World Tourism Organization, 2002 data
guaranteeing sustained improvements in social and environmental standards, thereby increasing the industry's contribution to sustainable development in Cambodia while at the same time make good business sense for this rapidly growing industry sector.

3.0 Tourism growth and challenges in Cambodia

The tourism industry has grown at an average rate of 17.9% per year between 1995-2000, though it only accounts for a 0.4% market share of the region.\(^5\) Intensive efforts are underway to finalize tourism laws and to provide the infrastructure necessary for tourism development in Cambodia, but there is currently few regulatory, planning, or management controls, lesser still requirements for sustainable tourism development.\(^6\)

3.1 Tourism growth in Siem Reap

The vast complex of Khmer temples dating from the 9\(^{th}\) to the 15\(^{th}\) century, found within a 400 square kilometer reserve, is the primary attraction for the country of Cambodia. This complex is one of the most important and largest archeological parks in the world recognized as a World Heritage site by UNESCO. It is the site that gives Cambodia its reputation and prestige as a tourist destination worldwide.

Siem Reap, the gateway town and province where the extensive ancient Khmer ruins of Angkor Wat are located, has an international airport that receives daily flights from throughout the region. Since the Open skies policy was put in place in 1997, the number of direct flights from China, Singapore, Thailand, and Vietnam to Siem Reap has been growing at a fast pace (figure2).

![Figure 2](image)

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5 World Tourism Organization website: [www.world-tourism.org](http://www.world-tourism.org)

6 Sustainable tourism, refers to “the environmental, economic and socio-cultural aspects of tourism development, and how a suitable balance can be established between these three dimensions to guarantee long-term sustainability. Thus sustainable tourism should: 1) make optimal use of environmental resources, 2) respect the socio-cultural authenticity of host communities, and 3) ensure viable, long-term economic operations providing socio-economic benefits to all stakeholders.” World Tourism Organization, 2004, *Indicators of Sustainable Development for Tourism Destinations: A Guidebook*, Madrid, Spain
From that point on, the number of hotels started to grow at a similar rate, despite the well developed zoning and management plan for the reserve and adjacent hotel development zone by the APSARA Authority. More than 6000 rooms were available in 2004, and 8000 are expected in the near future. SRAHGA estimates that a total capacity of 2 million guest nights will be available in 2005, thereby effectively reaching the estimated limit capacity for the number of visits to the key temple of Angkor Wat.

The town already lacks an infrastructure that meets the needs of the local people. The district population grew from 20,000 to 118,000 in 2002, and has continued to expand since then. This tremendous growth added to population increase has been exacerbating pressure on infrastructure. Energy, water, sewage and waste are all significant problems. Water is being drawn from 70-80 meters underground by hotels and treated for use. However, there have been no geological studies of how much water exists in underground aquifers. As a result, one of Angkor’s temples is reportedly falling into a sinkhole, suggesting that the underground aquifers may be rapidly disappearing.

Sewage treatment is not required under law for hotel infrastructure at present. Hotels have their own sewage treatment plant but most guesthouses reportedly dump used water directly into the river, causing noticeable river pollution. SRAHGA noted that *e coli* bacteria is seeping into local wells, but there were no suggested initiatives to deal with these problems.

Solid waste pick up is presently cheap and available in Siem Reap and Phnom Penh, but open waste dumps are presently the norm, with thousands of waste pickers presently living at the dump in Phnom Penh. Hotels mention possibilities for selective waste collecting for recycling, though for some items only.

Electricity is presently in high demand with insufficient and unreliable quantity available, causing very high pricing. Most hotels interviewed stated they use gasoline fueled generators in lieu of electricity purchased from local utilities. Energy was a big concern for the industry. Not so much because of its environmental impacts but rather in terms of cost and (un)reliability. None of the interviewees specifically mentioned conservation of energy as one possible solution to the problem, but rather SRAHGA leadership mentioned ideas to obtain cheaper electricity by purchasing it from Thailand for the northern corridor of Cambodia.

Other tourist infrastructure within the archeological park lack at present, including few restrooms and no interpretive signage or other historical information on site. Visitors are

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7 APSARA is the Authority for the Protection and Management of Angkor and the region of Siem Reap, the Cambodian governmental authority in charge of the Angkor archaeological site. [http://www.autoriteapsara.org/](http://www.autoriteapsara.org/)

8 This represents approximately 1 million visitors staying 2 nights. APSARA estimates that the maximum number of visitors the key temple of Angkor Wat can accommodate per year is just over 625,000 visitors. Assuming that all visitors spend more than one day visiting the numerous temple sites in the region, APSARA’s planners are working on the assumption that annual visitation to the Siem Reap region should not exceed 1 million annually.
under the impression the temples of the Angkor site are threatened by the rapid growth of tourism in the area.\footnote{The government concessionaire, Sokimex, in charge of the collection of the $20 daily entrance fee, only devotes a portion of the profits to maintenance of the complex, and critics now argue that all fees collected should serve the appropriate management of the temples, instead of the small portion currently going back to APSARA.}

Growth in Siem Reap also has some impacts on the workforce, attracting young unskilled workers from the surrounding rural areas, and increases the competition for low-skill jobs. While at the other end of the job market, the shortage of trained workers, is causing major disruptions as hotels poach skilled employees from one another.\footnote{For example the Paul Dubrule Hospitality School in Siem Reap has excellent facilities, but is operating without adequate cash flow. The founder of the Accor group, Paul DuBrule, donated $1 million to form the school and continues to support the initiative with personal funds.} Schools do not possess the adequate cash flow to scale up and do not provide a sufficient number skilled workers. Efforts to provide quality vocational training for hotel employees have received only limited support from the hotel community as most local hotels handle training in-house, considering it linked to their distinctive services. While hotels in France give 1% toward training, there is no system to devote operational funds toward vocational training in Cambodia, and little expressed support for such an idea or any kind of collaboration among hotels.

The problems associated with unmanaged growth are largely outpacing the development of adequate structures or responses and the Siem Reap business association is now consequently requesting that the government consider a moratorium on permits to build hotels in the district.

### 3.2 Phnom Penh tourism decline

Phnom Penh has a great deal of colonial charm often sought after by tourists and such important historical resources and monuments as the National Museum and Imperial Palace, but is no longer an important stop for visitors coming to Cambodia. The city’s image has been negatively affected by the country’s past history of war and violence, land mine injuries, genocide and a current wave of stories about prostitution and sex tourism. The Open skies policy combined with the lack of marketing and promotion from Cambodia itself, has meant that the Angkor temples have been promoted much more actively by neighboring countries (e.g. Thailand, Vietnam) tour operators and travel agencies, who have no incentive to promote Cambodia as a whole and likely seek to limit the number of nights their clients stay in Cambodia to maximize their profits. As a result, Phnom Penh’s share of the growth has been steadily declining (figure 3).

\footnote{Wholesalers in Thailand or Vietnam usually must subcontract with local travel agents in Cambodia to bring their visitors to Cambodia thereby lowering their profits margins. They therefore seek to limit the number of nights in Cambodia.}
Phnom Penh’s decline is aggravated by the fact that Cambodia has no national airline and therefore no influence on regional air connections. The Pochentong airport cannot presently handle fully loaded 747 aircraft, limiting the type of flights that can arrive in the capital.

As a result, only 20% of the travelers coming on tours to Cambodia visit Phnom Penh as part of their trip to Southeast Asia. This has caused a drop in the average number of guest nights from 3-4 to just under 2 nights in Cambodia (figure 4) and two major hotels in Phnom Penh report losing significant amounts of money.

3.3 Tourism destinations in Cambodia and diversification issues

The tourism infrastructure is very limited in Cambodia and concentrated primarily in Siem Reap and Phnom Penh. Most interviewees agreed that to better take advantage of this growing industry, Cambodia must emerge from being a one destination country in order to make tourism beneficial to the nation.

Apart from Phnom Penh’s revival, Sihanoukville, on the Cambodian coast of the Indian Ocean, is another destination identified by all parties as feasible for tourism development at present. Other provinces like Kampong Thom, Battambang, Kampot, Kampong Cham are presented in tour operator brochures but attract much less tourists. Rattanakiri in the northeast highlands of Cambodia is accessible by poor roads and is presently lightly visited by adventure/ecotourism operators. Efforts to develop new destinations are being undertaken by some NGOs, such as World Wildlife Fund Cambodia, which seeks to develop the north-eastern zone of the country, where the environment is fragile and tourism infrastructure scarce, for ecotourism. In the same field, SNV, the Dutch bilateral cooperation agency, is currently establishing an MOU with the Cambodian Ministry of Tourism to develop ecotourism planning and projects.
3.4 Economic considerations

In addition to the above mentioned challenges facing the tourism industry, all interviewees agreed that the sector was not boosting the Cambodian local economy as much as it could. Few Cambodian products and services meeting the needs and standards of the industry are readily available. Some 95% of all food produce are imported into Cambodia from Vietnam and Thailand according to hotel management. All businesses agreed that buying more local products and services would be an important contribution to the economic development of communities in Cambodia and help them save on costs. Most stated their willingness to buy more local fresh food in Cambodia, if a coordinated effort were put together to make Cambodian produce available in adequate quantity and quality. Options and suggestions mentioned to deal with this problem included the idea to task purchasing managers from a group of hotels to set up a cartel for purchasing local produce in bulk; and to build a small farm meeting the required quality standards that would be established specifically to supply the hotel kitchen. The United Nations Development Program (UNDP) has studied the potential for supporting the development of an agricultural supply chain in Cambodia that would meet the hotel industry’s needs (Appendix C), and similar initiatives have been put in place in the Kangaroo Island of Australia.

Box 1 – Kangaroo Island, Australia Tourism Optimization Management Model
The Kangaroo Island Tourism Optimization Management Model (TOMM) was developed to tackle the challenges of balancing development and conservation. TOMM brought community, industry and government agencies together to problem solve and design strategies that work for Kangaroo Island. Visitation peaked on the island in 1995/6 with visitation to some sites increasing by 25% in two years.

The TOMM sustainability indicators were developed through a series of workshops with government, industry and community and then assessed based on expert opinion. The indicators cover the health of the environment, the health of the community, health of the economy, the number and type of tourists visiting, the type of experience the visitors are having and visitor satisfaction levels. The data from indicators is incorporated into ongoing strategic planning processes.

After four years, TOMM has helped businesses take up opportunities that better meet the needs of visitors. Local restaurants provide locally produced food and have helped to promote Kangaroo Island as a gourmet destination. Previously, much of the local produce was not available locally but exported to the mainland or internationally. These small steps have made a big difference to the community on Kangaroo Island. Some of the key success factors for the project are: unswerving local commitment to fund the project, integration of monitoring processes into broader management systems, and creating and maintaining awareness of the project.12

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12 Adapted from: World Tourism Organization, Indicators of Sustainable Development for Tourism Destinations; A Guidebook, Section 6.14, pages 391-399, Madrid, Spain
Finally, the cost of travelling to Cambodia was considered a possible factor hampering future development of the tourism sector. The visa and exit taxes cost a total of $45, the entrance fee to the Angkor temples is $20 per day, and the dollar-based economy of Cambodia makes it much more expensive than its neighboring competitors in tourism like Vietnam and Thailand. The cost of doing business in Cambodia is also affecting hoteliers’ profit margins, it is probably not presently inhibiting visitors from coming to Cambodia. However it is certainly affecting the number of days tour packagers seek to have their clients stay in Cambodia. In addition, the impression is that high fees and taxes collected are not reinvested in appropriate infrastructure, licensing and regulation of buildings, protection of its world heritage temples, or the protection of the environment upon which tourism depends. This negative image could be corrected by the government by applying a more significant portion of the tourism taxes and fees to tourism infrastructure, interpretive signs and services, environmental protection in Siem Reap, and the planning and management of tourism destinations.

4.0 Public-private tourism initiatives

The Private Sector Working Group on Tourism\(^\text{13}\) has played a key organizational role in working with the government to develop a Tourism Law, a system for Hotel Classification, and the development of a Cambodia Tourism Marketing and Promotions Board (MPB). These three legal instruments are fundamental to the formal organization of tourism business in Cambodia and are all expected to be formally approved in 2005.

4.1 Development of Tourism Law in Cambodia

The Tourism Law is presently in draft form and has gone through an extensive consultation process between the Ministry of Tourism of Cambodia and the Tourism Working Group. The most recent draft, dated July 15, 2004, states that the Ministry of Tourism shall prepare a National and Regional Tourism Development Plan upon consultation with the relevant ministries and institutions. The National Tourism Development Plan will identify policies, strategies, and planning for the development of the tourism sector and propose measures to ensure the sustainability of national tourism development. The Regional Tourism Development Plan will do likewise in each region. Construction projects for tourism activities will be regulated under this law.

In the absence of a Tourism Law in the Kingdom of Cambodia, there are no legally enforceable regulations to govern the development of tourism in the country, such as the licensing of tourism businesses and the standards and criteria upon which such licenses will depend. Tour Operators, Travel Agencies, Tour Guides, the Accommodation, Food, and Beverage Sectors, and Tourism Vocational Institutions will all be licensed under this law.

\(^{13}\) The Private sector working group on Tourism is composed of the Phnom Penh Hotel Association (PPHA), Société Concessionnaire de l’Aéroport (SCA), Restaurant Bar Association (RBOAC), Arts and Crafts Association, and the Cambodian Association of Travel Agents (CATA)
4.2 Hotel Classification and quality assurances

The Hotel Classification System is under review in order to apply international standards for the different sectors of the tourism industry with the award of stars to indicate the range and quality of services. This system is much awaited as operators feel that there is currently no framework for quality assurances.

4.3 Marketing and promotion board

A Tourism Marketing and Promotion Board is in the final stages of consideration between the Ministry of Tourism and Tourism Working Group in order to promote and enhance the tourism sector with the responsibility of conducting market research, marketing, and promotion of tourism in Cambodia. The MPB shall as well address the new destination development issue and promote Cambodia as a complete country destination.

4.4 Integrated master plan for tourism planning and infrastructure (JICA)

Finally, the Japanese International Cooperation Agency (JICA) is presently launching the development of an Integrated Master Plan for Sustainable Development of Siem Reap/Angkor Town to address the infrastructure and environmental issues facing Siem Reap caused by the growth of the tourism industry and to help diversify the local economy for the benefit of local people and firms. In addition, JICA is undertaking a project to construct a new water supply system for the town using ground water and a water treatment plant. JICA is also seeking to address electrification needs of Cambodia and Siem Reap via a variety of projects that will expand existing power plants, develop renewable energy sources and increase supply from cross border sources such as Vietnam.

Master planning is an important approach for planning the development of tourism which will help bring order to the tourism development process, but does not necessarily address the sustainability of tourism. Tourism sustainability indicators must be developed by local stakeholders and measured over the long-term to guide the sustainable development of a tourism destination. The World Tourism Organization has just released a guidebook to establishing Indicators for Sustainable Tourism Development, which addresses for destinations around the world what are the “key risks and concerns regarding the sustainability of tourism.” In order to address how sustainable tourism has been achieved in other destinations, it is therefore important to look at the role of all stakeholders in the process of deciding how to make tourism sustainable. Unless all parties can be brought to the table to agree on what are the key criteria or benchmarks for achieving sustainability of tourism development, there will be little progress.
In many countries the legislative and legal frameworks for sustainable tourism are still lacking and Cambodia is not atypical of this problem. South Africa and Chile, both countries which undertook comprehensive legal and policy reform in the past 10 years, provide two of the best examples of legal and policy frameworks for sustainable tourism undertaken with private sector participation. (box 2 and 3)

**Box 2 – Sustainable tourism planning in Chile**

The Chilean National Tourism Service undertook a five part approach to developing a process for sustainable tourism planning and implementation. One of their primary goals was to avoid using the “Master Planning” approach which results in “paper plans” but lacks real outcomes.

1. The sustainable tourism sector was broken down in terms of its internationally competitive assets by studying the competitive factors of all potential destinations in the country including natural and cultural resources, accommodations, access to capital, human resources, tourism information, infrastructure, etc.

2. Potential success factors for government action in cooperation with private sector were reviewed in prioritized zones by developing regional development strategies, creating integrated designs for tourism development under a central guiding image for the destination which were executed by both the private and public sectors in priority tourism zones, defining how development should function under the concept of the heritage of the destination, and linking entrepreneurs to government initiatives in the areas of promotion, training, and technology transfer via private sector associations.

3. The National Tourism Service had the following mandates: territorial land use planning, basic infrastructure and service, training of human resources, product development, marketing, and tourist information

4. Tourism was planned as part of integrated local development plans which included agriculture and industry and were undertaken via participatory planning processes. All proposals are vetted in terms of their ability to contribute to economic development while protecting environmental systems.

5. A “System of Evaluation of Environmental Impacts” looks at the impacts on ecosystems that cross municipal boundaries. The implementation of the monitoring program is linked to the functions of local municipalities, and local ordinances are being reviewed and revised to allow for this type of regulatory planning.

**Box 3 – Development and promotion of tourism in South Africa**

South Africa developed a white paper on the Development and Promotion of Tourism after democratic elections in 1994. A Tourism Task Team was appointed to represent business, the labor movement, community organizations, and national and provincial government which drafted a Green paper on Tourism. After subsequent country-wide consultations, a Ministry of Environmental Affairs and Tourism (DEA&T) was founded in 1994 to act as a lead agency for tourism policy and planning.

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14 Director and Head of Planning of Chilean National Tourism Service, 2002, World Ecotourism Summit WTO/UNEP proceedings

15 UNEP Biodiversity Planning Support Program Case Study, 2001, Institute of Natural Resources, South Africa
Goals

- Link management of tourism with critical environmental products and formulate a cohesive development strategy that includes environmental monitoring, regulation and impact assessment.
- Coordinate ministries with impact on tourism
- Facilitate creative and strategic interaction between tourism policy and policies guiding land management, water, energy and other natural resources

Strategies

- Sustainable tourism development promotion through incentives to private enterprises
- Mandatory implementation of Integrated Environmental Management procedures for all tourism projects
- Encourage social and environmental audits of tourism projects
- Encourage tourism development in areas where it offers a competitive form of land-use
- Encourage the creation of successful pilot tourism programs
- Ensure tourism does not deprive communities access to resources needed for their livelihoods
- Coordination of provincial conservation authorities and legislation for uniform and coordinated approaches
- Concessioning of private sector to handle commercialization along with stringent integrated environmental management policies
- Encourage of Spatial Development Initiatives which promote industrial, commercial, and tertiary sector activities in specific corridors and encourage public private partnerships and investment.

Public Private Partnerships

- Established Business Trust to offer training at school level
- DEA&T and Business Trust identify and develop partnerships and synergies between emerging business, communities, and corporate initiatives. 4000 enterprises likely to benefit.
- Training through National Qualifications program for unemployed and those already in tourism sector targeting the qualification of 10,000 individuals

5.0 CSR and the tourism industry in Cambodia

5.1 CSR codes of conduct and certification

CSR codes of conduct have been generated for the apparel, footwear, toy industry, and to some degree in agriculture, oil and gas, and mining for the past 15 years. Tourism however, has to date not been reviewed or included to the same extent in most CSR initiatives. Indeed, of all the industrial sectors reviewed by the World Bank Group CSR
Practice, tourism was the “least developed in terms of codes of conduct and CSR initiatives.”\textsuperscript{16} Most tourism industry CSR policies tend to be informal if published at all.

The World Tourism Organization has identified over 260 certification programs for tourism, and more have arisen since this study was performed in 2001. Most programs target accommodations and emphasize environmental, socio-cultural and economic criteria (Appendix B). There remains however, considerable variety in standards, criteria and indicators in use for certification for tourism. The sustainability certification of tourism enterprises is still relatively new, and lacks broad acceptance and use among tourism businesses and consumers. It is difficult for a program to become established without wide consumer and business acceptance. Existing codes of conduct and ethical guidelines in the tourism industry have so far been much more thorough on the question of environmental management (see example in box 4) and much less detailed on questions of labor and human rights. Very few, if any, mention the ILO core conventions on labor rights.

\textbf{Box 4 – ACCOR Environmental Sustainability}\textsuperscript{17}  
In 2002, ACCOR group established a Sustainable Development Division that reviews all aspects of operations, oversees environmental management and tries to integrate international policies with local hotel actions. ACCOR operates 3,829 hotels and 440,807 rooms in 90 countries.

The group has an Environmental Charter posted in all participating hotels, that it uses as a training tool for hotel employees. Hotels use Consumption and Environmental Charter indicators to measure environmental performance with relation to waste management and recycling, technical controls, architecture and landscape, and awareness and training. As of February 2003, it applied the principles of its Environmental Charter to 2048 hotels in 28 countries.

The main aim of the program is to find pragmatic ways to optimize both water and energy consumption and enhance the application of the Environmental Charter. Results are communicated through corporate annual reports in the Sustainable Development section, as well as on the internet. In addition, there is an annual global report of the Environmental Charter which allows hotel managers to compare their environmental performance on each of the 15 actions monitored.\textsuperscript{18}

\textsuperscript{17} Indicators of Sustainable Development for Tourism Destinations, 2004, Case Studies, ACCOR Hotels Environmental Sustainability Indicators, page327-329 and Accor Group Website, Sustainable Development, \url{http://www.accor.com/gb/groupe/dev_durable/engagement.asp}  
\textsuperscript{18} World Tourism Organization, 2004, \textit{Indicators of Sustainable Development for Tourism Destinations, A Guidebook, Section 6.1.pages 327-329}, Madrid, Spain
5.2 CSR in Cambodia

Asked to what extent their businesses are responsible for ensuring the sustainability of the growth of tourism in Cambodia, the private sector felt that all attempts had failed to meet their expectations and that it was time for the government to demonstrate its willingness. Adding to the concerns regarding the unsustainable management of Siem Reap growth and the effects of the lack of appropriate marketing and promotion that were developed in previous sections, most businesses expressed concerns about pervasive government corruption. Interviewees believed that it is impeding progress on establishing a rational and orderly plan for tourism development, preventing discussion for the establishment of an appropriate legal process regulating the hotel community and moving it towards a sustainable growth management strategy.

In general, most hotels did not see that they could help solve social or environmental management problems on an individual basis, and yet neither SRAHGA or PPHA representatives considered it to be the role or responsibility of business associations. Most interviewees seemed to expect either donor programs or the government to resolve the stress caused by the growth of tourism.\(^\text{19}\)

5.2.1 Environmental management

While all hotels interviewed expressed concerns regarding water, sewage, energy, wastes and the preservation of the environment in general (see section 3.0), only one had an extensive environmental management policy, was monitoring water and energy use on a daily basis, and meeting European standards. The other hotels interviewed were not able to offer information on an environmental management policy. Some of the initiatives in the field of environment included the treatment of grey water and its recycling for use in the gardens; a Clean the Siem Reap river campaign. Interest in reducing solid waste via recycling or working on solid waste solutions via a consortium of hotels were only mentioned by a few.

5.2.2 Labor issues

The Cambodian Tourism & Service Workers Federation (CTSWF) was formed in September 2003.\(^\text{20}\) An issue arose within months of the union’s formation regarding the pay-out of service charges by the hotels to their workers. Under Cambodian law, when collected, a 10% service charge on hotel rooms is to be paid in full to workers. Only 50% of service charges were being paid at most to workers as standard practice by all hotels in

\(^{19}\) The composition and representation of the two associations are quite different in their goals and orientation, and they do not coordinate at present. A proposal has been developed to create a Cambodian Hotel and Guesthouse Association (CHAGHA) to become the unified voice of the hospitality industry and a national and regional champion for policy. The idea of a national hotel and guest house association however appears tenuous given that the existing hotel business associations are quite unstable and rely solely on volunteer labor.

\(^{20}\) There are presently approximately 200 member unions in Cambodia all of whom work for the larger hotels with foreign investment and/or management which represent a small minority of hotel properties in Cambodia.
Cambodia. CTSWF quickly called strikes in the five star hotels with foreign management, though according to hotel managers there had been little advance dialogue or negotiations on the issue. Most hotels involved contend the unfairness of the action arguing that they are paying a fix amount for service to workers irrespective of the low or high season while also providing meals, training, and uniforms thereby sometimes being under or above what is collected but ensuring steadier flows of compensation to workers. They have continued to negotiate on this point, despite the fact that Cambodian law does not recognize these expenses deductible. A series of decisions by the Arbitration Council ruled in favor of the unions, but the rulings are not legally binding. Some hotels continue to contest the law, or the translation of the law from Khmer to English, while a few have conceded that they will pay out the full service charge. Strikes have all been settled for the time being, but it appears that apart from the few hotels that have completed collective bargaining agreements, this issue is not fully resolved.21

The international hotel groups contend that they are unfairly targeted, given that working conditions tend to be far better at their hotels than other, smaller and domestic hotels and guesthouses. The perception that the labor law is applied unevenly or that only the larger foreign-invested hotels have active unions, may negatively affect foreign investment in the hotel business in Cambodia. Clarifying the law on the service charge and further standardizing the regulatory environment for all hotels is needed.

All the hotels interviewed with foreign management have recognized the unions, or have reached an agreement with their workers regarding service charges in an effort to preclude workers from joining unions. Many hotels with unions are in the process of negotiating collective bargaining agreements, many of which are expected to enter into force in 2005. None of the locally owned and managed hotels have allowed the unions to organize.

Encouraging and building the capacity of social partners to negotiate collective bargaining agreements and clarifying the labor law are important steps for stabilizing the hotel sector.22 Until these issues are cleared up, there will be continuing instability in the hotel sector work force which will undermine the reputation of Cambodia as a destination and potentially prevent further foreign investment from hotel groups. This would be a counter-productive result to the disputes, as all agree it is the hotels with foreign investment and management that are meeting the highest labor standards in the country and at the same time, the most targeted.

Following unionization in the tourism and services sector, a Cambodian Construction Trade Union Federation has been formed (CCTUF) to organize the 3000 contract

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21 The Cambodian Tourism and Service Workers Federation is active in both Phnom Penh and Siem Reap. The Siem Reap union has gathered all the human resource policies of local hotels that are available and found that they are different than the Labor Policy of the government. There appears to be disagreement between the unions and hotel groups on how the labor laws of the country should be interpreted. This was also mentioned by several hotel general managers.

22 Representatives of the Cambodian Tourism and Service Workers Federation have stated that they would prefer a framework agreement in future with a national hotel association, or with the two existing regional associations.
construction workers employed by the many on-going restoration projects funded by donors from around the world. This union is however presently not recognized by any of the restoration projects except the French. Union leaders have met with APSARA and the Cambodian Ministry of Labor but as yet have not received any concrete response and have no legal framework to work within.

5.2.3 Socio-economic and community-related issues

On the more socio-economic community-related issues side, and apart from the previously mentioned low level of backward linkages and lack of adequate training facilities and the subsequent shortage of skilled workers, a few businesses mentioned the lack of initiatives targeting visitors’ introduction to Cambodian culture. Few hotels deemed it part of their role, considering this to be rather the role of travel agents, tour operators and tour guides. The Cambodian Association of Travel Agents however expressed interest in launching such an initiative.

Ninety-five percent of the performing artists of Cambodia died during the Khmer Rouge period, decimating the rich artistic traditions of the country. There have been initiatives to begin to revive the arts in Cambodia for touring outside the country. But there are few touristic opportunities to see authentic Cambodian dance, and an increasing tendency for hotels to put on inauthentic dance shows for their guests – due to the lack of trained, experienced artists. The hotels clearly have a clear stake in authentic culture, and yet only one expressed deep interest and concern about this issue, and links tourists to a group of artists, thereby indirectly supporting master performing artists and helping revive the traditional artistic traditions of Cambodia, as touring to local villages also helps educate youngsters in villages throughout the region about their ancient traditional performing arts culture which will otherwise quickly disappear. All other interviewees agree that the support of traditional arts is a very important feature both for the country itself but also for the development of the industry, but believe it is of the duty of the government.

In pretty much the same way, some interviewees mentioned possibilities to support historic restoration in the city of Phnom Penh. But because hotels are losing money and because they have donated funds to governmental projects that never transpired, there is no appetite to in such projects in Phnom Penh.

In a related area, handicrafts are well developed in Cambodia, of good quality, well designed, and well distributed. There were few concerns about improving the quality of

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23 Donor funds from Japan, USA, Germany, China, Switzerland, France, and Thailand all support the restoration of the temples.
24 CCTUF is seeking safety and health standards, salary increases, and freedom to organize on the worksite. Foreign governments supporting restoration projects have largely refused to recognize the union because of the non-profit nature of their programs. The CCTUF is seeking a minimum of $2 per day for construction workers working at the temples. Salaries presently range from .75 to $3.00 per day depending on expertise. At present 60% of the construction workers are women, most of whom work at the lowest salary rate of less than $1 per day. The Federation seeks to offer Legal Aid, Worker Education, Vocation Training, Health and Safety education, and Micro-credit initiatives for women for its members.
handicrafts among hoteliers, and most agreed that this sector is expanding, profitable, and beneficial to the local community.

5.3 Emerging trends

Despite the relative newness of CSR concerns in the tourism industry, initiatives are slowly emerging in all its sub-sectors. Tour operators now adopt guidelines for sustainable tourism in supply chain, whereby they state how they can ensure that business partners are behaving “responsibly” down the supply chain, at the hotel level, with regards to environmental management, sexual exploitation of children, labor rights and other socio-economic issues (box 5). Large hotels have put in place environmental management systems, ethical charters or codes of conduct, whether at the local level (Box 6) or within international hotel management groups like Accor (box 4).

Box 5 – Tour Operators Initiative (TOI) and TUI Nordic

Tour Operators Initiative
Tour operators are well-placed to support suppliers in improving their economic, environmental and social performance. As tour operators deal directly with potential customers, fully integrating sustainability issues into a tour operator’s business practices will require altering the way purchasing choices are made and suppliers’ contracts are written. Including sustainability criteria in suppliers’ contracts highlights the importance of sustainability issues to the tour operator’s core business and ensures that priority issues are addressed with suppliers from the start. Sustainability criteria can be incorporated into suppliers' contracts to set both minimum performance standards that all suppliers of a particular type must meet and further optional criteria that they are encouraged to achieve. Performance against sustainability criteria will need to be monitored and assessed as part of regular reviews of suppliers and improvements can be rewarded by preferentially contracting suppliers that meet the sustainability criteria.25

Being a responsible company for TUI… “means that we identify the most important environmental aspects and their effects and that we also formulate a plan for how we can reduce them. When we choose goods and sub-contractors, the environmental factor is always taken into consideration. Training of our personnel and information to customers increases awareness. Monitoring systems for energy, water and recycling shall be implemented at offices and hotels. […] Asking hotels to report on their environmental work is one way for TUI Nordic to have a positive effect on the environment.”26

At present, however external market drivers in the tourism field, if they exist, are not strong enough to motivate consumers or operators to select tourism products according to their sustainability and little evidence of it in Cambodia. Efforts to develop tourism

25 Excerpts from the Tour Operators Initiative website: www.toinitiative.org. The TOI that includes tour operators from a number of countries including Accor and Thomas Cook (France), Atlas voyage and Dynamic (Morocco), First Choice, DiscoverInitiatives and Exodus (UK), Premier Tours (USA), Travel Walki’s (Pakistan), and many others, from Switzerland, Finland, Italy, Brazil, etc.
26 From TUI Nordic website: http://corporate.fritidsresor.se/templates/Page.asp?id=2124
Certification programs with international recognition are in their infancy; these initiatives, though anecdotal, confirm the existence of a trend in responsible tourism that should be acknowledged. The Private Sector Working Group, acknowledging this trend and the need for guidelines for the Cambodian tourism industry, is currently in the process of drafting a “Chart of Tourism” that includes broad environmental, and ethical principles.

6.0 Conclusions

Cambodia faces a situation where tourism is growing rapidly and the basic systems for planning and management are not yet in place. The basic laws and regulations that will govern tourism development in the country are still in development stage. And the passage of the Tourism Law, of a Hotel Classification system and the creation of a Tourism Marketing and Promotion Board – all initiatives in the final stages of revision between the Private Sector Working Group on Tourism and the Ministry of Tourism – will be a pre-requisite for the future development of tourism in Cambodia.

The sector has potential, not least because of the uniqueness and attractiveness of Angkor Wat. Unfortunately, while the industry is expanding rapidly in terms of room capacity, the growth appears to be uncoordinated with a lack of strategic planning capacity at the level of the government. Problems related to capacity constraints are severely compounded by the lack of coordination and clarity of roles among the Ministry of Tourism, National Tourism Authority, and APSARA. The expansion has so far come with significant potential environmental and social costs without any serious preventative action by government or the private sector.

There were requests for “strong directives from government”, “better communication”, “guarantees that business is safe”, to “secure the reputation of Cambodia”, and to “take authority” on all issues covered in these interviews. There was a general sense among hoteliers that business responsibility approaches are hindered by the lack of “societal organization” within which to contribute to the sustainable development of tourism, leaving the private sector parties interviewed with the attitude that it is not possible for them to get involved in corporate social responsibility initiatives or the sustainable development of tourism, until the underpinnings of such initiatives are present. The Royal Government of Cambodia is missing an opportunity to the private sector’s willingness to help ensure that tourism sector growth is environmentally and socially sustainable and optimally contributing to development and poverty reduction in the country.

Some institutional infrastructure is in place to promote sustainable development in tourism and partnership with the private sector. For example, the Kingdom of Cambodia is a signatory to the ASEAN Tourism Agreement which recognizes the strategic importance of the tourism industry in sustainable socio-economic growth, reaffirms adherence to the Global Code of Ethics for Tourism of the World Tourism Organization and encourages all levels of government to carry out programs to ensure the preservation, conservation and promotion of the natural, cultural, and historical heritage of Member States and encourages the adoption of environmental management standards and certification programs for sustainable tourism. However, none of the programs
encouraged to ensure the sustainability of tourism by the ASEAN agreement are presently in place in Cambodia.

This brief study has focused on the specific question the Ministry of Commerce had asked regarding how CSR can contribute to the sustainable development of the tourism industry in Cambodia. A number of issues have emerged that only the government can address and, in many cases, must address urgently. The Minister of Tourism proposed to the study team that a more in-depth supply chain analysis of the tourism industry could analyze pressing issues and highlight the policy changes and actions required to establish a roadmap for sustainable development of the tourism industry in Cambodia.

6.1 Recommendations

1. **Develop Sustainable Tourism Plan.** The model of TOMM (Box 1) or other sustainability indicators could be linked directly with JICA efforts to develop a master plan in Siem Reap. The current singular emphasis on the Angkor temples has meant that the tourist market around Siem Reap is being rapidly saturated, and tourists are already receiving the impression that the area may be quickly ruined. Cambodian authorities are well aware of the need to accelerate current efforts or risk damage to the reputation of this premiere destination. It may also be useful to consider establishing a high-ranking Sustainable Tourism Commission with a nation-wide focus, sanctioned by the King or Prime Minister. The Commission could be tasked with developing a Strategic Plan for Sustainable Tourism Development of Cambodia, with funds allocated for the actions recommended. The sustainable tourism plan could also include the following elements: destination diversification, including reinforcing Phnom Penh as an important tourism destination; development of rural/eco tourism (e.g. SNV proposal); support for performing arts and historic restoration; and development of backward linkages with the agricultural sector (See Appendix D).

2. **Leverage sustainability expertise and interest of the private sector.** Involving the private sector in strategic planning for the tourism industry is necessary for a variety of reasons, including the need to understand the priority public goods (e.g. infrastructure, water and sanitation) and policy interventions from the perspective of business. But this would also provide a way to tap into the financial and human resources of socially responsible businesses who are open to taking on a greater role in ensuring the sustainability of the Cambodian tourism industry, once they are assured the government itself is taking this seriously.

3. **Link marketing strategies to Corporate Social Responsibility.** As Cambodia looks ahead to develop a marketing strategy it could differentiate its offer by appealing to the CSR-conscious and higher-end tourists.\(^{27}\) This would mutually reinforce the Royal

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\(^{27}\) Data shows that average tourist expenses vary in direct proportion of the national income of their country. APSARA has suggested exploring the idea of segmenting the high- and low-end market between the dry and rainy season, to smooth tourism flows and expand the tourist seasons. Cambodian travel agents seek to work with the more profitable Japanese market which contracts directly with Cambodian travel agents and is a more profitable market as are the European and American markets.
Government of Cambodia’s strategy to promote the country as environmentally and socially responsible, building on the achievements of the Ministry of Commerce and the garment sector in improving labor standards. Tour operators are beginning to produce codes of conduct and supply chain guidelines (see Box 5) that could help market Cambodia to this growing segment of the tourist market, as well as help the Cambodian industry understand the demands of the socially responsible tourist.

4. **Support institutional development and capacity building in the tourism sector.** Passing and implementing the Tourism Law is essential. Clearly delineating the responsibilities and building the capacity of the Ministry of Tourism, NTA, APSARA, and the municipal governments is also critical. Institutional development of the hotel associations is strongly recommended, including building their capacity and that of the unions to bargain collectively and resolve industrial disputes. This can help stabilize the industry as well as preserve international reputation. An effective, and eventually, unified hotel association could also be a useful platform for launching CSR initiatives in the future, including possibly developing a Cambodian Tourism Code of Conduct for Hotels.

Corporate Social Responsibility could help deal with a number of challenges currently faced by the tourism industry in Cambodia. However, the private sector wants to see action from the government before scaling up their own involvement in CSR. There is an urgent need for government to reassure foreign and domestic investors in the tourism sector that their investments are secure and that the government is committed to sustainable growth and management of the industry. As private sector actors are reassured, their commitment and ability to contribute to sustainable tourism development in Cambodia will increase.

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28 A trade agreement between the United States and Cambodia signed in 1999 allowed increased market access in exchange for demonstrating improvements in labor standards. With the help of the ILO, the industry successfully established a unique, effective, and transparent system for monitoring working conditions in the garment industry. As the bilateral trade agreement as well as the international quota regime have expired, Cambodia is promoting compliance with labor law as a comparative advantage to retain and attract the CSR-sensitive international buyers.
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# Appendix B – Criteria to measure progress in tourism sustainability


<table>
<thead>
<tr>
<th>Environmental</th>
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<tr>
<td>Overall environmental protection</td>
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<td>• Environmental management</td>
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<td>• Impact assessment</td>
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<td>• Habitat, eco-system maintenance and enhancement</td>
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<td>• Mechanisms for monitoring and reporting environmental performance</td>
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<tr>
<td>• Specific standards for impacts specific to diving, golf, beaches, and other sub-sectors</td>
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<tr>
<td>Energy and water consumption</td>
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<tr>
<td>• Energy consumption-reduction-efficiency-sustainability of energy supply</td>
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<td>• Water consumption-reduction-quality</td>
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<td>Waste management</td>
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<td>• Reduction</td>
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<td>• Recycling</td>
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<td>• Final disposal</td>
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<td>Site alteration</td>
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<td>• Appropriate building materials</td>
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<td>• Protection of habitat</td>
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<td>• Appropriate scale and sensitivity to sense of place</td>
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<tr>
<td>Purchasing</td>
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<tr>
<td>• Sustainability of materials</td>
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<td>• Use of nature-friendly cleaning products</td>
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<td>• Hazardous substances reduction</td>
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<td>Contamination</td>
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<td>• Air quality and emissions</td>
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<td>• Noise reduction</td>
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<tr>
<td>• Transport management</td>
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<tr>
<td>Environmental information</td>
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<tr>
<td>• Interpretation/education of visitors</td>
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<tr>
<td>• Staff training, education, knowledge and awareness</td>
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</table>

<table>
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<tr>
<th>Sociocultural</th>
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<tbody>
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<td>Community relations</td>
<td></td>
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<tr>
<td>• Ensuring rights and aspirations of local/indigenous people are recognized</td>
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<td>• Conservation of local/regional culture and heritage</td>
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<td>• Protection of the integrity of community social structure</td>
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<td>• Minimizing impacts on culture and local economy</td>
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<td>• Appropriateness of land acquisition</td>
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<td>Community participation and involvement</td>
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<td>• Minimizing negative economic impacts</td>
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<td>• Maximizing economic benefits</td>
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<td>• Contributions to the development of local community infrastructure</td>
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<td>Employee training and promotion</td>
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<td>• Local residents are employed, including in management</td>
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<td>• Training for local employees</td>
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<td>Sociocultural information</td>
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<tr>
<td>• Interpretation/education for customers</td>
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<tr>
<td>Economic and quality</td>
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<tr>
<td><strong>Creation of local employment</strong></td>
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<tr>
<td>• Staff training, knowledge and awareness of social cultural factors</td>
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<tr>
<td>• Creation of networks of green businesses within a given destination</td>
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<tr>
<td>• Use of organic food</td>
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<tr>
<td>• Supply chain management through green and sustainable purchasing policies</td>
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<tr>
<td><strong>Ethical business practice</strong></td>
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<tr>
<td>• Fair treatment of personnel</td>
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<tr>
<td>• Mechanisms to ensure labor arrangement are not exploitative and conform to local laws or international labor standards</td>
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<td>• Accurate responsible marketing</td>
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<td><strong>Overall business competence</strong></td>
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<tr>
<td>• Mechanisms for reservations, accounting, marketing, and administration</td>
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<tr>
<td><strong>Customer satisfaction</strong></td>
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<tr>
<td>• Requirement for customer feedback regarding quality of tourism experience</td>
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<tr>
<td><strong>Health and safety</strong></td>
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<tr>
<td>• Business meets or exceed applicable health and safety regulations</td>
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<tr>
<td><strong>Employee capacity building</strong></td>
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<tr>
<td>• Programs for training employees in sustainability and core business practices</td>
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</tbody>
</table>
Appendix C – Issues to consider when developing a sustainable supply chain system
Tour Operators Initiative, “Supply chain engagement for tour operators, three steps towards sustainability”.

<table>
<thead>
<tr>
<th>Economic Performance Issues</th>
<th>Social and Cultural Performance Issues</th>
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<tbody>
<tr>
<td>Employee wages and benefits</td>
<td>GENERAL</td>
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<tr>
<td>Local purchasing</td>
<td>Equal opportunities and non-discrimination</td>
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<tr>
<td>Revenue leakage</td>
<td>Human rights (including implementation of the ECPAT Code against the commercial sexual exploitation of children)</td>
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<tr>
<td>Linkages with local suppliers and subcontractors</td>
<td>WORKPLACE</td>
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<tr>
<td>Corporate responsibility-related payments</td>
<td>Workplace conditions</td>
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<td></td>
<td>Labor relations (including fair treatment, fair wages, security of employment, working hours and employees’ rights, such as freedom of association and collective bargaining)</td>
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<td></td>
<td>Health and safety</td>
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<td></td>
<td>Training and education</td>
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<td></td>
<td>Children in the workplace</td>
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<tr>
<td>Environmental Performance Issues</td>
<td>SUPPLIERS AND SUBCONTRACTORS</td>
</tr>
<tr>
<td>Energy use</td>
<td>Labor relations and human rights practices</td>
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<tr>
<td>Water use</td>
<td>Contracting with small and micro-enterprises, including those operated by indigenous, ethnic or minority groups</td>
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<tr>
<td>Waste management</td>
<td>Respect for rights of indigenous, ethnic and minority groups, and of local communities</td>
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<tr>
<td>Wastewater management</td>
<td>COMMUNITY</td>
</tr>
<tr>
<td>Contributions to biodiversity and nature conservation</td>
<td>Land and indigenous rights</td>
</tr>
<tr>
<td>Chemical use</td>
<td>Consultation and participatory decision-making with the local population and affected stakeholders</td>
</tr>
<tr>
<td>Emissions (CO2, ozone depleting substances)</td>
<td>Contribution to community development</td>
</tr>
<tr>
<td>Land conversion</td>
<td>Economic linkages with local communities</td>
</tr>
<tr>
<td>Air, water and land pollution</td>
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<tr>
<td>Toxicity of materials and products used</td>
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<td>Indoor air quality</td>
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<td>Noise</td>
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<td>Purchasing guidelines</td>
<td></td>
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<tr>
<td>Built environment (including protection of architectural, historical and archaeological heritage)</td>
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<tr>
<td>Environmental management systems</td>
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Appendix D – UNDP recommendations on developing backward linkages from hotels to the agricultural sector

Unleashing Entrepreneurship in Cambodia - UNDP’s Proposed Activities in Private Sector Development: Draft for Discussion, Contact: Anna Chilczuk anna.chilczuk@undp.org

1.3.5 Building capacities at grassroots level by working with farmer groups and associations to increase product quality and develop market linkages to buyer groups such as hotels by consolidating the supply-side offer

Several organizations (bilateral agencies, NGOs etc) have been working over the past years with farmers, setting up farmer associations as a means of boosting productivity, increase capacities, and support crop diversification. On a small and fragmented scale, there have also been attempts to link such producer groups with their markets in a more systematized way. However, there has been no larger-scale effort to coordinate these activities and especially no linkage with higher-end buyers, such as hotels and restaurants. It is generally acknowledged that only a small portion of the agricultural produce used by these buyers is actually of Cambodian provenance – if foreign (mainly Thai and Vietnamese) products are not imported directly by the hotels, then they will be bought on the domestic market.

The buyers would be willing to purchase local produce, as long as their standard requirements regarding consistency of supply, appropriate quality standards etc were met. This is unlikely to happen as long as contacts with the buyers are made by individual producers.

One solution – presented by the hotels themselves, and apparently already submitted by them to the authorities (in the case of the Phnom Penh Hotel Association) – would be to establish an independent body (to be decided whether this would be a cooperative, an association, or a private company etc) which would liaise between the producer groups and the buyers. This body would be responsible for ensuring that the requirements of buyers (types of produce, quantities, delivery schedules, safety standards) would be transmitted to the producers and fulfilled by them. It is to be determined whether this body would actually purchase directly from the producers and re-sell to the buyers – this would serve to create a middleman, and take away value from the other participants in the chain.

It is worth noting that the Siem Reap Hotel Association is currently looking into possibilities for increasing local sourcing of produce. To date, they have been working with MPDF and IFC, who have already established relations with the Association and have supported their discussions. It is suggested that UNDP and MPDF and IFC could start off by supporting hotel associations in separate parts of the country – namely, UNDP in the Phnom Penh area, and MPDF and IFC in the Siem Reap province. Thus, the scale of roll-out would be faster than if both organizations focused on joint and sequential implementation, and valuable lessons could be exchanged throughout the process. The roles that both UNDP and MPDF and IFC could play would be similar – for example, convening the necessary actors (for example bringing in MFIs to support farmers, thus linking in to the microfinance component of the programme), thus coordination and exchange of experiences would be valuable to both sides.

There exists significant experience in this area within the UN system – the World Tourism Organization has supported capacity building leading to the development of backward linkages to supply hotels with local produce in numerous countries – examples include Vietnam, Myanmar, Mongolia, Maldives, and the South Pacific Islands. The WTO has helped build the necessary capacity as regards quality of output by institutionalizing a “quality conveyor belt” –
quality standards for every part of the production process, supported by clear and explicit guidelines.

Also, FAO has indicated its strong interest in setting up a joint programme with UNDP (within UNDAF joint programming modalities and recognizing that enhancement of the agricultural sector, particularly through improving the market environment for private agro-based enterprise growth and through improving farmers’ ability to raise productivity and to access markets were identified as some of the key contributions by the UNCT during the next programming cycle 2006-2010), whereby it would contribute technical support and lead implementation. FAO has already engaged in informal conversations on this topic with the Minister of Tourism, who sees this type of initiative as an important example of tourism-associated poverty alleviation efforts. It is worth mentioning that also the Cambodian National Tourism Authority, led by H.E. Veng Sereyvuth, has expressed its full support for this type of initiative, which fits in well with current priorities.

Another area of support would be to farmer associations that are already working with private company buyers. The selection of such associations would ensure maximization of effort – the farmers affected would already be ensured of a market for their produce, and thus would be more eager to benefit from capacity building and training efforts, especially if these would translate into clear income increase benefits. Once such example would entails working with the cooperatives producing palm juice and palm sugar for Confirel. Currently, the company’s activities bring benefits to around 200-250 farmers.

Additionally, UNDP could help strengthen local production by working with the Ministry of Commerce and selected NGOs on supporting the development of the one village one product concept, either by strengthening the capacity of NGOs to increase quality of local products, or by acting as the facilitator to support the Ministry’s efforts to identify domestic and international markets for these products.

UNDP should ensure that, through its central coordinating role, there is a wider benefit from experiences which are already having impact in transforming farmer practices and generating income opportunities in selected provinces. Such expertise as has been developed over time by organizations such as AGRISUD, IDE or AQIP yet not widely propagated could be applied through consultations to a wider group of recipients.

This initiative would also serve as a stepping stone for micro-entrepreneurs and farmer associations to enter new – also export – markets in the future. By building their production capacities and ensuring their ability to deliver consistent, high quality produce to local high-end buyers, they will be preparing for future competition on the international market.

It is suggested that in this area the intervention should start off with a workshop/series of workshops organized by UNDP and FAO, with ministerial support, for small-scale producers, NGO-led farmer associations and other growers of produce that could be suited to meet the needs of buyer groups such as hotels. The workshop would serve to share experiences on implementing quality standards and supplying to hotels and restaurants, identify gaps in required knowledge, jointly brainstorm potential solutions and create an action plan shared by all participants. Based on the outcomes of this workshop, UNDP and FAO would then structure the appropriate programme content, in cooperation with other likely partners (such as WTO and the IFC and MPDF).