

5.7.1 Proposed Projects

A. Projects for Primary Industry Development

(1) Development Project

The following eight projects are proposed for the implementation in the primary industry sector taking the approaches and scenarios proposed in the previous sections, especially 5.4.1 into account.

Table 5-32 Projects for Primary Industry Development

Project	Objective	Executing Agency
A-1: Agriculture Reform Program	To formulate and implement an agriculture reform program to improve institutional constraints in the Study Area.	Ministry of Agriculture and Forestry
A-2: Fishery Market Development Project	To develop a modernized fish market with cold storage to expand fish trade.	Ministry of Commerce
A-3: Mangrove Aquaculture Pilot Project	The project is to develop pilot community based mangrove-friendly aquaculture such as mud-crab for livelihood improvement for rural communities in Kampot bay without destroying mangroves	Ministry of Agriculture and Forestry, Provincial Government
A-4: Outer City Agriculture Promotion Program	To enhance farm income through expansion of crop diversification and modernized agriculture in outer city areas.	Ministry of Agriculture and Forestry, Provincial Government
A-5: Cashew Plant Protection and Processing Project	To reduce rural poverty and enhance farm income through improvement of cashew protection and processing.	Ministry of Agriculture and Forestry, Provincial Government
A-6: Agro-forestry Development Pilot Project	To increase farm income by operating a dairy farm equipped with a milk processing plant and supplied with forage from agro-forestry gardens planted with teak, mahogany, elephant grass and stylo.	Ministry of Agriculture and Forestry, Provincial Government
A-7: Vegetable and Fruit Processing Project	To increase the value of vegetables and fruits through processing activities.	Ministry of Agriculture and Forestry, Provincial Government
A-8: Border Trade Project	To expand export oriented crop production including agro-processed products in border provinces	Ministry of Agriculture and Forestry, Provincial Government
A-9: Post Harvest Loss Prevention Project.	To increase income to farmers through post-harvest loss prevention activities using Solar Chimney Dryers and appropriate storing equipment.	

(2) Evaluation of Proposed Projects

Based on the evaluation criteria discussed earlier, **Table 5-33** summarizes the appraisals.

Table 5-33 Evaluation of the Proposed Projects

Project	Conformity to Overall Goals and Basic Strategy	Conformity to Regional Strategy	Relevance to Industrial Development	Sustainability and use of local resource	Admissibility of implementation	Impact on social dimension
A-1: Agriculture Reform Program	A- Basic policy for promotion of agriculture	A- will support the overall regional development strategy	B – will support the industrial development indirectly	A – will contribute to the sustainable use of land resources	A - Admissible immediately	A - No adverse effect foreseen
A-2: Fishery Market Development Project	A – is consistent with basic strategy	A- will support the development strategy of SNV	B – will support the industrial development indirectly	A – will contribute to the sustainable use of land resources	A - Admissible immediately	A - No adverse effect foreseen
A-3: Mangrove Aquaculture Pilot Project	A – is consistent with basic strategy	A- will support the development strategy for coastal areas	C – will support the industrial development indirectly	A – will contribute to the sustainable use of marine resources	C - Need to arrange land titles for the participating fishermen.	A - No adverse effect foreseen
A-4: Outer City Agriculture Promotion Program	A – is consistent with basic strategy	A- will support the development strategy for outer Phnom Penh agriculture	A – will support the industrial development for agro-processing.	A – will contribute to the sustainable use of land resources	A - Admissible immediately	A - No adverse effect foreseen
A-5: Cashew Plant Protection and Processing Project	A – is consistent with basic strategy	A- will support the development strategy for Intermediate area	A – will support the industrial development for agro-processing.	A – will contribute to the sustainable use of land resources	B - Need preparation time to establish farmers group.	A - No adverse effect foreseen
A-6: Agro-forestry Development Pilot Project	A – is consistent with basic strategy	A- will support the development strategy for Intermediate area	C – will support the industrial development indirectly	A – will contribute to the sustainable use of forest resources	C - Need to arrange land titles for the participating farmers.	A - No adverse effect foreseen
A-7: Vegetable and Fruit Processing Project	A – is consistent with basic strategy	A- will support the development strategy for Intermediate area	A – will support the industrial development for agro-processing.	A – will contribute to the sustainable use of land resources	A - Admissible immediately	A - No adverse effect foreseen
A-8: Border Trade Project	A – is consistent with basic strategy	A- will support the development strategy for Intermediate area	A – will support the industrial development for agro-processing.	A – will contribute to the sustainable use of land resources	B – Need to coordinate interests of neighboring nations	A - No adverse effect foreseen
A-9: Post Harvest Loss Prevention Project.	A – is consistent with basic strategy	A- will support the development strategy for Intermediate area	C – will support the industrial development indirectly	A – will contribute to the sustainable use of land resources	A - Admissible immediately	A - No adverse effect foreseen

Evaluation rating A: High, B: Middle, C: Low

(3) Priority Projects

The following two projects are selected as priority projects.

A-4: Outer City Agriculture Promotion Program

Demand of vegetables and fruits of urban people, hotels, trade companies and factories increase year by year in Phnom Penh. There is thus high potential for introduction or expansion of high value crops including vegetables, fruits and a part of fodder crops. For the vegetables, however, low market prices are widely observed in the dry season since many farmers cultivate vegetables using home gardens, the river banks and irrigated areas. Therefore, the introduction of new

techniques, especially the adjustment of the cropping pattern and more crop diversification is necessary to stabilize the supply of vegetables all year-round. In the fruits or fodder crops, production of those crops is rather small compared to market demand and accordingly stable market price is expected. To hedge the risk to introduction of new crops and techniques, demonstration plots and associated farmer training should be promoted in the program target area.

The project aims to enhance farm income through expansion of crop diversification and modernized agriculture in outer city area. The major activities are:

- Feasibility Study
- Technical assistance for overall project management, preparation of crop management calendar, selection, design and establishment of demonstration plots,
- Implementation of training program for extension staff of Ministry of Agriculture and Forestry,
- Operation and maintenance of demonstration plots
- Implementation of technical guidance to farmers in the demonstration plots,
- Technical assistance for formulation of production groups and marketing, and
- Implementation of agricultural needs assessment and baseline survey, and monitoring and evaluation (M&E) survey.

A-7: Vegetable and Fruit Processing Project

One of the key issues in the agricultural sector is to increase the value-added component of agricultural products. When vegetables and fruits are sold raw, the value tends to be low and may well be affected largely by the market conditions. Processing of agricultural products will contribute to stabilizing the income on the part of producers throughout the year and improve the livelihood of farmers.

Technologies required for agro-processing will have to be solved to materialize this project. A comparative survey of relatively easy to harness technologies for the required processes needs to be made. Production in collaboration with FDI will also be contemplated as a practical option. It is important to start this project in a sustainable manner, and expand it to wider rural areas of Cambodia.

(4) Implementation Matrix

Based on the evaluation of the proposed projects, the implementation program is formulated as shown in **Table 5-34**.

Table 5-34 Implementation Program for the Projects

A. Primary Industry						Implementing Bodies												Implementation Schedule				
						Central Government Agencies						Local Authorities				Others		Urgent	Short	Medium		
						Ministry of Agriculture and Forestry	Ministry of Commerce	Ministry of Industry	Ministry of Public Works (Port Authority)	Ministry of Tourism	Ministry of Culture and Fine Arts	Provincial Government	PHN Municipality	SNV Municipality	Private Sector	NGOs						
Sector	Sector Goal	Area	Area-wise Goal	Strategy	Project	XXX: Primary responsibility, XX: Secondary responsibility, X: Supplementary												2003-2005	2006-2008	2009-2015		
A. Primary Industry	- Raising of Rural Communities above Subsistence Level - Ensuring Food Security	Overall	Formulation of Axis Development for Cambodia		A-1 Agriculture Reform Program	XXX																
		Sihanoukville	Promotion of Strategic Development of Industries	- Improvement of Fisheries - Promotion of Sustainable Use of Ocean Fishery Resource	A-2 Fishery Market Development Project		XXX															
					A-3 Mangrove Aquaculture Pilot Project	XXX					XX											
	Greater Capital	Creation of Economically Active Suburbs with Sustainable Environment	- Ensuring Food Security - Improved Access of Rural Areas to Market Economy	A-4 Outer City Agriculture Promotion Program	XXX							XX										
	Intermediate	Establishment of Stable and Sustainable Rural Society	- Accommodation of Changes in Agricultural Sector - Enhancement of Value of Agriculture	A-5 Cashew Plant Protection and Processing Project	XXX								XX									
				A-6 Agro-forestry Development Pilot Project	XXX							XX										
				A-7 Vegetable and Fruit Processing Project	XXX		XX					XX										
				A-8 Border Trade Project	XXX							XX										
				A-9 Post Harvest Loss Prevention	XXX							XX										

B. Projects for Secondary Industry Development

In line with the recommended strategies as well as the Government industrial policy, projects were formulated for industrial development in the Growth Corridor Area. In this Secondary Industry Sector, eight projects are recommended as given below.

It should be noted however that many other sectors in the Study are also concerned with industrial development and also propose projects.

- Establishment of an Industrial Promotion Organization of Cambodia
- Establishment of Cambodia Food Safety Guidance Center
- Establishment of Cambodia Food Processing Technology Development Center
- Upgrading of Small and Micro Industries
- Mineral Resource Survey and Evaluation for the Growth Corridor Area
- Garment and Footwear Industry Revitalization Project
- Takaev Community Business Development (Silk and handicraft)

- Indochina Gateway of the Tuning and Recycling Industry

Besides the projects recommended in the Study, it is desirous that the activities of the on-going Mekong Project Development Facility (MPDF) should be further strengthened. The MPDF was established in 1997 for the countries of Vietnam, Lao PDR and Cambodia with the management body of the International Finance Corporation and with a number of donor countries and institutions including ADB, Australia, Canada, Finland, IFC, Japan, Norway, Sweden, Switzerland and UK. The main objective is to support the development of private, domestically-owned, small and medium scale enterprises.

(1) Development Projects

The following eight projects are proposed for implementation in the secondary industry sector taking the approaches and scenarios proposed in the previous sections, especially 5.4.2 into account.

Table 5-35 Projects for Secondary Industry Development

Project	Objective	Executing Agency
B-1: Establishment of Cambodian Industrial Promotion Organization	<ol style="list-style-type: none"> 1) To promote foreign capital import 2) To provide business service for promoting foreign capital import (One-stop-service) 3) To promote port sales (promotion of port utilization) 4) To promote small-scale enterprises development and new business generation in Cambodia 5) To foster marketing and incubation managers for the above 	<p>The Ministry of Commerce The Ministry of Industry The Ministry of Public Works (Port Authority)</p>
B-2: Establishment of Cambodian Food Safety Guidance Center	<ol style="list-style-type: none"> 1) To extend and stabilize the market by improving safety and reliability of the food manufacturing industry 2) To train and improve the research capability for analyzing food safety 3) To Diffuse and enlighten knowledge of food safety not for the enterprises, but also for all Cambodian people 	The Ministry of Agriculture, Forestry, and Fishery
B-3: Establishment of Cambodian Food Processing Technology Development Center	<ol style="list-style-type: none"> 1) The base for technical support to promote the regional food processing industry 2) The base for technical transfer and human resource development to promote the regional food processing industry 3) The base for transmission and supply of information to promote the regional food processing industry 	The Ministry of Agriculture, Forestry, and Fishery
B-4: Upgrading of Small and Micro Industries	<ol style="list-style-type: none"> 1) Modernizing and upgrading traditional SME by improving means of production, management and marketing. 2) Utilization of abundant internationally competitive low cost labor. 3) Promotion of appropriate technology and appropriate scale manufacturing for local and niche markets. 4) Effective utilization of locally scattered agro-related domestic resources. 	Ministry of industry, Mines and Energy, Dept. of Small industry and Handicraft
B-5: Mineral Resource Survey and Evaluation for the Growth Corridor Area	<ol style="list-style-type: none"> 1) Promote mineral- resource- based industry. 2) Contribute to import substitution and export promotion. 	Mineral Resource Development Department of MIME.
B-6: Garment and Footwear Industry Revitalization Project	In order that the Cambodian garment and footwear industry stays in business after 2005, active promotion is required by assisting the marketing of the products in markets other than the USA; providing vocational training to potential and current garment workers for higher skills and supporting Cambodian garment manufactures to grow.	Ministry of industry, Mines and Energy
B-7: Community Business Development in Rural Areas (silk and handicrafts, in Takaev Province)	<ol style="list-style-type: none"> 1) Revitalizing traditional industry by improving means of production, design, management and marketing to develop products adaptable to urban and export demand. 2) Realizing rural sustainable development and local people's initiative. 3) Promotion of linkage between production area and tourism locations 4) Human and natural resource based industry development 	Ministry of industry, Mines and Energy, Dept. of Small industry and Handicraft
B-8 : Development of Environmentally Friendly Industry: Indochina Gateway of the Tuning and Recycling Industry of Used Machinery	This project aims to develop an Indochina gateway of the tuning and recycling industry of used machinery in the growth corridor, particularly in Sihanoukville. The new recycling industry will be invited to be established for accommodating used machinery, for selection of usable ones, reassembling and tuning for reuse, and extraction of usable parts. The location will preferably be within the Free Trade Zone. The main source of used machinery is presumed to be Japan and other developed nations.	Ministry of industry, Mines and Energy

(2) Evaluation of Proposed Projects

Based on the evaluation criteria discussed earlier, **Table 5-36** summarizes the appraisal.

Table 5-36 Evaluation of the Proposed Projects

Project	Conformity to Overall Goals and Basic Strategy	Conformity to Regional Strategy	Relevance to Industrial Development	Sustainability and use of local resource	Admissibility of implementation	Impact on social dimension
B-1: Establishment of Cambodian Industrial Promotion Organization	A- Is consistent with basic policy for promotion of agriculture	A- will support the overall regional development strategy	A – will support the industrial development	A – will contribute to the sustainable use of land resources	B - Admissible immediately but will be effective after SPZ development	A - No adverse effect foreseen
B-2: Establishment of Cambodian Food Safety Guidance Center	A – Is consistent with basic strategy	A- will support the development strategy of SNV	B – will support the industrial development indirectly	A – will contribute to the sustainable use of land resources	A - Admissible immediately	A - No adverse effect foreseen
B-3: Establishment of Cambodian Food Processing Technology Development Center	A- Is consistent with basic policy for promotion of agriculture	A- will support the overall regional development strategy	A – will support the industrial development	A – will contribute to the sustainable use of land resources	B - Admissible immediately but will be effective after B2	A - No adverse effect foreseen
B-4: Upgrading of Small and Micro Industries	A – Will support the development strategy of G C	A – Will support the development strategy of G C	A - Will support the development strategy of G C	A - Will contribute to the sustainable development of G C	A-Admissible immediately	A – No adverse effect foreseen on social dimensions
B-5: Mineral Resource Survey and Evaluation for the Growth Corridor Area	A – Is consistent with basic strategy	A- will support the development strategy of SNV	B – will support the industrial development indirectly	A – will contribute to the sustainable use of land resources	A - Admissible immediately	A - No adverse effect foreseen
B-6: Garment and Footwear Industry Revitalization Project	A – Will support the development strategy of G C	A – Will support the development strategy of G C	A - Will support the development strategy of G C	A - Will contribute to the sustainable development of G C	A-Admissible immediately	A - No adverse effect foreseen
B-7: Community Business Development In Rural Areas	A – Will support the development strategy of G C	A – Will support the development strategy of Intermediate Area	A - Will support the development strategy of G C	A - Will contribute to the sustainable development of Intermediate Area	A-Admissible immediately	A – No adverse effect foreseen on social dimensions
B-8: Development of Environmentally Friendly Industry: Indochina Gateway of the Tuning and Recycling Industry of Used Machinery	A – Will support the development strategy of G C	A – Will support the development strategy of G C	A - Will support the development strategy of G C	A - Will contribute to the sustainable development of G C	A - Will contribute to the sustainable development of G C	A - No adverse effect foreseen

Evaluation rating A: High, B: Middle, C: Low

(3) Priority Projects

B-4: Upgrading of Small and Micro Industries

SME (Small and micro enterprises) are an important segment of industries mainly in rural areas, providing employment and contributing to the enhancement of valued added to primary industry products, and providing various services for urban centers and tourism.

The project aims at fostering the traditional SME and promoting new small-scale business incubation, rearing domestic capital and entrepreneurs, extending support for rendering information about technology and market, extending support for

finance in investment and new business incubation and fostering managers and marketing experts.

B-6: Garment and Footwear Industry Revitalization Project

In order that the Cambodian garment and footwear industry stays in business after 2005, active promotion needs to be filed by assisting the marketing of the products in markets other than USA; providing vocational training to potential and current garment workers for higher skills and supporting Cambodian garment manufactures to grow.

The project will facilitate the following activities.

- Export promotion of garment and footwear to EU and Asian markets
- SME support for domestic garment and footwear manufactures by utilizing various multinational funding (ex. MPDF, Asia Foundation, etc.)

(4) Implementation Matrix

Based on the evaluation of the proposed projects, the implementation program is formulated as shown in **Table 5-37**.

Table 5-37 Implementation Program of the Projects

B. Secondary Industry						Implementing Bodies													Implementation Schedule															
						Central Government Agencies											Local Authorities		Others		Urgent	Short	Medium											
						Ministry of Agriculture and Forestry	Ministry of Commerce	Ministry of Industry, Mines and Energy	Ministry of Public Works (Port Authority)	Ministry of Tourism	Ministry of Culture and Fine Arts	Provincial Government	PHN Municipality	SNV Municipality	Private Sector	NGOs																		
Sec-tor	Sector Goal	Area	Area-wise Goal	Strategy	Project	XXX: Primary responsibility, XX: Secondary responsibility, X: Supplementary													2003-2005	2006-2008	2009-2015													
B. Secondary Industry	- Resumption of Leading Role in Overall Development of Growth Corridor as the Driving Force	Overall	Formulation of Axis Development for Cambodia		B-1	Establishment of Industrial Promotion Organization in Cambodia		XX	XXX																									
					B-2	Establishment of Cambodia Food Safety Guidance Center		XXX		X																								
					B-3	Establishment of Cambodia Food Processing Technology Development Center		XXX		XX																								
					B-4	Upgrading of Small and Micro Industries				XXX																								
					B-5	Mineral Resource Survey and Evaluation for the Growth Corridor Area				XXX																								
	Sihanoukville	Promotion of Strategic Development of Industries	Promotion of Local-Resource Based Industries for Import Substitution	B-8	Used Machinery Tuning and Recycling Project				XXX																									
	Greater Capital	Creation of Economically Active Suburbs with Sustainable Environment	- Preservation and futureenhancement of Competitiveness of Apparel Industry - Export Promotion of Other Labor Intensive Industries - Upgrading of roles and activities of SME	B-6	Garment and Footwear Industry Revitalization Project				XXX																									
	Intermediate	Establishment of Stable and Sustainable Rural Society	Upgrading of roles and activities of SME	B-7	Community Business Development in Rural Area(Silk and handicrafts)				XXX																									

C. Projects for Tertiary Industry Development

(1) Development Project

Six projects are proposed in the tertiary industry development. In the Study Area especially the Greater Phnom Penh area and Sihanoukville, tourism, tourism related businesses and urban supporting service businesses are in growing demand. The proposed projects are basically technical assistance type of support from international agencies, donor countries and NGOs. The details of the proposed projects are shown in the project sheets attached in **Annex1**. **Table 5-38** below lists the six projects.

Table 5-38 Projects for Tertiary Industry Development

Project	Objective	Executing Agency
C-1: Training Center for Tourism and Service Business	To improve capacity building of human resources for tourism in both public and private sectors. To develop Training Center for Tourism and Service Businesses for providing various training programs/courses.	Ministry of Tourism and MOC in cooperation with private sector
C-2: Improvement and Support for Urban Service Businesses (Sihanoukville and Phnom Penh)	To improve business and management skills for managers and staff by providing various types of training courses. To strengthening financial institutions by providing loan analysis training and SME Investment Funds. To support operation and management for service sectors of SME.	International agencies in collaboration with MOC, Sihanoukville and Phnom Penh Municipalities
C-3: Improvement of Beach Areas	To attract more visitors to beach areas by improving existing facilities and developing necessary facilities at beach areas. To manage and protect the environment at beaches and surrounding areas. To create awareness in preservation and beautification of beach areas for local people and visitors.	Sihanoukville Municipality and Sihanoukville Tourism Office in collaboration with MOT
C-4: Tourism Master Plan for Greater Phnom Penh	To analyze current situation of tourist industry in Greater Phnom Penh Area and find development potential. To provide an appropriate tourism planning and development guideline for Greater Phnom Penh Area for MOT and relevant agencies accommodating increasing demand of tourist industry. To prepare effective implementation measures for proposed projects/programs for short to long term.	MOT and relevant ministries, Phnom Penh Municipality, Kandal Provincial governments
C-5: Arts and Handicraft Center (Greater Phnom Penh area)	To promote local handicraft industry. To improve technical skill of local handicraft producers. To show actual handicraft production process to visitors. To increase income from local produce by selling products. To organize local art performance groups capable of Khmer traditional dances, music, etc.	Ministry of Culture and Fine Arts in cooperation with local governments
C-6: Pilot Project for Village-Based Tourism	To develop appropriate tourist products for the village community. To create employment opportunities and earn supplemental income for villagers. To reduce poverty and improve living standard of villagers. To create tourism awareness.	Local government in cooperation with Ministry of Tourism and NGOs

(2) Evaluation of Proposed Projects

Based on the evaluation criteria discussed earlier, **Table 5-39** summarizes the appraisal.

Table 5-39 Evaluation of the Proposed Projects

Project	Conformity to Overall Goals and Basic Strategy	Conformity to regional strategy	Relevance to industrial development	Sustainability and use of local resource	Admissibility of implementation	Impact on social dimension
C-1: Training Center for Tourism and Service Businesses	A – Is the basic strategy	A – Will support the strategy of GC	A – Will build capacity in SPZ and urban areas in SNV and Phnom Penh	B – Will contribute to sustainable development of growth corridor area	A – needs to implement soon	A – No adverse effect foreseen
C-2: Improvement and Support for Urban Service Businesses (Sihanoukville and Phnom Penh)	A – Is consistent with the basic strategy	A – supports the strategy of SNV and Phnom Penh	A – Supports the development of SPZ and urban service businesses in SNV and Phnom Penh	C – Will contribute to sustainable development of urban service businesses	B - can be implemented soon	A – No adverse effect foreseen
C-3: Improvement of Beach Areas	A – Is consistent with the basic strategy	A – Will support the strategy of SNV	A – will help to attract FDI in SPZ at SNV	A - Will contribute to sustainable development and management of beach areas in SNV	A - needs to implement soon	A – No adverse effect foreseen
C-4: Tourism Master Plan for Greater Phnom Penh	A – Will support the basic strategy	A – supports the strategy of Phnom Penh	B – Will contribute to the development of SPZ in Phnom Penh	B – Will contribute to the sustainable development of Phnom Penh	A - needs to implement urgently	A – No adverse effect foreseen
C-5: Arts and Handicraft Center (Greater Phnom Penh area)	A – Will support the basic strategy	B – will support the strategy of Phnom Penh	B – Will support revitalizing and developing local industry (Handicraft)	A – will promote and improve arts and handicraft by utilizing local resources	B - needs to implement soon	A – Favorable effect foreseen by creation of job opportunities
C-6: Pilot Project for Village-Based Tourism	A – Is consistent with the basic strategy	A – will support the strategy of Intermediate Area	C – will support revitalizing rural industry in Intermediate area	A – contributes to sustainable tourism development utilizing local resources	C - needs to implement during the mid to long term	A – Favorable effect foreseen to villagers' job creation

Evaluation rating A: High, B: Middle, C: Low

(3) Priority Projects

C-4 Tourism Master Plan for the Greater Capital Area

International tourism is a staple service sector for Cambodia in a few important aspects. It earns foreign exchange directly through the spending of the increasing number of tourists visiting Cambodia every year. Tourism relates to handicraft and traditional rural industries for souvenirs, and thus potentially contributes to poverty alleviation. Cambodia is competitive in tourism with neighboring nations, owing to the ruin of Angkor on the world heritage list.

A recent tendency in international tourism in Cambodia is more concentration on Angkor, and less attention on other parts of Cambodia. This is more so with convenient direct flights from Bangkok and Ho Chi Minh to Siem Reap, servicing an increased number of foreign tourists, bypassing the capital area of Phnom Penh.

Enhancing the appeal of Phnom Penh to international tourists will be imperative in elongating their stays in Cambodia, and providing more diverse options for sight seeing of cultural heritage dating to the French colonial time, experiencing natural and village-tourism attractions and exposure to quality traditional cultural experiences such as Khmer dance and folk music performances.

The project intends to formulate a master plan to boost the international tourism in and around Phnom Penh, capitalizing on the existing and potential resources in a better network and improved quality.

(4) Implementation Matrix

Based on the evaluation of the proposed projects, the implementation program is formulated as shown in **Table 5-40**.

Table 5-40 Implementation Program of the Projects

C. Tertiary Industry					Implementing Bodies										Implementation Schedule				
					Central Government		Agencies		Local Authorities			Others			Urgent	Short	Medium		
Ministry of Commerce	Ministry of Tourism	Ministry of Culture and Fine Arts	Provincial Government	PHN Municipality	SNV Municipality	Private Sector	NGOs	2003-2005	2006-2008	2009-2015	XXX: Primary responsibility, XX: Secondary responsibility, X: Supplementary								
Sector	Sector Goal	Area	Area-wise Goal	Strategy	Project											2003-2005	2006-2008	2009-2015	
C: Tertiary Industry	-Development and Enhancement of tourism tourism and service sector for supporting regional economy	Overall	Formulation of Axis Development for Cambodia	<ul style="list-style-type: none"> Increase the number of domestic and foreign tourist to Phnom Penh and Sihanoukville by improvement and development of tourism sites and resources Attract more FDI to tourism and commercial sector Support and strengthen tourism, commercial and service sector for proposed SPZ and urban areas 	C-1 Training Center for Tourism and Service Business	XX	XXX				XX		XX						
		Sihanoukville	Promotion of Strategic Development of Industries	<ul style="list-style-type: none"> Improvement and development of marine/beach area for tourism and promotion of eco-tourism Development and improvement of service industry and business to support urban sector Support of service and commercial industry for SPZ Upgrading of roles and activities of SME 	C-2 Improvement and Support for Urban Service Business (Sihanoukville)	XX							XX	XX					
						C-3 Improvement of Beach Areas		XX						XXX					
		Greater Capital	Creation of Economically Active Suburbs with Sustainable Environment	<ul style="list-style-type: none"> Improvement of tourist destinations in and around Phnom Penh Enhancement of Information and Telecommunication Technology (ITC) for tourism and related activities Upgrading of roles and activities of SME 	C-2 Improvement and Support for Urban Service Business (Phnom Penh)	XXX						XX		XX					
						C-4 Tourism Master Plan for Greater Capital		XXX	XX	XX	XX	XX		XX					
						C-5 Arts and Handicraft Center (Greater Capital)			XXX	XX	XX					XX			
	Intermediate	Establishment of Stable and Sustainable Rural Society	<ul style="list-style-type: none"> Enhancement of existing tourist destinations Introduction of village tourism Upgrading of commercial and service business function and activities at Provincial centers 	C-6 Pilot Project for Village-Based Tourism		XX	XX	XXX	XX				XX						

D. Projects for Investment Development

(1) Development Projects

In order to promote FDI in Cambodia, improvement of physical development/ renovation of supporting infrastructure and legal and institutional framework are to be carried out concurrently.

The projects/programs summarized below are conceived for improvement of physical development/ renovation of supporting infrastructure.

Table 5-41 Projects for FDI Promotion

Project/program Title	Objective	Executing Agency
D-1: Establishment of Special Promotion Zone (SPZ)	In order to overcome the current institutional problems and the constraints of the investment climate for FDI in Cambodia, the principles of SPZ have to be introduced.	CDC, MOC, MIME
D-2: FDI Promotion for EPZ/FTZ in Sihanoukville and Phnom Penh	Establishment of FDI manufacturers/traders in Sihanoukville EPZ/FTZ and Phnom Penh EPZ/FTZ should be promoted.	MOC with the collaboration of CDC and MIME
D-3: Development of the Sihanoukville EPZ/FTZ	To meet the FDI demand in 2005, EPZ/FTZ shall be developed as the urgent industrial infrastructure development in Sihanoukville SPZ.	PAS + Private investors for internal infrastructure
D-4: Development of GIE in the Sihanoukville SPZ	To meet the FDI demand in 2008 and 2015, a General Industrial Estate shall be developed in the designated area of the Sihanoukville SPZ to invite the port based manufacturers.	GOC+ Private investors for internal infrastructure
D-5: Renovation of fish port with supporting infrastructure development of fishery processing estates in Sihanoukville, Kaoh Kong and Kampot	To encourage the fishing products export and increase the fisherman 's income through the modernization of fish products trading system and improvement of fishing support infrastructure.	MAFF + Local Government
D-6: Development of Phnom Penh EPZ/FTZ	To meet the FDI demand in 2005, EPZ/FTZ shall be developed as the urgent industrial infrastructure development to invite the airport based manufacturers and traders in the vicinity of the Phnom Penh airport.	GOC + Private investors for internal infrastructure
D-7: Development of GIE in the Greater Capital	To meet the FDI demand in 2008 and 2015, a General Industrial Estate shall be developed in the vicinity of the Phnom Penh airport to invite the port based manufacturers.	GOC+ Private investors for internal infrastructure
D-8: Kaoh Kong Special Border Economic Zone/IZ	Project aims at making the best use of the land and labor of Cambodia and capital and marketing capacity of Thai investors for the mutual benefit of the two countries. Kaoh Kong area has been selected due to the close proximity to the Eastern Seaboard and Bangkok and locational advantage of having coast line with possible sea transport.	Cross-Border Economic Development Corporation under the International Border Economic Committee of Thailand/Cambodia

(2) Evaluation of Propose Projects

Projects proposed above were evaluated by six criteria and rated by A – C category as shown below.

Table 5-42 Evaluation of the Proposed Projects

Project/program Title	Conformity to Overall Goals and Basic Strategy	Conformity to regional strategy	Relevance to industrial development	Sustainability and use of local resources	Admissibility of implementation	Impact on social dimension
D-1 Establishment of Special Promotion Zone (SPZ)	A- Is the basic policy for promotion of FDI in EPZ/FTZ	A- will support the development strategy of SNV	A – will support the industrial development strategy of SNV	A – will contribute to the sustainable development of SNV	A - Admissible immediately	A - No adverse effect foreseen
D-2 FDI Promotion for EPZ/FTZ in Sihanoukville and Phnom Penh	A- Inevitable work for preferential promotion of FDI in EPZ/FTZ	A- will support the development strategy of SNV & PP	A – will support the industrial development strategy	A – will contribute to the sustainable development of SNV and GC	A - Admissible immediately	A - favorable effect foreseen by job opportunity creation
D-3 Development of the Sihanoukville Port FZ (EPZ/FTZ)	A- Basic project for promotion of FDI in EPZ/FTZ	A- will support the development strategy of SNV	A – will support the industrial development strategy of SNV	A – will contribute to the sustainable development of SNV	A - Admissible immediately	B - favorable effect by job opportunity creation, adverse effect by resident relocation
D-4 Development of GIE in the Sihanoukville SPZ	A- Basic project for promotion of FDI	A- will support the development strategy of SNV	A – will support the industrial development strategy of SNV	A – will contribute to the sustainable development of SNV	B – Needs to await EPZ/FTZ implementation	A - favorable effect foreseen by job opportunity creation
D-5 Renovation of fish port with supporting infrastructure development of fishery processing estates in Sihanoukville, Kaoh Kong and Kampot	A – Basic project for the fish products export promotion	A- will support the development strategy of SNV & intermediate area	A – will support the industrial development strategy of SNV & intermediate area	A – will contribute to the sustainable development of SNV & intermediate area	C – Needs to await the results assessment on the marine resources	A - favorable effect foreseen on fishermen's community
D-6 Development of Phnom Penh EPZ/FTZ	A- Basic project for promotion of FDI in EPZ/FTZ	A- will support the development strategy of GC	A – will support the industrial development strategy of GC	A – will contribute to the sustainable development of GC	A - Admissible immediately	A - favorable effect foreseen by job opportunity creation
D-7 Development of GIE in the Greater Capital	A- Basic project for promotion of FDI	A- will support the development strategy of GC	A – will support the industrial development strategy of GC	A – will contribute to the sustainable development of GC	B – Needs to await EPZ/FTZ implementation	A - favorable effect foreseen by job opportunity creation
D-8: Kaoh Kong Special Border Economic Zone/IZ	A – Is consistent with basic strategy	A- will support the development strategy of SNV	B – will support the industrial development indirectly	A – will contribute to the sustainable use of land resources	A - Admissible immediately	A - No adverse effect foreseen

(3) Priority Projects

D-1 Establishment of Special Promotion Zone (SPZ)

The above three projects are selected as pilot projects, details of which will be discussed in **Chapters 6 and 7**.

(4) Implementation Matrix

Based on the evaluation of the proposed projects, the implementation program is formulated as shown in **Table 5-43**.

E. Projects for the Legal and Institutional Framework

(1) Development Projects

Two projects are proposed in the legal and institutional framework. In order to promote FDI in Cambodia, improvement of physical development/ renovation of supporting infrastructure and legal and institutional framework are to be carried out concurrently.

The projects/programs summarized below are conceived for improvement of legal and institutional framework.

Table 5-44 Proposed Projects for Legal and Institutional Framework

Project	Objective	Executing Agency
E1: Computerization of Customs Clearance Procedures	<p>The computerization of customs clearance procedures has the following objectives:</p> <ul style="list-style-type: none"> - Simplifying the customs clearance operation - Harmonizing with PSI scheme - Enabling advanced cargo reporting - Eliminating unnecessary physical inspection by establishing Database of traders - Widening the PCA opportunities - Realizing smooth flow of goods - Providing the investors with opportunities for planned and rationalized operations, which promote trade activities - Avoiding duplicate documentation among the relevant governmental sections - Preparing accurate trade and revenue statistics in time so that they could contribute to well-planned policy making 	The CED, Ministry of Economy and Finance (MEF) would conduct the implementation of the system, with cooperation of the Tax Department, MOC, MIME and other relevant ministries.
E2: Dispatch of Experts from Japan for Facilitating the Legal and Institutional Framework of the SPZ	<ul style="list-style-type: none"> - Promote FDI in Cambodia - Present and give advice to the RGC officials in charge regarding the development concept of the SPZ - Coordinate the interests among relevant governmental sections - Streamline the investment procedures and licensing process necessary for the export-import activities by utilizing the SPZ - Being consulted about the measures of the operational management of the SPZ - Facilitate the formation of legal and institutional framework for the SPZ - Assist the RGC officials in drafting the laws and regulations regarding the SPZ - Cooperate with the RGC for fund raising 	The CDC will be the main governmental sector for implementing the project. The MOC, MIME and other relevant ministries shall cooperate with the CDC.

(2) Evaluation of Proposed Projects

Based on the evaluation criteria discussed earlier, **Table 5-45** summarizes the appraisal.

Table 5-45 Evaluation of the Proposed Projects

Project	Conformity to Overall Goals and Basic Strategy	Conformity to Regional Strategy	Relevance to Industrial Development	Sustainability and use of local resource	Admissibility of implementation	Impact on social dimension
E1: Computerization of Customs Clearance Procedures	A – Will support the development of SPZ in SNV	A – Will support the development strategy of SNV	A - Is consistent with the industrial development	A - Will contribute to the sustainable development of GC	A – Admissible immediately	A – No adverse effect foreseen on social dimensions
E2: Dispatch of Experts from Japan for Facilitating the Legal and Institutional Framework of the SPZ	A – Will support the development of SPZ in SNV	A – Will support the development strategy of SNV	A – Is consistent with the industrial development	A - Will contribute to the sustainable development of GC	A – Admissible immediately	A – No adverse effect foreseen on social dimensions

(3) Priority Projects

E1: Computerization of Customs Clearance Procedures

The CED currently operates the customs clearance work manually. The manual method obviously delays the customs clearance process, allows the leakage of possible taxation, makes the trade statistics incorrect, forces the investors (exporters and importers) to deal with the duplicated documentation work (for example, the VAT refund procedures) and reporting to the relevant government sections. The human contacts unavoidably occurred by the manual method is said to allow the request for unofficial charges and fees during the course of customs clearance.

In 1998, the CED started to examine the possibility of introducing ASYCUDA (Automated System to the Customs Data), which is a package software developed by UNCTAD, to apply to the customs clearance and once updated the introduction plan in 2000. The CED finally gave up the introduction plan because of budgetary constraints.

Although the CED is now working on the installation plan for computer systems with assistance of UNDP under the Technical Cooperation Action Plan (TCAP), the scope of installing such computer system is said to be limited to a general use inside of the CED. As of October 28, 2002, UNDP started the recruitment process for an IT Development Officer in Cambodia for strengthening the advisory and planning activities to the CED in the field of IT development. According to the Reform Program 2002 – 2008 of the CED, they plan to develop and implement the Customs Automation System in between 2002 and 2006.

Among ASEAN member countries, Singapore, Malaysia, Thailand and Indonesia have already installed the computerized customs clearance system. Those systems are believed to contribute considerably to facilitate cargo reporting, shorten the customs clearance time, value customs duty and tax precisely, establish the traders profile, realize an effective Post Clearance Audit (PCA) scheme, produce more accurate trade statistics and make revenue analysis easier. The problem of unofficial costs that arise in the customs clearance process would not be solved by

simply installing the computerized system (by avoiding human contacts) but the computerization of the customs clearance process would bring enormous benefits to both the investors and the RGC.

E2: Dispatch of Experts from Japan for Facilitating the Legal and Institutional Framework of the SPZ

The RGC has long been considering the introduction of Special Promotion Zone to promote FDI and activate national and regional economies. In SEDP II, the establishment of the SPZ is one of the policy targets and its intention has been repeatedly reported in its implementing report.

In spite of its strong will and policy, there has not been any legal framework provided for establishing such SPZ, except for the Sub-Decree of 1995 on the appointment of Stung Hav Industrial Zone. The real purpose, legal and institutional framework, preferential treatment provided to the investors to locate in the Zone, detailed rules on the business activities of the investors or the licensing and approval procedures have never been seriously examined. This might be due to the lack of experience and capacities in the RGC for implementing such a policy.

Among ASEAN members, some countries have already succeeded in accelerating economic development by utilizing similar schemes for quite a while. China also introduced a “one country-two schemes” policy some twenty years ago. For attracting FDI and letting market-oriented economy works in the country, they introduced so-called “Economic Special Zones” and recorded remarkable success.

Those countries are still very much in need of FDI for their economic growth and hard competition can be seen among the Asian countries to promote FDI in their own countries. China is making over-all success in such competition again and the other Asian countries now seem to concentrate their efforts to the selected field where they think they still keep the competitiveness over China. In view of such tendency, there is not much time left for Cambodia and the country must start serious efforts on implementing an attractive SPZ to promote FDI. To assist such efforts of the RGC, it is recommendable that the RGD would invite some specialists from outside with experience and knowledge in implementing the legal and institutional framework for similar zones.

(4) Implementation Matrix

Based on the evaluation of the proposed projects, the implementation program is formulated as shown in **Table 5-46**. All projects of the legal/institutional improvement should be commenced and implemented urgently by the year of 2005 before the phase out of GSP.

Table 5-46 Implementation Program for the Projects

E. Legal and Institutional Framework					Implementing Bodies											Implementation Schedule					
					Central Government Agencies											Local Authority	Others	Urgent	Short	Medium	
Sector Goal	Area	Area-wise Goal	Strategy	Project	Ministry of Economy and Finance	Ministry of Commerce	Ministry of Agriculture and Forestry	Ministry of Industry, Mine and Energy	Ministry of Public Works and Urban Planning	Ministry of Transport, Infrastructure and Road Safety	Ministry of Tourism	The CDC	Provincial Government	SNV Municipality	Private Sector	2003-2005	2006-2008				2009-2015
E. Legal and Institutional Framework	Overall	Formulation of Axis Development for Cambodia	Enactment of the SPZ Law	E-1 Dispatch of Experts from Japan for Facilitating the Legal and Institutional Framework of the SPZ	XX	XXX	X	XX	X	X	XXX	X	X	X							
				- The Reform of the CDC																	
				- Establishment of the Garment Exports Association																	
				- Deletion of Exports Restriction																	
				E-2 Computerization of Customs Clearance Procedures	XXX	XX		XX	X		XX				XX						
				- Improvement of Taxation Scheme																	
				- Improvement of labor-related regulations																	

F. Projects for Urban Planning

(1) Development Projects

In all four projects are proposed in the urban planning sector. As the urban planning in Cambodia is still in the process of preparation, all the projects are basically technical assistance type of support for the substantiation of a solid urban planning mechanism. The details of the proposed projects are shown in the project sheets attached in Annex1. Table 5-47 below lists the four projects.

Table 5-47 Development Projects for the Urban Planning Sector

Project	Objective	Executing Agency
F1: Enhancement of Planning and Enforcement Mechanism of Urban Planning	The objective of this project is to establish guidelines for the development master plan and land use plan, and to establish autonomous criteria for the provision of construction permissions for developers/investors.	MLMUPC
F2: Assistance Capacity Building for decentralization of Planning Functions	This project aims to build the capacity necessary to conduct urban planning practices independently	MLMUPC in collaboration with municipalities/provinces
F3 Pilot Urban Master Plan for Sihanoukville	The objective of the pilot Urban Master Plan is to construct a solid urban planning base for a specific city and to establish methodologies, assumptions and procedures for urban master plans that follow.	MLMUPC in collaboration with Sihanoukville Municipality
F4: Greater Phnom Penh Capital Area Urban Master Plan	The objective of the Greater Capital Area Master Plan is to formulate the Greater Phnom Penh Capital Area Urban Master Plan. This plan will be a complex and multi-faceted planning exercise involving a variety of expertise.	MLMUPC in collaboration with Sihanoukville Municipality

(2) Evaluation of Proposed Projects

Based on the evaluation criteria discussed earlier, **Table 5-48** summarizes the appraisals.

Table 5-48 Evaluation of the Proposed Projects

Project	Conformity to Overall Goals and Basic Strategy	Conformity to Regional Strategy	Relevance to Industrial Development	Sustainability and use of local resource	Admissibility of implementation	Impact on social dimension
F-1: Enhancement of Planning and Enforcement Mechanism of Urban Planning	A – Will support the development of SPZ in SNV	B – Is consistent with the regional strategy	B – Is consistent with the industrial development, but not support it directly	A - Will contribute to the sustainable development of GC	B – Needs to await completion of Project H1	A – No adverse effect foreseen on social dimensions
F-2: Assistance Capacity Building for decentralization of Planning Functions	B – Is consistent with the basic strategy	A – Will support the development strategy of SNV	B – Is consistent with the industrial development, but not support it directly	A - Will contribute to the sustainable development of SNV	C - Needs to await completion of Project H1 and H2	A – No adverse effect foreseen on social dimensions
F-3: Pilot Urban Master Plan for Sihanoukville	A – Will support the development of SPZ in SNV	A – Will support the development strategy of SNV	A - Will support the development strategy of SNV	A - Will contribute to the sustainable development of SNV	A – Admissible immediately	A – No adverse effect foreseen on social dimensions
F-4: Greater Phnom Penh Capital Area Urban Master Plan	B – Is consistent with the basic strategy	A – Will support the development strategy of Greater Capital Area	A - Will support the development strategy of Greater Capital Area	A - Will contribute to the sustainable development of Greater Capital Area	C - Needs to await completion of Project H1 and H2	A – No adverse effect foreseen on social dimensions

(3) Priority Projects

F-3: Pilot Urban Master Plan for Sihanoukville

Sihanoukville is a city endowed with outstanding physical and geopolitical advantages for economic development, and it provides Cambodia with independent international sea-lane access. It is of strategic importance to facilitate sustainable management of urban development and devise a good balance amongst different economic activities that will take place in Sihanoukville.

There is presently no approved urban plan for Sihanoukville. This means that the future land use is not clearly envisioned, nor the development directions officially delineated. This is seriously affecting the ongoing process of issuing land titles in Sihanoukville, as the necessary land for infrastructure such as roads and parks are not clearly defined, as well as construction permits as spatial allotment for different types of development is not clearly defined.

In this urgent project, an urban plan comprising the land use plan and the urban development plan shall be formulated for approval by the authority. The implementation of this project is presumed as a local initiative, supported by a grant based technical assistance program. The major components of the project will be:

- Formulation of future development framework including the population, employment, industry and tourism
- Estimation of future land use requirements
- Protected areas and greenery
- A zoning plan for land use
- Transportation network
- Infrastructure development plans
- Regulatory framework

F-1: Enhancement of Planning and Enforcement Mechanism of Urban Planning

It is imperative for Cambodia that urban planning is taken up as a continuous program that oversees the balanced and sustainable management of the urban environment as well as an instrument to control the urban expansion. The mechanism of urban planning has not been facilitated properly in Cambodia.

With regard to the formulation of an urban plan, a step-by-step guideline applicable to and appropriate with the actual issues pertaining to the cities in Cambodia is necessary. The pilot project of F-3 above will provide a basis for the required guideline. Regulatory measures such as arterial road right-of-way, control of set-backs, limitation of building heights and/or stories have to be devised in relation to the land use plan. Principles and criteria as to the setting up of land use zoning needs to be established.

The project is presumed to be a grant based technical assistance project with dispatching of expatriate experts with necessary knowledge and expertise.

(4) Implementation Matrix

Based on the evaluation of the proposed projects, the implementation program is formulated as shown in **Table 5-49**.

Table 5-49 Implementation Program for the Projects

F. Urban Planning						Implementing Bodies						Implementation Schedule				
						Central Gov.		Local Authorities			Others			Urgent	Short	Medium
						Ministry of Land Management, Urban Planning and Construction	Provincial Government	PHN Municipality	SNV Municipality	Private Sector	NGOs					
Sector	Sector Goal	Area	Area-wise Goal	Strategy	Project	XXX: Primary responsibility, XX: Secondary responsibility, X: Supplementary						2003-2005	2006-2008	2009-2015		
F. Urban Planning	- Enhancement of urban functions at different levels of cities in harmony with economic and social development	Overall		Effective instrumentation of Urban Planning to Accommodate and Stimulate Economic Development	F-1 Enhancement of Planning and Enforcement Mechanism of Urban Planning	XXX	XX									
		Intermediate Area	Enhancement of Urban Functions for Provincial Capital Cities	- Promotion of urban planning for Provincial capital cities	F-2 Assistance to Capacity Building for Decentralization of Planning Functions	XXX	XX									
		Sihanoukville	Promotion of Strategic Development of Industries	- Balancing of Industrial, Tourism and Residential Development	F-3 Pilot Urban Master Plan for Sihanoukville	XXX			XX							
		Greater Capital	Creation of Economically Active Suburbs with Sustainable Environment	- Enhancement of Various Urban Functions of the National Capital City	F-4 Greater Phnom Penh Capital Area Urban Master Plan	XXX		XX								

G. Human Resource Development

(1) Development Project

As described in the previous chapters, Cambodia is still at the beginning of industrialization. In this stage of development, basic education including primary and lower secondary education is most relevant. Higher educational institutions increased the number of annual intakes a few years ago. In the short-term, well-trained workers are needed in labor-intensive industries. On the other hand, the number of highly educated personnel is in shortage. The following projects are proposed from two points: one is to develop a sufficient number of workers to be absorbed in labor intensive industries and service sectors, and the other is to develop candidates for managerial positions.

The relationship between Human Resources Development and Industry development is like a chicken and an egg. It appears to be a waste of resources to develop many engineers when there are few employment opportunities requiring engineering professionals at the outset. Experiences in many countries show that demand for particular occupations does not come in tandem with supply of human resources. This does not justify not making an effort for developing engineers until the demand arises.

Promotion of entrepreneurship as an alternative to paid employment is proposed. It is because the FDIs, which are to be invited to the Special Promotion Zone in Sihanoukville, may not be able to offer employment to all of the members of the increasing population the Study area. **Table 5-50** below lists the six projects.

Table 5-50 Development Projects for Human Resource Development Sector

Project name	Objective	Executing Agency
G1: Establishment of Training Institute within Sihanoukville SPZ	To provide training facility and practical training opportunity for FDI firms	Private Sector, Sihanoukville Municipality
G2: Establishment of University in Sihanoukville with faculty of Engineering	To provide practical education in the field of engineering	Sihanoukville Municipality, Private Sector
G3: Strengthening Sihanoukville Municipal Vocational Training Center	To train instructors of the garment course in the training center in order help improve the teaching of the production management of garment	Sihanoukville Municipal Vocational Training Center in collaboration with Sihanoukville Municipality
G4: Upgrading of Preah Kossamak Polytechnic Institute in collaboration with King Mongkut's Institute of Technology, Thailand	To establish IT courses in Preah Kossamak Polytechnic Institute to develop more IT engineers	Preah Kossamak Polytechnic Institute in collaboration with Technical and Vocational Education and Training Department, MoEYS
G5: Establishment of Faculty of Engineering in Royal University of Phnom Penh	To establish Faculty of Engineering – Civil, Electric and Electronic and Mechanical fields – to cope with growing demand for Cambodian engineers	Royal University of Phnom Penh in collaboration with Higher Education Department, MoEYS
G6: Assistance for Rural Entrepreneurship Development	To strengthen capacity of provincial government officials and MoEYS through jointly undertaking the following - To identify new value added products in rural areas - To provide rural women with entrepreneurial and managerial training - To explore marketing strategy for existing and new value added products	Takaev and/or Kompong Spue Provincial Government with Technical and Vocational Education and Training Department, MoEYS

(2) Evaluation of Proposed Projects

Based on the evaluation criteria discussed earlier, **Table 5-51** summarizes the appraisals.

Table 5-51 Evaluation of the Proposed Projects

Project	Conformity to Overall Goals and Basic Strategy	Conformity to Regional Strategy	Relevance to Industrial Development	Sustainability and use of local resources	Admissibility of implementation	Impact on social dimension
G1: Establishment of Training Institute within Sihanoukville SPZ	A – Will support the development of SPZ in SNV	A – Will contribute to skills development and to reduce financial burden of the FDIs	A - Will contribute to skills development of local human resources	B – Depends on needs of FDI firms	A – Needs to await completion of Project D1	A – No adverse effect foreseen on social dimensions
G2: Establishment of University in Sihanoukville with faculty of Engineering	A – Will support the development of SPZ in SNV	A – Is consistent with the regional strategy	A – Will contribute to develop higher level human resources	B – requires operation funds	B – Needs to find investors	A – No adverse effect foreseen on social dimensions
G3: Strengthening Sihanoukville Municipal Vocational Training Center	A – Is consistent with the basic strategy	A – Will support the development of Sihanoukville	A - Will strengthen the traditional industry	A - Will contribute to the sustainable development of SNV existing Area	B - Requires promotional activities to existing industries	A – No adverse effect foreseen on social dimensions
G4: Upgrading of Preah Kossamak Polytechnic Institute in collaboration with King Mongkut's Institute of Technology, Thailand	A – Is consistent with the basic strategy	A – Will support the development strategy	B – Will contribute to human resources development of IT engineers	B – Will contribute to Technical Education	B – Requires negotiation with the stakeholders	A – No adverse effect foreseen on social dimensions
G5: Establishment of Faculty of Engineering in Royal University of Phnom Penh	A – Is consistent with the basic strategy	A – Will support the development strategy	B – Is consistent with the industrial development in particular IT	B – Will contribute to Technical Education	A - Can be implemented soon	A – No adverse effect foreseen on social dimensions
G6: Assistance for Rural Entrepreneurship Development	A – Is consistent with the basic strategy	A – Will support the development strategy	A – Will contribute to small enterprise development	A- Use of local under-utilized resources are sought	A - Can be implemented soon	A – No adverse effect foreseen on social dimensions

(3) Priority Projects

G3: Strengthening Sihanoukville Municipal Vocational Training Center

There are presently two upper secondary schools and two vocational training schools (Don Bosco and JVC) and one municipal vocational training school in Sihanoukville.

At the garment factories located in Sihanoukville, there are a number of foreign supervisors, which is often sited as a potential source of frequent labor disputes due mainly to misunderstanding and miscommunication. It is not only more cost effective to replace these foreign workers with Cambodian workers but also Cambodian supervisors may better communicate with Cambodian subordinates. There is a Garment Training Center in Phnom Penh where garment factories supervisor candidates are trained.

The project includes designing of course curricula together with local enterprises to cater for Cambodian staff with potential for supervising, arrangement of the equipment and materials necessary for the program, and implementation of actual training programs (20 participants/ 1 course * 3 times/year).

The programs could gradually adapt to the new types of industry other than garments, as new factories locate in SPFZ in the near future.

G6: Assistance for Rural Entrepreneurship Development

There is a growing number of young unemployed or underemployed. Providing productive employment for these new entrants into the labor market, and facilitating private sector led employment development are essential steps in activating the human resources in Cambodia. As employment creation should not be limited to paid employment in FDIs, attention shall also be given to self-employment. Without assistance on entrepreneurship, many of the rural young people, particularly women, might be left as surplus agricultural workers or left in casual employment.

The project will focus on Takaev and Kampong Spueu provinces, which are located along Routes No. 3 and 4 respectively, and their proximity to the Phnom Penh market is considered advantageous.

The project will include a study jointly with the Cambodian provincial government officials on rural female entrepreneurship, provision of entrepreneurship training for willful young Cambodians at Provincial Training Centers of Kampong Spueu and Takaev, and at private training institutes, and provision of financial assistance (micro credit) for those wishing to start up a business utilizing the Self Employment Generation Fund in the Pilot projects.

(4) Implementation Matrix

Based on the evaluation of the proposed projects, the implementation program is formulated as shown in **Table 5-52**.

Table 5-52 Implementation Program for the Projects

G. Human Resources Development						Implementing Bodies								Implementation Schedule						
						Central				Local Authorities				Others				Urgent	Short	Medium
						Ministry of Education, Youth and Sports	Takeo Provincial Government	Kampong Speu Provincial Government	Phnom Penh Municipality	Sihanoukville Municipality	Private Sector	NGOs								
Sector	Sector Goal	Area	Area-wise Goal	Strategy	Project															
						2003-2005	2006-2008	2009-2015												
G: Human Resources Development	- Provision of productive & formal employment to the increasing number of young Cambodians who will contribute to industrial development of Cambodia	Sihanoukville	Promotion of Strategic Development of Industries	- Provision of trained workers and clerks required in - Development of future managers - Development of factory supervisors and managers	G-1 Establishment of Training Institute in Sihanoukville SPZ						XX	XXX								
					G-2 Establishment of University in Sihanoukville with	XXX					XX	XX								
					G-3 Strengthening Sihanoukville Municipal Vocational Training Center	XX							XXX							
		Greater Capital	Creation of Economically active suburbs and sustainable environment	- Provision of IT engineers through fostering amicable relationship with Thai Institute - Development of highly and practically educated engineers	G-4 Upgrading of Preah Kossamak Institute with cooperation from King Mongkut's Institute of Technology Ladkrabang (KMITL)	XXX														
					G-5 Establishment of Faculty of Engineering in Royal University of Phnom Penh (RUPP)	XXX														
		Intermediate	Establishment of stable and sustainable rural society	- Strengthening provincial government officials' capacity in entrepreneurship support	G-6 Assistance for Rural Entrepreneurship Development	XX	XXX	XXX												

H. Rural Development

(1) Development Projects

In all, four projects are proposed in the rural development/social dimension sector. In order to achieve the objective of each project most efficiently, different types of schemes should be applied to implement the projects, including through providing funding support to NGO activities, with consideration of the different levels of administrative capacity for each project area. The details of the proposed projects are shown in the project sheets attached in **Annex1**. **Table 5-53** below lists the four projects.

Table 5-53 Development Projects for Rural Development

Project	Objective	Executing Agency
H-1 Improving Living in Urban Poor Areas in Sihanoukville	Promoting improvement of living conditions and reducing poverty in urban poor communities in Sihanoukville.	The Community Development Committee and the municipality unit with support from an international or Cambodian NGO
H2:Income Generation Activities for farmers in Kandal Province (partnership with a NGO)	The objective of this project is to generate income for farmers in Kandal as the suburb of the Phnom Penh Municipality through introducing income generation activities targeting the market of the Municipality.	An International or Cambodian NGO with support from Provincial Department of Agriculture, Forestry, Fishery and that of Rural Development and relevant provincial organizations.
H3:Income Generation Activities for Vulnerable People in Kandal Province (Supporting a NGO project)	Realizing economic betterment of the vulnerable population in Kandal Province as the suburb of the Phnom Penh Municipality through income generation activities.	An international or Cambodian NGO with support from provincial offices relevant to this kind of activity, such as Provincial Department of Women's and Veterans Affairs or Department of Social Affairs Labor Vocational Training and Youth
H4: Income generation for a Silk weaving village through tourism in Kandal.	The objective of this project is to increase income of the people in a silk weaving village, Kaoh Dach.	JOCV or NGOs working together with relevant ministries such as Ministries of Industry, Rural Development, Commerce, Tourism.
H-5 : Participatory Rural Development Project (in Kampong Spueu Province or other provinces)	Poverty reduction in the rural area of the Intermediate Area. This project aims at reducing poverty to eliminate the burden of the poor caused by insufficient rural infrastructure.	A village group consisting of villagers and members from the commune council with support from the section of the provincial offices in charge of rural development and Seila

(2) Evaluation of Proposed Projects

Based on the evaluation criteria discussed earlier, **Table 5-54** summarizes the appraisals.

Table 5-54 Evaluation of the Proposed Projects

Project	Conformity to Overall Goals and Basic Strategy	Conformity to Regional Strategy	Relevance to Industrial Development	Sustainability and use of local resources	Admissibility of implementation	Impact on social dimension
H-1 : Improving Living in Urban Poor Areas in Sihanoukville	B – Is consistent with the basic strategy	B – Is consistent with the basic strategy	B – Is consistent with the industrial development, indirectly support it through improving the living of workers	A - Will contribute to the sustainable development of SNV	A – Admissible immediately	A – Will give a positive impact on creating a stable society in SNV.
H-2: Income Generation Activities for farmers in Kandal Province (supporting a NGO project income generation)	B – Is consistent with the basic strategy	B – Is consistent with the regional strategy	B – Is consistent with the industrial development, but not support it directly	A - Will use local resources and contribute to the sustainable development of Greater Capital Area	A – Admissible immediately	A – Will give a positive impact on creating a stable society in Greater Capital Area
H-3: Income Generation Activities for Vulnerable People in Kandal Province (Supporting a NGO project)	B – Is consistent with the basic strategy	B – Is consistent with the regional strategy	C – has a little relevance, but should be reflecting the value of the Cambodian society and realize equity	A - Will use local resources and contribute to the sustainable development of Greater Capital Area	A – Admissible immediately	A – Will give a positive impact on creating a stable and equitable society in Greater Capital Area
H-4: Income generation for a Silk weaving village through tourism in Kandal.	B – Is consistent with the basic strategy	B – Is consistent with the regional strategy	B – Is consistent with the industrial development, but not support it directly	A - Will contribute to the sustainable development of Greater Capital Area	A – Admissible immediately	A – Will give a positive impact on growing a creative and pro-active society in Greater Capital Area.
H-5: Participatory Rural Development Project (in Kampong Spueu Province or other provinces)	B – Is consistent with the basic strategy	B – Is consistent with the regional strategy	C – has a little relevance, but should contribute to poverty reduction.	A - Will use local resources and contribute to the sustainable development of the Intermediate Area	A – Admissible immediately	A – Will give a positive impact on creating the stable rural society

(3) Priority Projects

H2: Income Generation Activities for farmers in Kandal Province

Recent economic growth of Phnom Penh Municipality has uplifted the economy in Kandal Province in its outskirts. Due to the proximity to the largest urban center in Cambodia, Kandal Province has relatively high potential for various production activities catering to the market needs, such as production of vegetables and fruits, food-processing, and manufacturing of handicrafts for souvenirs. Such activities are suited for micro-scale enterprises or the self-employed by farmers and their family members, and the outcome will directly contribute to an increase in cash income and thereby betterment of livelihood in the rural communities near the cities.

The objectives of this project are to identifying potential products in the markets in Phnom Penh Municipality through research in rural areas, formulate and conduct production skills training accordingly, initiate a system of purchasing products from the farmers by the NGOs for sale in urban areas and devise training on marketing and accounting. The project will start in a pilot model, but the outcome of the projects could be extended to rural areas in the province as well as in the Greater Capital Area. Positive partnership with NGOs involved in the field of rural income generation type of activities will be important.

(4) Implementation Matrix

Based on the evaluation of the proposed projects, the implementation program is formulated as shown in **Table 5-55**.

Table 5-55 Implementation Program for the Projects

H. Rural Development					Implementing Bodies									Implementation Schedule					
					Central Government Agencies				Local Authorities				Others	Urgent	Short	Medium			
Sector Goal	Area	Area-wise Goal	Strategy	Project	Ministry of Commerce	Ministry of Industry	Ministry of Tourism	Ministry of Rural Development	Provincial Government	PHN	Municipality	SNV	Municipality	Private Sector/Residents	NGOs	2003-2005	2006-2008	2009-2015	
					XXX: Primary responsibility, XX: Secondary responsibility, X: Supplementary														
- Reduction of Poverty	Overall	Formulation of Axis Development for Cambodia																	
	- Additional Income Generation	Sihanouk-ville	Promotion of Strategic Development of Industries	- Promotion of participation in community development at informal settlement	H-1 Improving Living of Urban Poor Areas in Sihanoukville								XXX	XXX	X				
		Greater Capital	Creation of Economically Active Suburbs with Sustainable Environment	- Provision of on-farm income generation opportunities	H-2 Income Generation Activities for farmers in Kandal Province					XXX						XXX			
				- Promotion of products with better market access	H-3 Income Generation Activities for Vulnerable People in Kandal Province					XXX						XXX			
				- Support for the vulnerab lepeople	H-4 Income Generation of a Silk weaving village through tourism in Kandal		XXX	XXX	XXX	XXX						XXX			
	Intermediate	Establishment of Stable and Sustainable Rural Society	Speedy fulfilment of needs for small scale infrastructure	H-5 Participatory Rural Development Project (in Kampong Speue Province or other province)					XX					XXX					
			- Promotion of participation of the people in the development process																
			- Promotion of health education																

I. Environment**(1) Development Projects**

Seven projects are proposed in the environmental sector. As mentioned above, capacity for environmental law enforcement and pollution source control is still weak in Cambodia. In addition, appropriate measures have not been taken to cope with the increasing volume of waste and wastewater, and exploitation pressure on natural resources has been increasing with the increase of population. The proposed seven projects aim to cope with these issues. The types of the projects are different in each region but are mainly in the form of technical assistance. The details of the

proposed projects are shown in the project sheets attached in the Annex. The following **Table 5-56** shows the summaries of the seven projects.

Table 5-56 Development Projects for Environmental Management

Project	Objective	Executing Agency
I-1: Capacity Enhancement for Effective Enforcement of Environmental Legislation	This project aims to enhance the institutional capacity both of MOE and provincial/municipal Department of Environment (DOE) to conduct effective enforcement of environmental legislation.	MOE in collaboration with Provincial/Municipal DOE
I-2: Reinforcement of Pollution Source Monitoring in Sihanoukville and the Greater Capital Area	The objective of this project is to strengthen pollution control in Sihanoukville and the Greater Capital Area by reinforcing the system and personnel capacity on pollution source monitoring.	MOE in collaboration with DOE of Sihanoukville, Phnom Penh and Kandal
I-3: Construction of Controlled Landfill Site	The existing landfill site in Sihanoukville is a least controlled type landfill, and the management system is insufficient. By constructing a controlled type landfill site, solid waste will be treated appropriately.	MOPWT in collaboration with Municipal DOPWT
I-4: Study on Area-Specific Zero Emission Model	The objective of this project is to establish model areas of recycle-oriented society. The project is expected to enhance public awareness for the importance of material recycling. The project has possibilities to contribute to establish region-specific industry and improve living conditions in the targeted areas.	Sihanoukville Municipality in collaboration with private sector and local people
I-5: Establishment of Integrated Coastal Fishery Management Center	The purpose of this project is to contribute to establish a proper management system for conservation and sustainable utilization of marine resources by educating local officers and fishermen and conducting scientific research on fishery resources.	MAFF in collaboration with DOF of Coastal Provinces/Municipalities
I-6: Biodiversity Conservation Project (Community Forestry Project), Bokor National Park	This project aims to conserve the biodiversity of the Bokor National Park by improving socio-economic conditions of local people through participatory management, environmental education and income source diversification.	MOE in collaboration with DOE of Kampot Province
I-7: Recycling of Market Waste and Household Sewage Project	Primary objective of this project is to reduce environmental pollution caused by inadequate waste and sewage management. This project is expected to improve the sanitary condition of the targeted area and contribute to establish the base for proper waste management system.	MOPWT in collaboration with provincial and DOPWT

(2) Evaluation of Proposed Projects

Based on the evaluation criteria discussed earlier, **Table 5-57** summarizes the appraisal.

Table 5-57 Evaluation of the Proposed Projects

Project	Conformity to Overall Goals and Basic Strategy	Conformity to Regional Strategy	Relevance to Industrial Development	Sustainability and use of local resource	Admissibility of implementation	Impact on social dimension
I-1: Capacity Enhancement for Effective Enforcement of Environmental Legislation	B-Is necessary for development of GC, but not support directly	A-Will support the development strategy of GCA	B-Is necessary for the industrial development, but not support it directly	A- Will contribute to the sustainable development of GC	A-Admissible	A-No adverse effect foreseen on social dimensions
I-2: Reinforcement of Pollution Source Monitoring	B-Is necessary for development of GC, but not support directly	A-Will support the development strategy of SNV and GCA	B-Is necessary for the industrial development, but not support it directly	A- Will contribute to the sustainable development of GC	B-Needs coordination with IMO project	A-No adverse effect foreseen on social dimensions
I-3: Construction of Controlled Landfill Site	B-Is necessary for development of SNV	A-Will support the development strategy of SNV	B-Is necessary for the industrial development, but not support it directly	A- Will contribute to the sustainable development of SNV	B- Needs coordination with private waste service company	B- IEE is required
I-4: Study on the Area-Specific Zero Emission Model	A-Will support the development of the study area	A-Is consistent with the regional strategy of the study area	A-Will support the area-specific industrial development and will contribute to cost efficiency of the industry	A- Will contribute to the sustainable development of the study area	B-Need to seek support from Japanese local government	A-Positive impact is expected
I-5: Establishment of Integrated Coastal Fishery Management Center	A-Will support the development of SNV and Coastal Provinces	A-Will support the development strategy of SNV	A- Will support the industrial development of SNV and Coastal Provinces	A- Will contribute to the sustainable development of SNV and Coastal Provinces	B-Needs Coordination with Danida project	A-Positive impact is expected
I-6: Biodiversity Conservation Project, Bokor National Park	B-Is necessary for development of GC, but not support directly	A- Will support the development strategy of Intermediate Area	B-Is consistent with the industrial development, but not support it directly	A- Will contribute to the sustainable development of Intermediate Area	B-Need Coordination with WildAid project	A-Positive impact is expected
I-7: Recycling of Market Waste and Household Sewage Project	C-Not directly related to the development of GC	A- Will support the development strategy of GCA and Intermediate Area	B-Is consistent with the industrial development, but not support it directly	A- Will contribute to the sustainable development of GC	B- Master plan will be required.	A-No adverse effect foreseen on social dimensions

(3) Priority Projects

I-1 Capacity Enhancement for Effective Enforcement of Environmental Legislation

The enforcement system for the environmental legislation has not been sufficient in Cambodia. While basic environment related legislations have been established step by step since the enactment of the Law on Environmental Protection and Natural Resource Management in 1996, the enforcement system thereof is not satisfactory to materialize the stipulations of the laws. Insufficient law enforcement hinders proper prevention of environmental degradation.

An effective enforcement of the environmental legislation requires institutional capacity building both in the Ministry of Environment (MOE) and the provincial/municipal departments of environment, enactment of appropriate procedures and guidelines, standardization of the pollution control system covering a wide range of pollution sources, and a sufficient number of experts.

I-3 Construction of Controlled Landfill Site

In Sihanoukville, the volume of solid waste has been increasing in parallel with the population increase and industrial development. The municipality has an 8 ha dump site, which is not a fully controlled type. The collection and disposal of solid waste is consigned to a private company, but only 30% of the discharged waste is collected. As the capacity of the company is limited at this stage, an immediate improvement of the waste collection and management system is not easily achieved.

The amount of solid waste discharged in Sihanoukville was about 80 tons in 1998, and it is anticipated to reach 220 tons in 2005 and 540 tons in 2008. To cope with the rapid increase of the solid waste volume and to insure appropriate disposal thereof, it is necessary to upgrade the present solid waste management system urgently with the construction of a controlled type landfill site.

The input to the proposed project includes dispatching of an expatriate expert in this field to strengthen technical and institutional capacity of the MOE and provincial and municipal departments of environment for effective law enforcement, to support establishing procedures and guidelines for effective law enforcement, and to facilitate training for MOE and DOE staff for pollution source control and effective law enforcement.

(4) Implementation Matrix

Based on the evaluation of the proposed projects, the implementation program is formulated as shown in **Table 5-58**.

Table 5-58 Implementation Program for the Projects

I. Environment						Implementing Bodies										Implementation Schedule		
						Central Government Agency					Local Authorities					Others		
Sec-tor	Sector Goal	Area	Area-wise Goal	Strategy	Project	Ministry of Environment	Ministry of Agriculture, Forestry and Fisheries	Ministry of Public Works and Urban Planning	Ministry of Provincial Government	PHN Municipality	SNV Municipality	Private Sector	NGOs	2003-2005	2006-2008	2009-2015		
I. Environment	- Concurrent Attainment of Industrial Development and Environmental Conservation	Overall	Formulation of Axis Development for Cambodia	- Effective Enforcement of Environmental Legislation	I-1: Capacity Enhancement for Effective Enforcement of Environmental Legislation	XXX			XX	XX	XX							
		Sihanoukville	Promotion of Strategic Development of Industries	- Establishment of Strict Pollution Control System	I-2: Reinforcement of Pollution Source Monitoring	XXX					XX							
				- Improvement of Solid Waste Management System	I-3: Construction of Controlled Landfill Site						XXX	XX						
				- Investigation of Potential for Establishment of Zero-Emission Model	I-4: Study on Area-Specific Zero Emission Model						XXX	XX						
	Greater Capital	Creation of Economically Active Suburbs with Sustainable Environment	- Reinforcement of Pollution Monitoring and Control - Introduction of Waste and Wastewater Reduction Incentive Policy	I-2: Reinforcement of Pollution Source Monitoring	XXX					XX								
	Intermediate	Establishment of Stable and Sustainable Rural Society		- Conservation and Sustainable Utilization of Natural Resources - Improvement of Domestic Waste and Wastewater Management System	I-5: Establishment of Integrated Coastal Fishery Management Center		XXX			XX								
					I-6: Biodiversity Conservation Project, Bokor National Park	XXX			XX									
					I-7: Recycling of Market Waste and Household Sewage Project			XXX	XX				X	X				

J. Transportation

(1) Development Projects

Nine projects have been identified in the transportation sector. The common purpose of all projects is to enhance and improve the transportation function of the Growth Corridor. The details of the proposed projects are shown in the project sheets attached in Annex1. Table 5-59 below lists the eight projects.

Table 5-59 Development Projects for Transportation Sector

Project	Objective	Executing Agency
J1: Southern Railway Rehabilitation Project	To utilize the advantage of railway transportation in the Region.	RRC
J2: Container Distribution Center Project	To improve and rationalize container inflows and outflows.	MPWT, PAS, PPAP and concessionaire.
J-3: Container Lane project	To improve access between Srae Ambel and Sihanoukville.	MPWT, PAS and concessionaire.
J-4: Sihanoukville Urban Transport Project	To mitigate the traffic congestion.	MPWT and Sihanoukville City
J-5: New Phnom Penh Port Project	To mitigate traffic congestion caused by the port related traffic in the future.	MPWT, PPAP and concessionaire.
J-6: Phnom Penh Urban Transport Project	To mitigate the traffic congestion.	MPWT and Phnom Penh Municipality.
J-7: Kampot Urban Infrastructure Development Project	To improve various urban facilities of Kampot City.	MPWT and Kampot City
J-8: Rural Road Maintenance System Development Project	To establish a sustainable and effective system and institution especially for low-traffic rural roads. Participation for maintenance work from villagers is the most important element.	MRD, Province and Rural Development Committee.
J-9: Route 48 Upgrading Project	To upgrade the existing Route 48 to an all-weather road. Four bridges are included.	MPWT.

(2) Evaluation of Proposed Projects

Based on the evaluation criteria discussed earlier, **Table 5-60** summarizes the appraisal.

Table 5-60 Evaluation of the Proposed Projects

Project	Conformity to Overall Goal and Basic Strategy	Conformity to Regional Strategy	Relevance to Industrial Development	Sustainability and use of local resources	Admissibility of implementation	Impact on social dimension
J1: Southern Railway Rehabilitation Project	C - The role of railways is very limited.	C - The role of railways is very limited.	B - This supports containerization.	C - Uncertain sustainability.	C – Not Admissible immediately.	B – Limited social impact.
J2: Container Distribution Center Project	A – It enhances the transportation function.	A – It reduces unnecessary traffic in the City.	A – Relevant to support industrial activity.	A - Sustainable.	A – Admissible.	B – Land acquisition required.
J-3: Container Lane project	A – It reduces transportation cost.	B – It mainly focus on PP side users.	B – Relevant to promote industrial development.	A - Sustainable.	A – One half is under construction.	A – Impacts on people on Stuen Have.
J-4: Sihanoukville Urban Transport Project	A – It enhances the attractive-ness of the City.	B – Consistent with the regional strategy	B – It supports the industrial development indirectly.	B - Uncertain.	B – Master plan by F-3 will be required.	B – Uncertain.
J-5: New Phnom Penh Port Project	A – It reduces the center city traffic.	A – Consistent with the regional strategy	A – It supports the industrial development.	B - Uncertain.	A – Link with F-4 is necessary.	B – Land acquisition required.
J-6: Phnom Penh Urban Transport Project	A – It enhances the attractive-ness of the City.	B – Consistent with the regional strategy	B – It supports the industrial development indirectly.	B - Uncertain.	A– Transport Master Plan was prepared by JICA. A City M/P is to be prepared by F-4.	B – Uncertain.
J-7: Kampot Urban Infrastructure Development Project	A – It enhances the attractive-ness of the City.	B – Consistent with the regional strategy	C – It supports the industrial development indirectly.	C - Uncertain.	B – Master plan will be required.	B – Uncertain.
J-8: Rural Road Maintenance System Development Project	A – Is consistent with the basic strategy	A – Will support the development strategy of Intermediate area.	C – Little relation with industrial development.	A - Local resources are utilized.	B - Project should be carefully designed.	A – Positive social impact.
J-9: Route 48 Upgrading Project	A. Consistent	A - It creates new development axis.	A. It links with Thai industrial agglomeration.	B. Uncertain.	B: Construction by Thai Government has been frozen	B. Large impact on environment.

(3) Priority Projects

J2: Container Distribution Center Project

The exporters around Phnom Penh pay high land transportation costs for containers because of its location far from a seaport. Though there are several inland container depots in operation, they are small in scale and not well equipped. With a rapid increase of containerized cargoes, a larger facility with better equipment will be required. Establishing inland depots will facilitate smooth flow of goods and contributes to eliminating inflow of heavy cargoes to the inner city area and thus reducing traffic congestion.

The proposed activities include provision of bonded inland container depots at Phnom Penh International Airport and Port of Sihanoukville, one-stop service for all documentation for export and import including customs clearance, electric data interchange, and facilitation of a container freight station for cargo of less than one container load.

J-6: Phnom Penh Urban Transport Project

Traffic congestion in Phnom Penh is a growing problem as described in the JICA prepared Urban Transport Master Plan in 2001. It is necessary to implement the

proposed projects, which include construction of the outer ring road and a bypass to the existing Route 4 in the suburbs of Phnom Penh, a detailed study on the development of the public transportation system, and improvement of traffic management.

The project encompasses execution of detailed design where applicable and arrangement for financing. The public sector finance will be the basic choice, while possibility exists for a public/private partnership type of implementation utilizing a BOT scheme, where applicable.

J-9: Route 48 Upgrading Project

The National Route 48 is a 160 km coastal route that connects the border town of Koah Kong and National Route 4. This route has special importance to Cambodia, as it provides connection between Phnom Penh, Sihanoukville, the Eastern Seaboard and Bangkok in Thailand along the coastal area. The Thai Government has provided grant aid to improve this road, and The Royal Thai Army almost completed the installation of laterite pavement throughout the route, together with construction of small bridges and culverts, but it is still far from being a stable transportation axis particularly in the rainy season.

Further assistance from the Thai Government was pledged for four long-span bridges as a grant aid and asphalt pavement under a soft loan in November 2002. However, these have been put off in the aftermath of the January 2003 turmoil in Phnom Penh, which involved Thai nationals.

This project is still essential for the Growth Corridor area as well as for Cambodia, as it will facilitate a new and alternative linkage between the two nations, and thereby provide a direct access for the southern economic corridor in the region.

(4) Implementation Matrix

Based on the evaluation of the proposed projects, the implementation program is formulated as shown in **Table 5-61**.

Table 5-61 Implementation Program for the Projects

J. Transportation						Implementing Bodies										Implementation Schedule													
						Central Government Agencies					Local Authorities					Others		Urgent	Short	Medium									
						MPWT	Port Authority of Sihanoukville	PPAP	Ministry of Rural Development	Royal Railways of Cambodia	Provincial Government	PHN	Municipality	SNV	Municipality	Private Sector	NGOs												
Sector	Sector Goal	Area	Area-wise Goal	Strategy	Project	XXX: Primary responsibility, XX: Secondary responsibility, X: Supplementary												2003-2005	2006-2008	2009-2015									
Transportation	Efficient transportation to support export activity and people's life	Overall	Formulation of Axis Development for Cambodia	- Appropriate modal share among air, road, river and railways	J-1 Southern Railway Rehabilitation Project	XX				XXX																			
		Sihanoukville	Promotion of Strategic Development of Industries	- Support of SPZ by Modern Logistics	J-3 Container Lane Project	XXX																							
				- Improvement of Urban Life by Better Transport	J-4 Sihanoukville Urban Transport Project	XX								XXX	XX														
		Greater Capital	Creation of Economically Active Suburbs with Sustainable Environment	- Suburban Development with Road Network	J-6 Phnom Penh Urban Transport Project	XX								XXX															
				- Export Promotion Support by More Containerization	J-5 New Phnom Penh Port Project	XXX		XX								XXX													
					J-2 Container Distribution Center Project	XX	XX	XX								XXX													
		Intermediate	Establishment of Stable and Sustainable Rural Society	- Support of Corridor Function by Road Network	J-8 Rural Road Maintenance System Development Project					XX		XXX																	
					J-9 Route 48 Upgrade	XXX						X																	
					- Improvement of Urban Function in Provincial Cities	J-7 Kampot Urban Infrastructure Development Project	XX					XXX																	

K. Water Resources

(1) Development Projects

In all, eight projects are proposed in the water resources development and management category. The details of the proposed projects are shown in the project sheets attached in Annex 1. Table 5-62 below lists the eight projects.

Table 5-62 Development Projects for Water Resources Development and Management

Project	Objective	Executing Agency
K-1: Master Plan Study on Water Resources Development and management	<ul style="list-style-type: none"> - To prepare an inventory of all water users of the groundwater or river systems , - To formulate master plan for integrated water resources development for the whole country. 	MOWRAM, CNMC
K-2: Improvement to Meteorological / Hydrological Network	<ul style="list-style-type: none"> - To establish data/information systems, monitoring networks and mechanisms (including legally binding instructions), The improvement/rehabilitation of meteorological and hydrological network 	MOWRAM, CNMC
K-3: Strengthening of Database and Information Systems (Flood and Drought Forecasting and Early Warning System)	<ul style="list-style-type: none"> - To mitigate flood damage in the flood prone areas, - To mitigate draught damage particularly for rain-fed rice fields 	MOWRAM, MRC, CNMC, CNCDM, RGC ministries, etc.
K-4: Improvement of Urban Water Supply	<ul style="list-style-type: none"> - To increase plant capacity and increase water supply service ratio for four towns (Ta Khmau, Chbar Mou, Kampong Bay and Sihanoukville), - To improve the operation and maintenance of water supply systems, 	MIME, and other water supply authorities / companies
K-5: Rehabilitation of Irrigation Schemes	<ul style="list-style-type: none"> - To increase the total irrigated area as part of the overall national goal of poverty reduction. - To implement rehabilitation work including construction supervision / management. 	MOWRAM, MOAFF
K-6: Flood Control and Mitigation	<ul style="list-style-type: none"> - To mitigate flood damage in the flood prone areas 	MOWRAM, MRC, CNMC, CNCDM, MoPW&T.
K-7: Community Enhancement of Water management	<ul style="list-style-type: none"> - Organization of Health Education Programs - Enhancement of Community Participation of Hydraulic Infrastructure - Capacity building for users in management of irrigation 	MRD, MOWRAM
K-8: Preak Thnot River Basin Development	<ul style="list-style-type: none"> - Planning of Integrated water resources management 	MOWRAM

(2) Evaluation of Proposed Projects

Based on the evaluation criteria discussed earlier, **Table 5-63** summarizes the appraisal.

Table 5-63 Evaluation of the Proposed Projects

Project	Conformity to Overall Goal and Basic Strategy	Conformity to Regional Strategy	Relevance to Industrial Development	Sustainability and use of local resources	Admissibility of implementation	Impact on social dimension
K-1: Master Plan Study on Water Resources Development and management	A– Will support the development of the study area	A – Will support the development strategy of the study area.	A – Will support the development strategy of the study area.	A - Sustainable.	A – Admissible.	A – Large positive social impact will be expected on many sectors.
K-2: Improvement to Meteorological / Hydrological Network	B - is consistent with the basic strategy	B – Is consistent with the regional strategy	C – does not support industrial development, directly	B - Uncertain.	A – Admissible.	C – does not impact social dimension, directly
K-3: Strengthening of Database and Information Systems (Flood and Drought Forecasting and Early Warning System)	B - is consistent with the basic strategy	B – Is consistent with the regional strategy	C – does not support industrial development, directly	B - Uncertain.	A – Admissible.	C – does not impact social dimension, directly
K-4: Improvement of Urban Water Supply	A– Will support the development of the study area	A – Will support the development strategy of the study area.	A – Will support the development strategy of the study area.	B - Uncertain.	A – Admissible.	A – Large positive social impact will be expected in the study area.
K-5: Rehabilitation of Irrigation Schemes	A– Will support the development of the study area	A – Will support the development strategy of the study area.	C – does not support industrial development, directly	B - Uncertain.	A – Admissible.	A – Large positive social impact will be expected in the study area.
K-6: Flood Control and Mitigation	A - is consistent with the basic strategy	A – Will support the development strategy of the study area.	B – Is consistent with the industrial development, but not support it directly	B - Uncertain.	B – Master plan will be required.	A – Large positive social impact will be expected in the study area.
K-7: Community Enhancement of Water management	A– Will support the development of the study area	A – Will support the development strategy of the study area.	C – does not support industrial development, directly	A - Local resources are utilized.	A – Admissible.	A – Will give a positive impact on creating the stable rural society.
K-8: Preak Thnot River Basin Development	A– Will support the development of GC and intermediate area.	A – Will support the development strategy of GC and intermediate area.	A – Will support the development strategy of GC and intermediate area.	B - Uncertain.	B – M/P/ F/S (updating) and D/D will be required.	B – Land acquisition required.

(3) Priority Projects

K1: National Water Resources Development and Management Master Plan Study

The term required for formulating the water resources master plan will be two to three years. The final effects of the master plan will accrue to the relevant sectors and the resulting efficient use of water resources will support the proposed industrial development in the Growth Corridor area.

An inter-ministerial organization for implementing the master plan will be established amongst MOWRAM (Ministry of Water Resources and Meteorology), MAFF (Ministry of Agriculture, Forestry and Fisheries), MIME (Ministry of Industry, Mine and Energy) and MRD (Ministry of Rural Development), possibly in collaboration with NMC (Cambodia National Mekong Committee), MRC (Mekong River Commission). For sustainable use of water resources, the technology transfer and capacity building in a number of relevant fields will be essential.

K4: Improvement of Urban Water Supply in Sihanoukville

One of the critical factors for the future development of Sihanoukville is its water supply capability. As Sihanoukville is located on a peninsula, the size of the watershed is relatively small with little water runoff during the dry season, nor is the groundwater abundant. Without securing a reliable and sustainable water source, serious water shortage would occur. This would stagnate the development of the SPZ and other industrial development and hinder municipal water supply for the increasing population.

For this reason, it is indispensable and urgent to improve the urban water supply system in Sihanoukville and secure sustainable future water sources. This will also lead to an improvement in cost effectiveness in the water supply capability of this city.

The potential of surface water is generally low, and the flow rates drop significantly in the dry season. Groundwater potential is equally low and may not be sufficient for the future demand for water. It is therefore necessary to construct a reservoir in order to meet the future water demand. As the construction of a reservoir will require sizable financial resources and a long period of time for completion, it is necessary to start investigations immediately and move to the detail design as soon as possible.

(4) Implementation Matrix

Based on the evaluation of the proposed projects, the implementation program is formulated as shown in **Table 5-64**.

Table 5-64 Implementation Program for the Projects

K. Water Resources					Implementing Bodies													Implementation	
					Central Government Agencies					Local Authorities				Others				Urgent	Short
Sec- tor	Sector Goal	Area	Area-wise Goal	Strategy	Project	Ministry of Agriculture and Forestry	Ministry of Industry, Mining and Energy	Ministry of Public Works (Port Authority)	Ministry of Rural Development	Ministry of Water Resources and Meteorology	Provincial Government	PHN Municipality	SNV Municipality	Other Authority, Committee	Private Sector	NGOs	2003- 2005	2006- 2008	
XXX: Primary responsibility, XX: Secondary responsibility, X: Supplementary																			
K. Water Resources	- Formulation of Axis of Development for Cambodia	Overall	Formulation of Axis Development for Cambodia	- Development of Economical, Competitive and Sustainable Infrastructure	K-1 Master Plan Study on Water Resources Development and management	X		X	X	XXX	X	X	X	XX			MOWRAM, CNMC		
		Overall	Formulation of Axis Development for Cambodia	- Development of Economical, Competitive and Sustainable Infrastructure	K-2 Improvement to Meteorological / Hydrological Network	X		X	X	XXX	X	X	X	XX			MOWRAM, CNMC		
		Overall	Formulation of Axis Development for Cambodia	- Development of Economical, Competitive and Sustainable Infrastructure	K-3 Strengthening of Database and Information Systems (Flood and Drought Forecasting and Early Warning System)	X		X	X	XXX	X	X	X	XX			MOWRAM, MRC, CNMC, CNCMD, RGC ministries, etc		
		Overall	Formulation of Axis Development for Cambodia, Promotion of Strategic Development of Industries	- Improvement of water supply systems for provincial capitals. - Stable and safer water supply for industrial municipal users.	K-4 Improvement of Urban Water Supply (include Water Supply Development for SPZ)		XX					X	X	X	XXX		MIME, and other water supply authorities / company		
		Intermediate Area	Establishment of Stable and Sustainable Rural Society	- Planning of Integrated water resources management	K-5 Rehabilitation of Irrigation Schemes	XX				XXX	X					X	MOWRAM, MOAFF		
		Greater Capital + Intermediate Area	Creation of Economically Active Suburbs with Sustainable Environment	- Effective urban drainage and sewerage system	K-6 Flood Control and Mitigation			X		XXX	X	X		XX			MOWRAM, MRC, CNMC, CNCMD, MoPW&T		
		Intermediate Area	Establishment of Stable and Sustainable Rural Society	- Improvement of rural water supply.	K-7 Community Enhancement of Water management				XXX	XX	X	X				X	MRD, MOWRAM		
		Greater Capital + Intermediate Area	Establishment of Stable and Sustainable Rural Society	- Planning of Integrated water resources management	K-8 Preak Thnot River Basin Development	X		X	X	XXX	X	X		XX			MOWRAM, MOAFF		

L. Electricity

(1) Development Project

Twelve projects have been identified in the electricity sector. The common purpose of all projects is to enhance and improve the power supply capacity of the Growth Corridor. The details of the proposed projects are shown in the project sheets attached in Annex1. Table 5-65 below lists the projects.

Table 5-65 Development Projects for Infrastructure

Project	Objective	Executing Agency
L1: The Sihanoukville combined cycle power development project	The project purpose is to establish a combined cycle power station of 180 MW which utilizes natural gas from the seabed near Sihanoukville, and to feed power to the power grid to be developed the southern Cambodia, based on the F/S that JICA carried out in 2002.	MIME/EDC
L2: Kamchay hydro project	Kamchay Hydro Power Station of 120 MW located approx. 10 km from Kampot will be developed, and the power will be fed to the power grid to be constructed in the southern Cambodia, based on the F/S assisted by CIDA in 2002.	MIME/EDC
L3: Master Plan Study on Steng Atay hydro project	The purpose is to construct a large-scale hydro power station, and to provide power to the grid to meet the forecast power demand in future. The estimated generation capacity is 110 MW.	MIME/EDC
L4: Master Plan Study on Steng Russei Chrum hydro project	The purpose is to construct a large-scale hydro power station, and to provide power to the grid to meet the forecast power demand in future. The estimated generation capacity is 125 MW.	MIME/EDC
L5: 220kV transmission line between Sihanoukville and Kampot	After the construction of the transmission line between Takaev and Kampot, the transmission will be extended from Kampot to Sihanoukville to connect Sihanoukville with the power grid. This transmission route will be used for feeding power from the Combined Cycle Power Station which may be constructed in future, or for receiving power through the transmission line if the Power Station is not established due to non availability of gas.	MIME/EDC
L6: Project for construction of new power plant and extension of distribution network in Sihanoukville	The purpose is to establish a new diesel power plant in SNV to meet the growth of power demand of SNV in near future, and to feed the new power demand for EPZ/FTZ. In addition, the existing distribution network will be expanded.	MIME/EDC
L7: Project for the construction of 220kV transmission line between Phnom Penh and Vietnam	The purpose is to construct 220 kV interconnection transmission system for connecting between Vietnam and Phnom Penh (via Takaev) to import the electricity from Vietnam.	MIME/EDC
L8: Project for 10 MW capacity increase for EdC C5 power plant	The project purpose is to increase generation capacity of Power Plant C5 in PHN by 10 MW to make up for the growing power demand in the capital until the establishment of transmission system connecting with Vietnam.	MIME/EDC
L9: Project for extension of power distribution system around Phnom Penh	The purpose is to study and to carry out the extension of the power distribution system in the suburbs of Phnom Penh for meeting the expanding needs of the urban area.	MIME/EDC
L10: 220kV transmission line between Takaev and Kampot	Following the construction of the transmission line between PHN and SNV (via Takaev), a branch transmission route from Takaev to Kampot will be constructed, to feed power from the Combined Cycle Power Station, or to receive the power from Vietnam through this transmission line.	MIME/EDC
L11: Cambodia Renewable Energy Promotion Project	The project purpose is the promotion of development of renewable energy, rural people can increase access to electricity services, and to accelerate rural transformation by expanding electricity access by offering technical assistance, capacity building, etc.	MIME
L12: Provincial Power Supply Project	At the provincial centers in the eight provinces, electricity supply facilities, such as diesel power plants, distribution lines, etc. will be established or rehabilitated.	MIME/EDC

(2) Evaluation of Proposed Projects

Based on the evaluation criteria discussed earlier, **Table 5-66** summarizes the appraisals.

Table 5-66 Evaluation of the Proposed Projects

Project	Conformity to Overall Goal and Basic Strategy	Conformity to Regional Strategy	Relevance to Industrial Development	Sustainability and use of local resources	Admissibility of implementation	Impact on social dimension
L1: The Sihanoukville combined cycle power development project	A – will provide required electricity to meet demand	A – will support the development in SNV	A – will support the development of SPZ in SNV	A – will contribute to use of the local resources	B – needs to await confirmation of availability of natural gas	A – no adverse effect foreseen on social dimension
L2: Kamchay hydro project	A – will provide required electricity to meet demand	A – is consistent with the regional strategy.	A – will support the Industrial Development by reliable power supply	A – will contribute to use of the sustainable and local resources	B – needs to solve environmental issues	B – needs to solve the environmental issues before construction
L3: Master Plan Study on Steng Atay hydro project	A – will provide required electricity to meet demand	A – is consistent with the regional strategy.	A – will support the Industrial Development by reliable power supply	A – will contribute to use of the sustainable and local resources	C – needs to await the settlement of environmental issues	C – needs to solve the environmental issues before construction
L4: Master Plan Study on Steng Russei Chrum hydro project	A – will provide required electricity to meet demand	A – is consistent with the regional strategy.	A – will support the Industrial Development by reliable power supply	A – will contribute to use of the sustainable and local resources	C – needs to solve environmental issues	C – needs to solve the environmental issues before construction
L5: 220kV transmission line between Sihanoukville and Kampot	A – will provide required electricity to meet demand	A – is consistent with the regional strategy.	A – will support the Industrial Development by reliable power supply	A – will contribute to sustain the reliable electricity supply.	C - needs to await completion of T/L of Kampot - Takaev.	B – need to execute environmental assessment
L6: Project for construction of new power plant and extension of distribution network in Sihanoukville	A – will support the development of SPZ in SNV	A – is consistent with the regional strategy.	A – will support the Industrial Development by reliable power supply	A – will contribute to the sustainable development of SNV	A – admissible immediately	B – need to execute environmental assessment
L7: Project for the construction of 220kV transmission line between Phnom Penh and Vietnam	A – will provide required electricity to meet demand	A – is consistent with the regional strategy.	A – will support the Industrial Development by reliable power supply	A – will contribute to sustain the reliable electricity supply.	A – admissible immediately	A – no adverse effect foreseen on social dimension
L8: Project for 10 MW capacity expansion of EdC C5 power plant	A – will provide required electricity to meet demand in PHN	A – will support the development strategy of Greater Capital Area.	A – will support the Industrial Development by reliable power supply	A – will contribute to the sustainable development of capital area	A – admissible immediately	B – need to execute environmental assessment
L9: Project for extension of power distribution system around Phnom Penh	A – will provide required electricity to meet demand in PHN	A – will support the development strategy of Greater Capital Area.	A – will support the Industrial Development by reliable power supply	A – will contribute to the sustainable development of capital area	A – admissible immediately	A – no adverse effect foreseen on social dimension
L10: 220 kV transmission line between Takaev and Kampot	A – will provide required electricity to meet demand	A – is consistent with the regional strategy.	A – will support the Industrial Development by reliable power supply	A – will contribute to sustain the reliable electricity supply.	B – need to await completion of Vietnam-P Penh line	B – need to execute environmental assessment
L11: Cambodian renewable energy promotion project	A – will increase the electrification rate in the rural area	A – is consistent with the regional strategy.	A – will support the Industrial Development by reliable power supply	A – will contribute to use the sustainable and local resources	A – admissible immediately	A – no adverse effect foreseen on social dimension
L12: Provincial power supply project	A – will provide required electricity to meet demand	A – is consistent with the regional strategy.	A – will support the Industrial Development by reliable power supply	A – will contribute to use the sustainable and local resources	A - already commenced with financial assistance of ADB.	A – no adverse effect foreseen on social dimension

(3) Priority Projects**L5: 220kV transmission line between Sihanoukville and Kampot**

The electricity supply in SNV is managed by EDC through their isolated distribution network. To prepare for potential power shortages in this region and nationwide,

MIME and EDC advocate the establishment of an interconnecting transmission line with Vietnam with the financial assistance primarily of the WB and ADB, and further extend its branch line from Takaev to Kampot with assistance from the German Government.

At the same time, MIME and EDC plan a gas combined cycle generation plant in Sihanoukville, contingent on the development of an adequate natural gas resource in Siam Bay. If this plan materializes, a transmission line from Sihanoukville to Kampot has to be set up in time. Even if this plan does not materialize, the transmission line will be necessary to receive the power from the national grid, to meet the growing power demand in Sihanoukville. Therefore, regardless of the availability of gas combined cycle power generation, the transmission line between Sihanoukville and Kampot will be indispensable for securing stable supply of electricity.

The project will include the construction of a transmission line between Kampot and Sihanoukville, establishment of a grid substation at Sihanoukville and extension feeder bays at the grid substation at Kampot, and establishment of a sub-transmission or distribution network in the SNV area. A feasibility study to test the viability of the project and determine the approximate technical and financial requirements is urgently needed.

(4) Implementation Matrix

Based on the evaluation of the proposed projects, the implementation program is formulated as shown in **Table 5-67**.

L. Electricity					Implementing Bodies											Implementation Schedule			
					Central Government Agency			Local Authorities				Others				Urgent	Short	Medium	
Sec-tor	Sector Goal	Area	Area-wise Goal	Strategy	Project	Ministry of Industry, Energy and Mine			Provincial Government	PHN Municipality	SNV Municipality	International Agency	Private Sector	NGOs	2003-2005	2006-2008	2009-2015		
	- Deelopment of Economical, Competeive and Sustainable Infrastructure	Overall	Formulation of Axis Development for Cambodia	- Securing reliable and economical electricity supply to the overall country	L-1 Sihanoukville Combined Cycle Power Development Project	XXX													
					L-2 Kamchay Hydro Project	XXX													
					L-3 Steng Atay Hydro Project	XXX													
					L-4 Steng Russei Chrum hydro project	XXX													
		Sihanouk-ville	Promotion of Strategic Development of Industries	- Securing power by locally available resources - Securing reliable electricity supply to the growing industrial power demand	L-5 Transmission line between Sihanoukville and Kampot	XXX									F/S				
					L-6 Project for Construction of new Power Plant and Extension of Distribution Network in Sihanoukville	XXX													
		Greater Capital	Creation of Economically Active Suburbs with Sustainable Environment	- Provision of interconnectin g transmission line with neighbor countries - Expansion of transmission and distribution network to suburban area	L-7 Transmission Line between Phnom Penh and Vietnam	XXX													
					L-8 Capacity Extension 10 MW of EDC C5 Power Plant	XXX												Proposed to GOJ for a grant aid project.	
					L-9 Extension of Power Distribution System around Phnom Penh	XXX												Proposed to GOJ for a grant aid project.	
		Intermediate	Establishment of Stable and Sustainable Rural Society	- Expansion of transmission and distribution network to provincial centers and major towns - Promotion of rural electrification	L-10 220kV transmission line between Takev and Kampot	XXX												Projected by assistance of Germany.	
					L-11 Renewable Energy Promotion Project	XXX													To be implemented by financial assistance of WB.
					L-12 Provincial Power Supply Project	XXX													to be implemented by financial assistance of ADB.

M. Telecommunications

(1) Development Project

Two projects are identified in the Telecommunication sector. The purposes of the projects are to enhance and improve the telecommunication circumstances in the Growth Corridor and to nurture new industry through human resources development. The details of the proposed projects are shown in the project sheets attached in the Annex1. Table 5-68 below lists the projects.

Table 5-68 Development Projects for Telecommunication

Project	Objective	Executing Agency
M-1 Nourishment of Qualified IT Related Human Resources (1,000 IT Engineer Project)	Nourishment of qualified IT experts and engineers, who have a certain standard of technology, to cope with the increasing demand for IT specialists from the private and government sectors.	The National Information Communications Technology Development Authority (NiDA), MOC
M-2 Development of Optical fiber cable network between Phnom Penh and Sihanoukville (Growth Corridor IT Platform Development)	High speed and large capacity communication by means of the optical fiber cable devices are necessary to cope with the communication demand induced by the modern industrial development.	MPTC

(2) Evaluation of Proposed Projects

Based on the evaluation criteria discussed earlier, **Table 5-69** summarizes the appraisals.

Table 5-69 Evaluation of the Proposed Projects

Project	Conformity to Overall Goal and Basic Strategy	Conformity to Regional Strategy	Relevance to Industrial Development	Sustainability and use of local resources	Admissibility of implementation	Impact on social dimension
M-1 Nourishment of Qualified IT Related Human Resources (1,000 IT Engineers Project)	B – Is consistent with the basic strategy	B – Is consistent with the regional strategy	B – Is consistent with the industrial development, but not support it directly	A – will contribute to the sustainable development of the Study Area	A – Admissible immediately	A - No adverse effect foreseen
M-2 Development of Optical fiber cable network between Phnom Penh and Sihanoukville (Growth Corridor IT Platform Development)	A- Basic policy for infrastructure improvement for industrial development	A- will support the development strategy of SNV and intermediate area.	A – will support the industrial development strategy of SNV	A – will contribute to the sustainable development of SNV and intermediate area	B – Needs to await foreign assistance	A - No adverse effect foreseen

(3) Priority Projects

M-1 Nourishment of Qualified IT Related Human Resources (1,000 IT Engineer Project)

Although information technology (IT) experts and engineers are graduating from the limited number of IT faculties such as Royal Phnom Penh University and Cambodia Technology of Institute, their capability is unspecialized and uncertified. The nourishment of IT experts and engineers with an assured standard of technology qualification through a formal certification procedure is necessary to motivate willing young people and students to further deepen and substantiate their technological skill and knowledge.

This project, which is subtitled the “One Thousand IT Engineers Project”, intends to introduce an IT qualifying examination through following the scheme of the Asia Common IT Skill Standard/ Practical Training program, and thus facilitate education and develop the necessary training materials in the Khmer Language.

M-2 Development of Optical fiber cable network between Phnom Penh and Sihanoukville (Growth Corridor IT Platform Development)

The east-west optical fiber cable linking Vietnam and Thailand via Phnom Penh and Battambang has already been installed, and further connection with Siem Reap in Cambodia is currently under construction. Fixed telephone service using microwave and mobile phones, done through a private initiative, is already available in the Study Area. The capacity of the transmission line, however, is limited so that data telecommunication is difficult to facilitate.

This project will provide high speed and large capacity communication devices by means of an optical fiber cable to cater to the communication demand induced by the intensive industrial development, and provide an IT platform for the area. The activities for this project will include the construction of an optical fiber cable between Phnom Penh and Sihanoukville via Takaev and Kampot (along NR 2 and 3). The telecommunication capacity of Sihanoukville and the cities in the intermediate area along the route will be improved greatly by this project.

(4) Implementation Matrix

Based on the evaluation of the proposed projects, the implementation program is formulated as shown in **Table 5-70**.

Table 5-70 Implementation program for the Projects

M.Telecommunications						Implementing Bodies													Implementing Schedule																	
						Central Government Agencies								Local Authorities			Others		Urgent	Short	Medium															
						Ministry of Agriculture	Ministry of Commerce	Ministry of Agriculture	Ministry of Industry	Ministry of Public Works	National Information Communication	Ministry of Post and Telecom	Provincial Government	PHN Municipality	SNV Municipality	PAS	Private Sector	NGOs																		
Sec-tor	Sector Goal	Area	Area-wise Goal	Strategy	Project	XXX: Primary responsibility, XX: Secondary responsibility, X: Supplementary																2003-2005	2006-2008	2009-2015												
M. ICT Development	Development of IT infrastructure to reduce the digital divide and to strengthen the IT industry	Phnom Penh	Strengthening the IT Industry	- Nurture the IT engineers through the IT engineers	M-1 Nourishment of Qualified IT related Human Resource		XXX				XXX								X																	
		Growth Corridor Area	Reduce the digital divide and provide the broad band	- Construct ion of the optical fiber between	M-2 Developm ent of Optical Fiber Network							XXX								X																

5.7.2 Action Plan for Growth Corridor Development

(1) Coordinating Body

The regional development of the Growth Corridor area involves 7 Provincial and Municipal governments and various central government ministries and agencies. As the development resources in Cambodia are fairly centralized, it is important to clarify the actions for each organization in the time frame of execution. A unilateral approach, such as creating a Growth Corridor Development agency, would not work out, as the regional integration was not the preferred approach in Cambodia. The realization of the proposed strategies and projects will thus depend primarily on the relevant Ministries and Agencies taking the leading role of each of the sectoral strategies and proposed projects in collaboration with the provincial/municipal authorities.

Dialog among the relevant stakeholders will be important in successful implementation of the Growth Corridor development initiatives. As all the relevant central and regional authorities are represented in the Steering Committee for this Study, this Steering Committee should be enhanced with re-definition of their task as to follow up the proposal made for this Study. International donors acting as development partners for Cambodia should be invited to continue dialog.

(2) Priority Projects

Based on the strategies for economic, social and infrastructure development, some of the projects were proposed for consideration to achieve the development goals of the Growth Corridor. In view of the urgency, conformity to the development strategies, sustainability and admissibility, a partial set of the projects were selected as the priority projects. The priority projects are recommended for commencement by 2005 or earlier.

The following are proposed as priority projects. The costs for the technical cooperation component, such as feasibility studies and designing, are estimated at US\$ 33 million. Roughly estimated costs for implementation, such as construction and installation, are separately estimated at US\$270 million, although the costs for implementation need to be refined at the time of technical cooperation. The breakdown by the sectors is as below;

Table 5-71 Sectoral Cost Breakdown for the Priority Projects
(US\$ million)

Sector	# of Projects	Technical Assistance	Implementation	Total
Economic Development	8	20.7	17.2	37.9
Social Development	7	6.6	3.0	9.6
Infrastructure Development	10	5.9	249.9	255.8
Total	25	33.2	270.1	303.3

The Proposed and schedules and primary players for the implementation of the projects are discussed in the Main report

1) Priority Projects for Economic Development

The most important priority project for the economic development is the development of Special Promotion Zone in Sihanoukville, which will be discussed in Part IV in detail. Other priority projects for the economic development are tabulated below. The focus was given on the better use of locally available resources such as agricultural and tourism resources, promotion of FDIs and assistance to preparation for materializing the SPZ.

Table 5-72 List of Priority Project for the Regional Development of Growth Corridor

Type	Sector	Project Title	Objectives	Estimated Cost* (Million US\$)
Economic Development	Primary Industry	A-4 Outer City Agriculture Promotion Program	To enhance farm income through expansion of crop diversification and modernized agriculture in outer city area	5.0
		A-7 Vegetable and Fruit Processing Project	To increase value of vegetables and fruits through processing activities	10.0
	Secondary Industry	B-4 Upgrading of Small and Micro Industries	To foster the traditional and new SMEs by small scale business incubation, rearing domestic capital and entrepreneurship and assist access to market and technology information	0.5
		B-6 Garment and Footwear Industry Revitalization Project	To promote the marketing of the products in markets other than USA; To provide vocational training to future and current garment workers for higher skills	0.5
	Tertiary Industry	C-4 Tourism Master Plan for the Greater Capital Area	To boost the international tourism in and around Phnom Penh, capitalizing on the existing and potential resources in a better network and quality	1.7
	Export Promotion	D-1 Establishment of Special Promotion Zone in Sihanoukville	To establish a SPZ in Sihanoukville to attract FDI and activate backward linkage and better use of locally available natural resources	-** (17.2)
	Legal and Institutional	E-1 Computerization of Customs Clearance Procedures	To computerize the customs clearance system to improve cargo reporting, shorten the clearance time, better valuate duties and taxes and facilitate effective Post Clearance Audit (PCA)	0.5
		E-2 Dispatch Experts from Japan for facilitating the Legal and Institutional Framework of the SPZ	To firmly establish the legal and institutional framework for the proposed SPZ to foster investor confidence and governance of the zone	2.5

* Costs are rough estimates, and need to be verified at the time of implementation. The number in parenthesis is an estimated cost for implementation, which shall be reviewed in the study phase.

** Cost for engineering services is included in the implementation cost

2) Priority Projects for Social Development

For social development, an emphasis was given to human resources development in support of the economic development and urban as well as rural development. For urban planning, a master plan for the rapidly growing city of Sihanoukville was proposed, as the need for a balanced land use planning will be indispensable for the development of a SPZ there. Capacity enhancement for the environmental protection will also be imperative for the sustainability of the economic development

proposed in this Study. Others include vocation training and enhancement of rural entrepreneurship development, and income generation activities in rural areas.

Table 5-73 List of Priority Project for the Regional Development of Growth Corridor

Type	Sector	Project Title	Objectives	Estimated Cost* (Million US\$)
Social Development	Urban Planning	F-3 Urban Master Plan for Sihanoukville	To facilitate sustainable management of urban development and devise good balance amongst the different economic activities	3.3
		F-1 Enhancement of Planning and Enforcement Mechanism of Urban Planning	To establish guidelines of the development master plan and land use plans, and to establish autonomous criteria for the provision of construction permissions	0.4
	Human Resources Development	G-6 Assistance for Rural Entrepreneurship Development	To strengthen the capacity of provincial government officials and MoEYS through joint activities for identifying products, entrepreneurial training for women and exploring marketing of products	1.3
		G-3 Strengthening Sihanoukville Municipal Vocational Training Center	To provide practical vocational training primarily for garment production, and but gradually shift to new types of industries	0.6
	Rural Development	H-2 Income Generation Activities for Farmers in Kandal Province	To improve livelihood of the vulnerable population in rural area through income generation activities	0.4
	Environment	I-1 Capacity Enhancement for Effective Enforcement of Environmental Legislation	To enhance the institutional capacity to conduct effective enforcement of environmental legislation	0.6
		I-3 Construction of Controlled Landfill Site	To provide with a controlled type landfill site in Sihanoukville for appropriate treatment of solid waste	-.** (3.0)

* Costs are rough estimates, and need to be verified at the time of implementation. The number in parenthesis is an estimated cost for implementation, which shall be reviewed in the study phase.

** Cost for engineering services is included in the implementation cost.

3) Priority Projects for Infrastructure Development

Providing reliable and affordable infrastructure will be essential for the economic development of the Growth Corridor area. The following table presents the priority projects for respective fields of infrastructure development. Eight projects are proposed in all for respective infrastructure development sectors. In addition, two projects are selected in relation to the development of the Free Zone in Sihanoukville, which will facilitate environmental protection for wastewater and solid waste disposal.

Table 5-74 List of Priority Project for the Regional Development of Growth Corridor

Type	Sector	Project Title	Objectives	Estimated Cost* (Million US\$)
	Transportation	J-2 Container Distribution Center Project	To improve and rationalize container inflows and outflows	-** (12.0)
		J-6 Phnom Penh Urban Transport Project	To mitigate traffic congestion	-** (85.0)
		J-9 Route 48 Upgrading Project	To upgrade the existing Route 48 to all-weather road, including 4 bridges	- (60.0)
Water Resources	K-1 Master Plan Study on National Water Resources Development and Management	To prepare an inventory of water users for all the river systems and groundwater and to formulate a master plan for integrated water resources development of the whole country	1.2	
	K-4 Improvement of Urban Water Supply in Sihanoukville	To secure a water source to increase the capacity and service ratio and to improve the operation and maintenance of the existing system	3.0 (37.0)	
Electricity	L-5 F/S on Transmission Line between Kampot and Sihanoukville	To provide a feasibility study for the extension of transmission lines between Kampot and Sihanoukville at 220 kV	0.7 (37.0)	
Telecommunications	M-1 Nourishment of Qualified IT Related Human Resources	To train and foster one thousand information technology (IT) engineers	1.0	
	M-2 Development of Optical Fiber cable Network between Phnom Penh and Sihanoukville	To lay fiber optical cable between Phnom Penh and Sihanoukville to enable high speed and large capacity communication	-** (15.4)	
Free Zone Development in Sihanoukville	N-1 Development of Wastewater Treatment Plant for the Sihanoukville Port Free Zone	To plan, design and install a wastewater treatment plant for the Sihanoukville Port Free Zone. This will be a desirable project, if the Free Zone is commercially financed.	-** (2.8)	
	N-2 Development of Solid Waste Landfill for the Sihanoukville Port Free Zone	To plan, design and install an environmentally friendly landfill and its related systems for the Sihanoukville Port Free Zone. This will be a desirable project, if the Free Zone is commercially financed.	-** (0.7)	

* Costs are rough estimates, and need to be verified at the time of implementation. The number in parenthesis is an estimated cost for implementation, which shall be reviewed in the study phase.

** Cost for engineering services is included in the implementation cost.

(3) Proposed Projects

The proposed projects present a wider list of necessary projects than the priority projects in the longer time frame. The following list summarizes the proposed project and their main and collaborating organizations with the indication of the time frame. It is important that the main executing agency takes the leading role in the preparation and implementation of respective projects.

Table 5-75 Action Plan by Executing Agencies (1/4)

Sector	Project	Executing Agencies										Urgent Term 2003 - 2005	Short Term 2006 - 2008	Medium Term 2009 - 2015		
		MAFF	MOC	Provincial Government	MIME	MPWT	Mineral Resource Development Department of MIME	Sihanoukville Municipality	Phnom Penh Municipality	MOT	MCFA				Dept. of Small industry and Handicraft of MIME	
Sector A. Primary Industry	A-4 Outer City Agriculture Promotion Program				⊙								===			
	A-7 Vegetable and Fruit Processing Project		○					○	⊙				===			
	A-1 Agriculture Reform Program	⊙											===			
	A-2 Fishery Market Development Project				⊙								===			
	A-3 Mangrove Aquaculture Pilot Project					⊙								===		
	A-5 Cashew Plant Protection and Processing Project				⊙						○			===		
	A-6 Agro-forestry Development Pilot Project				⊙								===			
	A-8 Border Trade Project		⊙					○	○						===	
	A-9 Post Harvest Loss Prevention Project							⊙	○					===		
Sector B. Secondary Industry	B-4 Upgrading of Small and Micro Industries	⊙											===	===		
	B-6 Garment and Footwear Industry Revitalization Project					⊙							===	===		
	B-1 Establishment of Industrial Promotion Organization in Cambodia			○					○	⊙			===	===		
	B-2 Establishment of Cambodia Food Safety Guidance Center									⊙			===	===		
	B-3 Establishment of Cambodia Food Processing Technology Development Center			⊙					○					===	===	
	B-5 Mineral Resource Survey and Evaluation for the Growth Comidor Area				⊙								===	===		
	B-7 Community Business Development in Rural Area(Silk and handicrafts, in Takaev Province)				⊙								===	===	===	
	B-8 Used Machinery Tuning and Recycling Project				⊙						○		===	===		
Sector C. Tertiary Industry	C-4 Tourism Master Plan for Greater Capital Area							⊙	○				===	===		
	C-1 Training Center for Tourism and Service Business				⊙								===	===	===	
	C-2 Improvement and Support for Urban Service Business (Sihanoukville and Phnom Penh)		○						○	⊙			===	===	===	
	C-3 Improvement of Beach Areas in Sihanoukville		⊙					○	○				===	===	===	
	C-5 Arts and Handicraft Center (Greater Capital)			○					○	⊙			===	===	===	
	C-6 Pilot Project for Village-Based Tourism									⊙			===	===	===	

Legend: ⊙ : Major Executing Agency ◻ : Priority Project
○ : Expected Collaborators

Note: MAFF: Ministry of Agriculture, Forestry and Fishery, MOC: Ministry of Commerce, MIME: Ministry of Industry, Mines and Energy, MPWT: Ministry of Public Works and Transport, MOT: Ministry of Tourism, MCFA: Ministry of Culture and Fine Arts

Table 5-75 Action Plan by Executing Agencies (2/4)

Sector	Project	Executing Agencies														Implementation Schedule					
		CDC	MOC	MIME	PAS	MAFF	RGC	Private Investors	Cross-Border Economic Development Corporation	MEF	MLMUPC	MoEYS	Sihanoukville Municipality	Royal University of Phnom Penh	Sihanoukville SPZ Authority	Local Government	Preah Kossamak Polytechnic Institute	NGOs	Urgent Term 2003 - 2005	Short Term 2006 - 2008	Medium Term 2009 - 2015
D. Investment Development	D-1 Establishment of SPZ to Improve Investment Environment of Cambodia	⊙	○	○															===		
	D-2 FDI Promotion for FTZ/EPZ in Sihanoukville and Phnom Penh	○	⊙	○															=====		
	D-3 Development of the Sihanoukville EPZ/FTZ				⊙		○												===		
	D-4 Development of GIE in the Sihanoukville SPZ						⊙	○												=====	===
	D-5 Renovation of Fish Port with Supporting Infrastructure and Development of Fishery Processing Estate					⊙										○					=====
	D-6 Development of Phnom Penh EPZ/FTZ						⊙	○												===	
	D-7 Development of GIE in the Greater Capital						⊙	○												=====	===
	D-8 Koh Kong Special Border Economic Zone/IZ							⊙												=====	
E. Legal and Institutional Framework	E-1 Computerization of Customs Clearance Procedures		○	○					⊙											=====	
	E-2 Dispatch of Specialists from Japan for Facilitating the Legal and Institutional Framework for the SPZ	⊙	○	○																=====	
F. Urban Planning	F-1 Enhancement of Planning Enforcement Mechanism of Urban Planning									⊙	○									===	
	F-3 Pilot Urban Master Plan for Sihanoukville									⊙	○									===	
	F-2 Assistance of Capacity Building for Decentralization of Planning Functions									⊙										=====	=====
	F-4 Greater Phnom Penh Capital Area Urban Master Plan									⊙					○					=====	
G. Human Resource Development	G-3 Strengthening Sihanoukville Municipal Vocational Training Center										⊙									=====	
	G-6 Assistance for Rural Entrepreneurship Development										○					⊙				=====	
	G-1 Establishment of Training Institute within Sihanoukville SPZ													⊙						===	
	G-2 Establishment of University in Sihanoukville with faculty of Engineering											○		⊙						=====	
	G-4 Establishment of Faculty of Engineering in Royal University of Phnom Penh												⊙							=====	
G-5 Upgrading of Preah Kossamak Polytechnic Institute with Cooperation from King Mongkut's Institute of Technology Ladkrabang, Thailand											○				⊙					=====	

Legend: ⊙ : Major Executing Agency ◯ : Expected Collaborators : Priority Project

Note: CDC: Council for the Development of Cambodia, MOC: Ministry of Commerce, MIME: Ministry of Industry, Mines and Energy, PAS: Port Authority of Sihanoukville, MAFF: Ministry of Agriculture, Forestry and Fishery, RGC: Royal Government of Cambodia, MEF: Ministry of Economy and Finance, MLMUPC: Ministry of Land Management, Urban Planning and Construction, MoEYS: Ministry of Education, Youth and Sport

Table 5-75 Action Plan by Executing Agencies (3/4)

Sector	Project	Executing Agencies													Implementation Schedule		
		CDC	NGO	Local Government	JOCV	Rural Communities	MOE	Sihanoukville Municipality	Phnom Penh Municipality	MAFF	MRD	MPWT	PAS	PAPP	RRC	Urgent Term 2003 - 2005	Short Term 2006 - 2008
H. Rural Development	E-2 Income Generation Activities for Farmers in Kandal Province (Supporting a NGO Project Income Generation)		⊙	○											=====	=====	
	H-1 Improving Living of Urban Poor Areas in Sihanoukville	⊙	○												=====	=====	=====
	H-3 Income Generation Activities for Vulnerable People in Kandal Province (Supporting a NGO project)		⊙	○											=====	=====	=====
	H-4 Income Generation of a Silk Weaving Village Through Tourism		⊙		⊙										=====	=====	
	H-5 Participatory Rural Development Project (in Kampong Speue Province or Other Provinces)			○		⊙									=====	=====	=====
I. Environment	I-1 Capacity Enhancement for Effective Enforcement Environmental Legislation			○			⊙								=====	=====	
	I-3 Construction of Controlled Landfill Site							⊙							=====	=====	
	I-2 Reinforcement of Pollution Source Monitoring in Sihanoukville and Greater Capital Area			○			⊙								=====	=====	
	I-4 Study on Area Specific Zero Emission Model							⊙								=====	
	I-5 Establishment of Integrated Coastal Fishery Management Center			○					⊙						=====	=====	
	I-6 Biodiversity Conservation Project (Community Forestry Project), Bokor National Park			○			⊙			⊙					=====	=====	
	I-7 Recycling of Market Waste and Household Sewage Project			○			⊙				⊙				=====	=====	
J. Transportation	J-2 Container Distribution Center Project										⊙	○	○		=====	=====	
	J-6 Phnom Penh Urban Transportation Project									⊙					=====	=====	
	J-9 Route 48 Upgrading Project									⊙					=====	=====	
	J-1 Southern Railway Rehabilitation Project												⊙				
	J-3 Container Lane Project										⊙	○			=====	=====	
	J-4 Sihanoukville Urban Transport Project							○			⊙				=====	=====	=====
	J-5 New Phnom Penh Port Project										⊙		○		=====	=====	
	J-7 Kampot Urban Infrastructure Development Project			○							⊙				=====	=====	
J-8 Rural Road Maintenance System Development Project			○							⊙							=====

Legend: ⊙ : Major Executing Agency ◻ : Priority Project
○ : Expected Collaborators

Note: CDC: Council for the Development of Cambodia, JOCV: Japan Overseas Cooperation Volunteers, MOC: Ministry of Commerce, MIME: Ministry of Industry, Mines and Energy, PAS: Port Authority of Sihanoukville, PAPP: Port Authority of Phnom Penh, MAFF: Ministry of Agriculture, Forestry and Fishery, MPWT: Ministry of Public Works and Transport, RGC: Royal Government of Cambodia, MEF: Ministry of Economy and Finance, MRD: Ministry of Rural Development, MLMUPC: Ministry of Land Management, Urban Planning and Construction, RRC: Royal Railways of Cambodia,

Table 5-75 Action Plan by Executing Agencies (4/4)

Sector	Project	Executing Agencies												Implementation Schedule		
		MOWRAM	CNMC	MRC	CNCMD	MIME	MAFF	MPWT	MRD	EDC	NIDA	MPTC	FZC	Urgent Term 2003 - 2005	Short Term 2006 - 2008	Medium Term 2009 - 2015
K. Water Resources	K-1 Master Plan Study on Water Resources Development and Management	⊙	○											=====		
	K-4 Improvement of Urban Water Supply (include Water Supply Development for SPZ)					⊙								=====	=====	=====
	K-2 Improvement to Meteorological / Hydrological Network	⊙	○											=====		
	K-3 Strengthening of Database and Information Systems (Flood and Drought Forecasting and Early Warning System)	⊙	○	○	○									=====		
	K-5 Rehabilitation of Irrigation Schemes	⊙					⊙							=====	=====	
	K-6 Flood Control and Mitigation	⊙	○	○	○			○							=====	=====
	K-7 Community Enhancement of Water management	○							⊙					=====		
	K-8 Preak Thnot River Basin Development	⊙					⊙								=====	=====
L. Electricity	L-5 220kV transmission line between Sihanoukville and Kampot					⊙				○				=====		
	L-1 The Sihanoukville Combined Cycle Power Development Project					⊙				○				=====		
	L-2 Kamchay Hydro Project					⊙				○				=====		
	L-3 Steng Atay Hydro Project					⊙				○				=====	=====	=====
	L-4 Steng Russei Chrum hydro project					⊙				○				=====	=====	=====
	L-6 Project for Construction of new Power Plant and Extension of Distribution Network in Sihanoukville					⊙				○				=====		
	L-7 Project for the Construction of 220kV Transmission Line between Phnom Penh and Vietnam					⊙				○				=====		
	L-8 Project for Capacity Extension 10 MW of EdC C5 Power Plant					⊙				○				=====		
	L-9 Project for Extension of Power Distribution System around Phnom Penh					⊙				○				=====		
	L-10 220kV Transmission Line between Takaev and Kampot					⊙				○				=====	=====	
	L-11 Cambodia Renewable Energy Promotion Project					⊙								=====	=====	
	L-12 Provincial Power Supply Project					⊙				○				=====		
M. Telecommunications	M-1 Nourishment of Qualified IT Related Human Resources										⊙			=====		
	M-2 Development of Optial fiber Cable Network between Phnom Penh and Sihanoukville										⊙			=====		
N. FZ Development	N-1 Development of Wastewater Treatment Plan for the Sihanoukville Port Free Zone											⊙		=====		
	N-2 Development of Solid Waste Landfill for the Sihanoukville Port Free Zone											⊙		=====		

Legend: ⊙: Major Executing Agency ◻ : Priority Project
○: Expected Collaborators

Note: MOWRAM: Ministry of Water Resources and Meteorology, CNMC: Cambodia National Mekong Committee, MRC: Mekong River Commission, CNCMD: Cambodia National Mekong Development Committee, MIME: Ministry of Industry, Mines and Energy, MAFF: Ministry of Agriculture, Forestry and Fishery, MPWT: Ministry of Public Works and Transport, EDC: Electricite Du Cambodge, NIDA: National Information Communications Technology Development Authority, MPTC: Ministry of Posts and Telecommunication, FZC: Free Zone Corporation (tentative name)

Chapter 6
Basic Concept of
the Special Promotion Zones

CHAPTER 6 BASIC CONCEPT OF THE SPECIAL PROMOTION ZONES

6.1 NECESSITY AND RATIONALE FOR SPZ

6.1.1 Attracting FDI

Foreign Direct Investment (FDI) is a vital element to create employment for the younger generation. As repeatedly emphasized in the previous chapters of this report, Cambodia has a very limited investment capacity. The level of domestic saving is very low and public investment is also very limited due to the persistent fiscal constraints. Therefore, investment from outside is indispensable to generate more employment opportunities for the younger generation of Cambodian people. FDI is one of the major forms of investments from outside.

There is a clear slowdown in investment in Cambodia. From the late 1980s, FDI had been increasing gradually until it reached its peak in 1997 when it took an acute downturn. This is partly due to the fiscal crisis in 1997, but that was not the only reason. In recent years, FDI to Cambodia has remained low, while the neighboring countries keep increasing FDI because they have recovered from the negative impacts of the recent currency crisis. This would show the fundamental fact that in terms of investor's basic requirements Cambodia is not as attractive as the competitors, such as Thailand, Vietnam, and other Asian countries.

According to hearings from the existing FDIs and potential investors, Cambodia has the following constraints.

- Legal system is not solid without a firm basis for the rule of law.
- Lack of consistency in the credibility of public orders.
- Insufficient and often costly infrastructure (electric power supply, water supply, and others): the infrastructure is not well developed and often much more costly than in the neighboring and competitive countries.
- Inefficiency in management in administration.
- Persistent requests for unofficial payments in many aspects of business activities.

On top of these, Cambodia's domestic market is small in size and purchasing power, unlike China which could attract FDI with its massive potential market.

There is no easy shortcut or quick fix to meet these requirements to attract FDI in a short period of time. Cambodia must reform its administrative and legal systems for better economic activities step-by-step. But, at the same time, Cambodia should not await to show that it is getting ready for investments as much as the much bigger and stronger competitors within ASEAN and the rest of the world.

There is a clear and progressive trend for global trade liberalization. The existing quota for garment exports to the US market is likely to be lifted at the end of 2004. In parallel, AFTA will be largely implemented by 2008, and exert its full effects in 2015. Cambodia itself has a policy to become a member of WTO before 2005. It will be more and more difficult to keep a high profile in attracting FDIs among the other ASEAN countries.

One option for Cambodia, especially for the short-term, is to take a targeted approach by starting with a manageable small-scale model to prove that Cambodia is capable of reforming itself and solving the existing problems. With the success of this leading model, the scope of reforms can be replicated and fully expanded to the national scale.

6.1.2 History and Extent of Export Processing Zone and SPZ

Special fiscal and administrative arrangements designed to promote multinational companies are popularly practiced measure for a number of nations in the world. The following table shows the extent to which the fiscal incentives are adopted in various regions of the world, indicating a total of 103 nations worldwide, and 17 in Asia, with some type of fiscal incentives for investment promotion.

The early trials of such special arrangement began in 1950's, and became popular in 1990's worldwide, particularly in the form of an export processing zone (EPZ). In recent years, a broader framework such as the special economic zone (SEZ) that encompasses a wide extent of measures to facilitate economic activities are implemented successfully throughout the world, including those in southern part of China. These SEZ focuses not only on export processing but other essential services and business development.

Table 6-1 Types of Incentives Used by Region

Region/ Major incentives	Africa	Asia	Latin America & Caribbean	Central & Eastern Europe	Western Europe	Other Countries	Total
No. nations with incentives	23	17	12	25	20	6	103
Tax holidays	16	13	8	19	7	4	67
Accelerated depreciation	12	8	6	6	10	5	47
Investment allowances	4	5	9	3	5		26
Import-duty exemption	15	13	11	13	7	4	63
Duty drawback	10	8	10	12	6	3	49

Source: UNCTAD 1995

Neighboring countries, such as Thailand and Vietnam, already have many years of experience in developing and implementing export oriented industrial zones. For example, there are 57 Industrial Estates in Thailand, which have attracted more than

3,000 Japanese firms to invest in Thailand. Cambodia should not wait to start up on this track.

6.1.3 Advantage and Disadvantage of the Export Processing Zone and SPZ

Establishment of export oriented zones alone cannot solve all the problems. It is often argued that the zones need to be properly positioned in the overall policy framework of the host country, and its integration in the policy coherence is essential.

There are pros and cons about special arrangements for export processing, as they pertain to the overall economic framework of a nation. Generally, most of the sources agree that export processing zones have a usefulness, but that it is dependent on the condition of the nation in question.

Thus, it is imperative that pros and cons be carefully envisaged so that the potential gain would justify the risks. The following table summarizes what the export processing zone could bring about and the relevance in the context of Cambodia.

Table 6-2 Pro's and Con's of EPZ/SPZ and Relevance to Cambodia

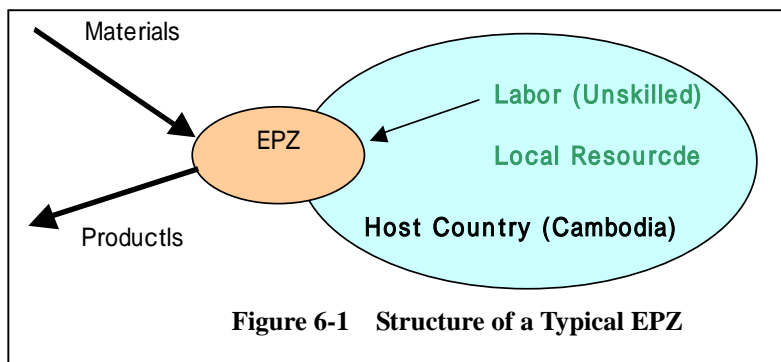
	General discussion	Relevance to Cambodia
Pro's	<ul style="list-style-type: none"> - EPZ contribute to the building of human capital, - Learning of industrial work discipline and routine. - Supervisory and managerial skills for local employee 	<ul style="list-style-type: none"> - Human capital development is essential for Cambodia to eradicate the negative effects of the previous regime and prepare for takeoff - Development of managerial skill is imperative
	<ul style="list-style-type: none"> - Providing an industrial set-up with efficient and competitive industrial infrastructure that is unless otherwise unavailable. 	<ul style="list-style-type: none"> - Cambodia does not provide an industrial set-up with efficient and competitive industrial infrastructure
	<ul style="list-style-type: none"> - Catalyst and demonstration effects of good practices of business environment. 	<ul style="list-style-type: none"> - Cambodia needs such demonstration and catalyst effects
	<ul style="list-style-type: none"> - Cambodia is still eligible to keep FZ incentives compatible with WTO rules (exempted from disciplines on prohibited export subsidies). 	<ul style="list-style-type: none"> - Cambodian accession to WTO is in preparation
Con's	<ul style="list-style-type: none"> - EPZ must be used as an integral part of a national reform program. 	<ul style="list-style-type: none"> - Policy coherence toward the SPZ development should be properly advocated as part of national reforms
	<ul style="list-style-type: none"> - Creation of backward linkages seems largely conditional on the industrial base of the host nation 	<ul style="list-style-type: none"> - SPZ is a broader concept than an EPZ, with a promotional area for domestic receptor enterprises to interact with FDI firms chiefly in FZ to enhance backward linkage
	<ul style="list-style-type: none"> - EPZ does not universally fulfill the role of "engine of industrialization and growth" 	<ul style="list-style-type: none"> - Overall strategy for industrialization and growth needs to be formulated

6.1.4 The Special Promotion Zones

The Special Promotion Zones (SPZs) of Cambodia are special economic zones (SEZs), which originally meant any specific and clearly delineated area, designated by the authority from time to time, where different economic principles, taxation systems, FDI treatment and/or institutional procedures are applied for the promotion of investment including FDI, foreign trade, especially exports, and inflow of

up-to-date technologies, and consequently aims to increase employment and develop the regional and national economies.

The EPZ generally follows the concept of a widely practiced “Border-type” zone, which utilizes labor forces of the host nation in conjunction with the industrial activities already in operation



in the neighboring nation in an attempt to outsource part of the labor intensive elements. EPZ tends to be a single purpose, border-type zone, and little backward linkage is said to be difficult to come about.

SPZ is a broader concept than an export processing zone including a promotional area for related enterprises to interact with FDI firms, chiefly in FZ. These enterprises will be essential in creating and enhancing the backward linkage from the FDI. The interactions could be provision of contract processing and/or services, as well as logistics. The principal advantage would be that, when it seems to be too difficult or risky to implement such different principles, systems or procedures nationwide at once, they might first be tried in the SPZ. After the workability and effectiveness of such different principles, systems or procedures were confirmed, they would be extended nationwide. In this way, the SPZ would contribute to the country where the government aims to actively encourage, promote, induce and accelerate sound and balanced industrial, economic and social development as a whole.

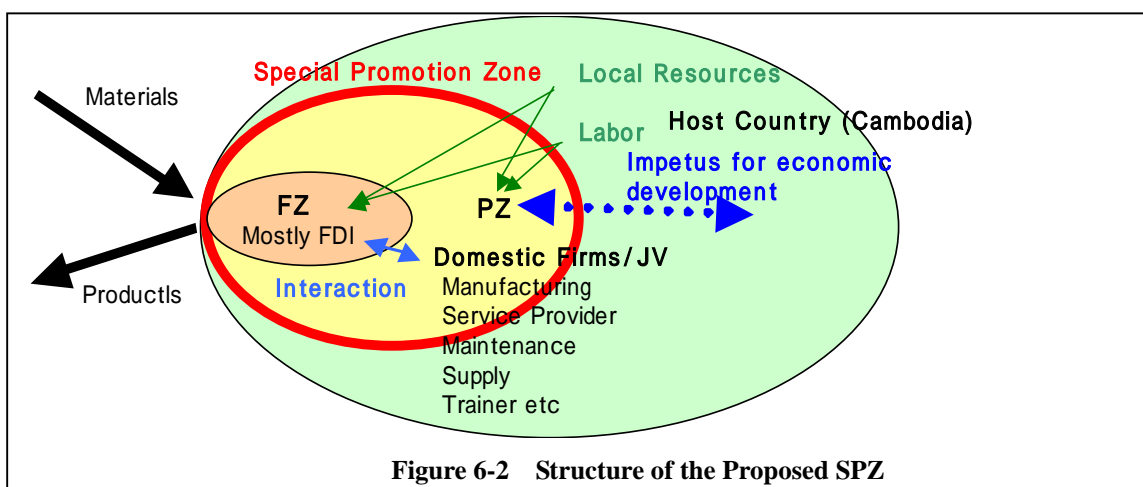


Table 6-3 Comparison of Proposed EPZ and SPZ

Name	EPZ = Export Processing Zone	SPZ = Special Promotion Zone
Purpose	Single Purpose	Mixed Purpose
Activity	Manufacturing	Manufacturing, Services, Trade, Logistics, Tourism, Residential, ETC
Player	FDI – mostly from a neighbor nation	FDI (mostly in FZ) from various nations and domestic and joint-venture SMEs (mostly in PZ) working in collaboration
Overall Framework	Industrial development, limited to the designated estate	Regional development with sustainable and open-end economic growth
Backward linkage	Little, or none	Domestic and joint-ventures in PZ will INTERACT with FDI to facilitate backward linkage
Outcome	Increased export and employment	Broadening of industrial base and sustainable economic growth
Advocate	Neighboring nation (e.g. Thailand)	Host nation (Cambodia)

6.2 THE PRINCIPLES OF SPZ DEVELOPMENT

6.2.1 Principles of SPZ Development

In order to implement the SPZ scheme described above, it is imperative to overcome the current constraints of Cambodia and improve the investment climates for FDI and local private investment. In this regard, some basic principles have to be introduced into the SPZ in Cambodia. They will include the following:

Basic Principles in SPZ Establishment

- Secure transparency both in policy making and operations
- Maintain complete independence in respect of the principles of economic operations, systems, institutions and/or organizations
- Ensure the investors of the accountability
- Provide the investors with access to information required
- Maintain consistency with the existing policy framework

6.2.2 Basic nature of the SPZ in Cambodia

The SPZ in Cambodia shall be developed, as much as possible, into an autonomous, decentralized, self-reliant and self-sustaining zone for industrial, servicing, commercial/trading, agro-industrial, tourist/recreational, financial and investment center. Government intervention will be minimized, in consideration of the lessons learnt from the recent experiences in Asian countries including China. To employ such a concept is extremely important when the current regulations and procedures of the central government are often claimed to be obstacles to freer economic activities and thus weakening the competitiveness of the Cambodian export industries. When other developing countries are hastily moving to

deregulate and make procedures simpler, it is not appropriate for Cambodia to stick with the traditional measures to control private sector business, especially trades. To overcome this vulnerability and ensure the credibility of private sector investors in the SPZ, it has to be decentralized, try to lessen the interference of a central government, realize transparent management and operations, and offer flexible and quick response to the investors' requests.

6.2.3 Location of the SPZ

The location and geographic dispersion of the SPZ shall be identified in Law on the Special Promotion Zones and/or a relevant Sub-Decree. The following location factors have to be considered through a system of prioritization.

- The proposed area must have good accessibility to international gateways, such as a seaport, airport and/or an international border, and to the domestic market
- The proposed area must be identified as a regional growth center in the medium-term development plan authorized by the central government;
- The existence of required infrastructure in the proposed SPZ, such as roads, telephones, port, railways, etc., and the suitability and capacity of the proposed site to absorb such improvements;
- The availability of a water source and electric power supply for use of the SPZ;
- The existence of vacant lands available for industrial and commercial development and future expansion of the separate customs area (Free Zone: FZ) as well as of lands adjacent to the FZ available for development of residential areas for the SPZ workers;
- The availability of skilled, semi-skilled and non-skilled trainable labor force in and around the SPZ;
- The area must have a significant advantage over other areas in the Kingdom of Cambodia and its potential profitability can be proven; and
- The area shall be strategically located.
- The SPZ Authority shall provide the detailed feasibility and engineering studies to document such conformity.

6.3 PLAN OF SIHANOUKVILLE SPZ

6.3.1 Selection of Sihanoukville as the SPZ

The proposed area for the Sihanoukville SPZ will be basically the entire administrative area of the Municipality of Sihanoukville, excluding the two national areas and the designated Forest Management and Water Conservation Area. The spatial delineation of the Sihanoukville SPZ is shown below. An FZ will be

delineated for the area of the proposed pilot project having an area of 41 ha located in the back of the Sihanoukville Port.

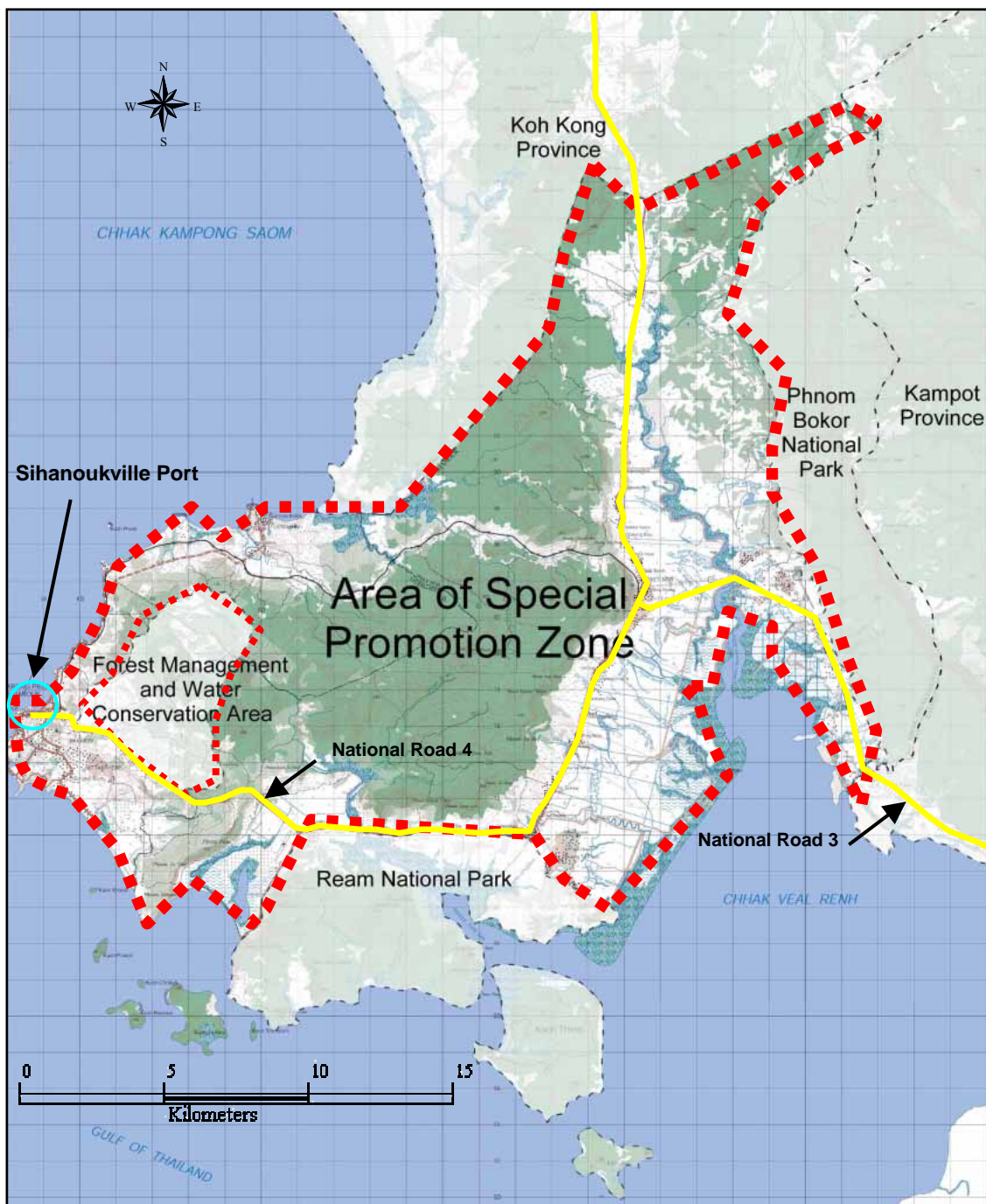


Figure 6-3 Location of the Proposed Sihanoukville SPZ

6.3.2 Concept of Proposed SPZ

The proposed SPZ in Cambodia shall be divided into two components; the Promotion Zone (PZ) as a domestic tariff area, and the Free Zone (FZ) as a separate customs territory.

PZ is designated as a promotional area for industrial, servicing, commercial/trading, agro-industrial, tourist/recreational, real estate and financial developments. PZ has many purposes, to function as a receptor of the spillover effects of the FZ, to support the activities and supply services to the business in FZ and to develop various related industries, especially with domestic capital by taking advantage of the accumulation effect. In order to support this development, a moderate extent of preferential fiscal and non-fiscal privileges will be granted to the authorized investment enterprises within PZ.

FZ is a fenced-in area and shall provide the functions of export processing, free trade and/or free ports. FZ is basically designated as an export-oriented production base but will also be utilized for the processing of high-value materials, which are subject to high duties and taxes. It also houses duty-free wholesalers/retailers, and export-related traders and service providers. The authorized investment enterprises in FZ will be granted even wider preferential fiscal privileges, which include the duty-exempt imports of raw materials, inputs, capital goods and/or commodities. However, movement of these imported goods from FZ to non-FZ area in the country shall be subject to import duties and relevant taxes.

The schematic drawing of the proposed SPZ in Cambodia is shown below, taking Sihanoukville as an example.

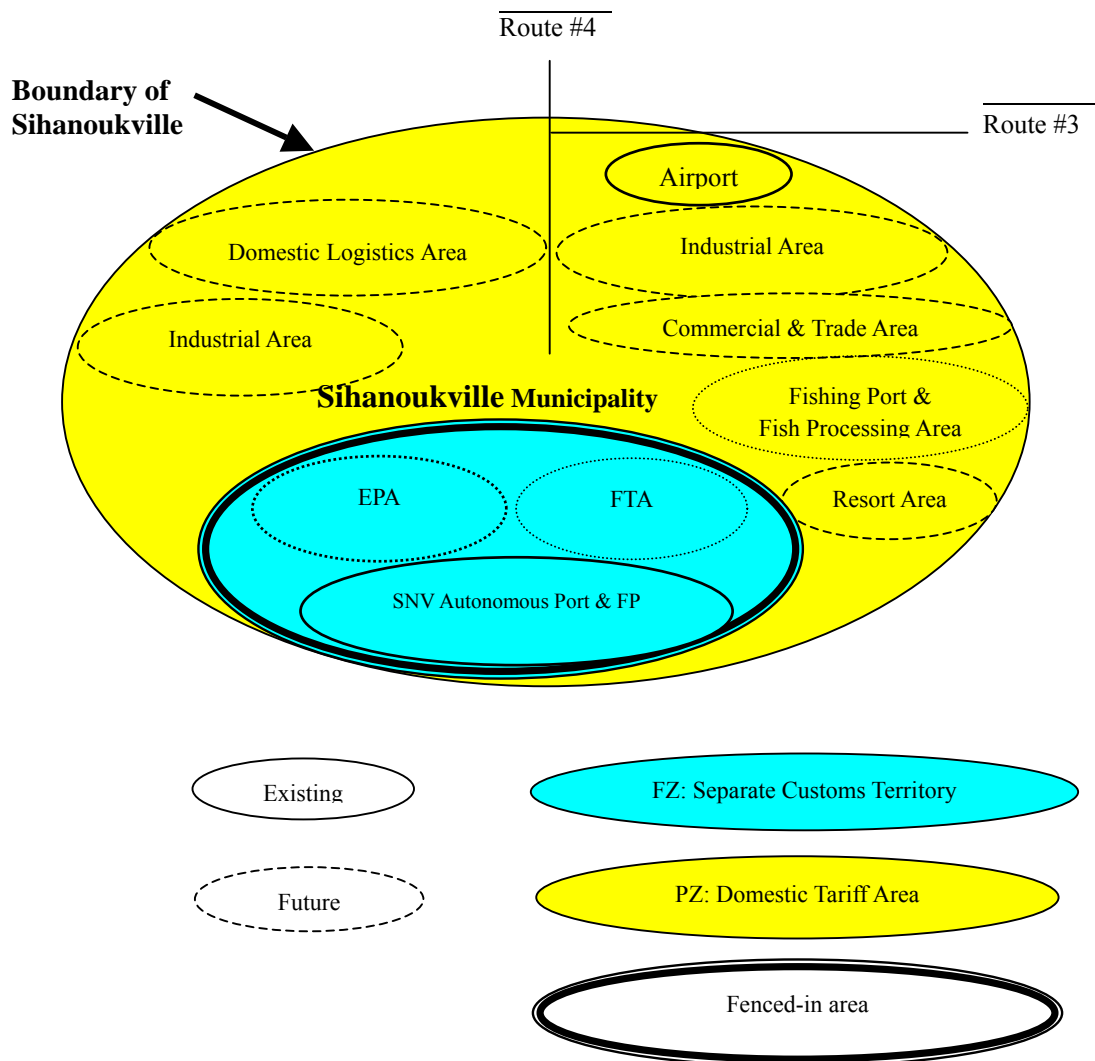


Figure 6-4 Cambodian SPZ (Special Promotion Zones) Scheme

6.3.3 Potential Categories of Enterprises for Sihanoukville SPZ

The SPZ in Sihanoukville will be a strategic zone for Cambodia to diversify export industries and related services and thereby facilitate various economic activities and create new jobs for Cambodian nationals. The emphasis will be given to implanting the categories of industries and services that presently do not exist in Cambodia. Export processing will be an essential function of the SPZ, whilst the SPZ concurrently promotes recapturing of domestic market (import substitution) with products made in Cambodia.

(1) Manufacturing Industries

The criteria and the process of selecting the prospective industrial categories for the SPZ are as follows.

The selection and the criteria of prospective industries for the study area as a whole:

- Industrial Characteristics: Labor intensive, high value added, sensitive to energy costs and light environmental load
- Industrial Policy: Local resource utilization, possibility of recapturing domestic market (import substitution) and relevance to trade promotion facility (GSP, AFTA, etc.)

The selection process employed industrial characteristics and industrial policy as selection criteria. The details of the selection results are shown in the strategy for industrial development in Sub-Section 5.4.2.

The selection and the criteria of prospective industries specifically for Sihanoukville SPZ

- SPZ Concept/ Investment Incentives: basic structure, promotion policy, corporate tax, tax holiday, duty free import and etc.
- Factory Interviews in Thailand: Interview results of industrial associations and private companies

Among various selection criteria, the industrial category of “export-oriented and labor intensive/domestic resource based” are employed for the primary selection of industries as a prerequisite for the proposed SPZ.

After the primary selection, the industrial category of “non-traditional and/or high-value added” is used as the secondary selection criteria of appropriate industries for the Free Zone.

The specific types of industry are indicated as examples for each selected category of prospective industry based on information and data analysis including factory interviews in Thailand.

The selected industrial categories well coincides with the types of industries that showed interest in Sihanoukville SPZ in the questionnaire survey for prospective industries.

Table 6-4 Type of industries/services to be attracted to SPZ¹

Zone Division	Category of prospective industry	Specific types of industry
Free Zone (FZ)	Non-traditional, export oriented and labor intensive industry	Garment/fabrics (High to medium notch), sportswear
		Wooden, stuffed and plastic toys
		Processed Fishery Products
		Electric Appliances/Components
		Machinery components
		Automobile parts and components such as Wire harness/accessories
		Ceramic products – ceramic tiles, roof tiles etc.
		Rubber products – surgical and medical rubber gloves, condoms
	Paper products – packing and cushioning materials, paper containers	
	Others (jewelry, etc)	
	High value-added, recycle oriented and labor intensive industry	Used car/motor cycles and used tire – for reassemble, retreat and recycle
	International Wholesaler	Temporal duty-free storage of goods for transshipment
Promotion Zone (PZ)	Export-oriented (traditional) and labor-intensive type	Garment – outerwear, shirts, pants, infant wear and uniforms
		Footwear – leather shoes and chemical shoes
	Export-oriented, partly import-substitute and domestic resource based industry	Process agricultural products – processed vegetables, fruits and nuts
		Export-oriented, partly import-substitute and labor intensive industry
	Machinery assemble – small pumps, generators and engines	
	Metal processing – galvanized iron sheet, steel cutlery, building materials	

(2) Potential Category of Service Industries for Sihanoukville SPZ

The SPZ in Sihanoukville will also provide an area for logistics and trading to facilitate various services necessary for the economic activities in the SPZ. Broadly, the services provided in the SPZ will be divided into two; the logistics that facilitate smooth flow of goods internationally and domestically; and trading of goods and services. The following table depicts the type of services to be located in the SPZ.

One of the advantages for industrial location in Sihanoukville is lower transportation cost than in Phnom Penh. By locating in Sihanoukville, investors can save a transportation cost of US\$200 per 40ft container. With a favorable institutional arrangement such as tax, the following types of logistics industries are promising in Sihanoukville.

Distribution center for import commodities

Currently a large quantity of consumer goods are exported, transported and supplied primarily to urban dwellers, particularly in Phnom Penh. As a wholesale business, a distribution center in Sihanoukville can bridge the large and heavy cargo (sea side)

¹ The garment industries probably should be, located only in the proposed PZ, if the zero percent duty could be rendered on the raw materials.

to the small and light packaging (land side). Thus, the traders can use lightweight trucks instead of heavy container trucks. In addition, it will enable traders to adjust their inventory easily.

Warehouse Industry.

Many companies own their warehouses in Phnom Penh. However, Sihanoukville is a good location for a warehouse facility because of the proximity to the Port. Modern warehouses are not simply a roof and a yard but require various services. For example, climate-controlled warehouses including refrigeration are promising for both imports and exports.

Suitable for international trade, the warehouses in Sihanoukville can compete against other Asian warehouses adjacent to ports. It is necessary to offer simple procedures and competitive prices for storage.

Provision of temporary storage for adjustment to changing demands may as well be carried out in Sihanoukville with regard to international cargo going to larger demand centers such as Bangkok and Ho Chi Minh City. The international cargo could be stored temporarily in bonded warehouses, and transshipped in accordance with the demand. The price of the storage at Sihanoukville will be the key factor for this function. This function is successfully accommodated in Tianjin China with regard to the cargo bound for Japan.

Table 6-5 Type of services to be attracted to SPZ

Zone Division	Category of prospective services	Specific types services
Free Zone (FZ)	Logistics	Warehouse
		International freight forwarder
		Repacking for bulky materials for re-export
		Light processing, sorting and labeling
		Automobile/machinery recycling
		Others (with high import tax with high value added)
	Service and trade	Converters for garment materials
		Wholesaler
		Retailer
		Trade agents and trader
		Banking/insurance
Promotion Zone (PZ)	Logistics	Warehouse
		International/domestic freight forwarder
		Transportation
	Service and trade	Real estate
		Wholesale
		Trade agent and trader
		Tourism and resort
		Banking/insurance.

6.4 LEGAL BASE FOR THE SPZ

6.4.1 Law as a Legal Base for establishing the SPZ

A new legal base shall be established in line with the aforementioned principles to introduce the SPZ scheme.

The proposed SPZ scheme will need to receive the utmost confidence from private sector investors, both foreign and domestic, regarding its solidity, consistency, stability and sustainability. In addition, the establishment of a separate customs territory in FZ will place a certain restriction on the country's customs system. The proposed SPZ scheme, therefore, shall be adopted based on the broad consensus of the national assembly, which represents the general will of the country. In this context, a Sub-Decree would lack in the ultimate authority as a legal base for such SPZ, because it can be issued by the Prime Minister or the Council of Ministers without even the consensus of the national assembly. Thus, a legal base necessary for the proposed SPZ shall be a new Law. Except for the Constitution, the law has the strongest legal enforcement power in Cambodia. Such a new law may be named the "Law on Special Promotion Zones" (hereinafter referred to as "LSPZ").

6.4.2 Purposes of the LSPZ

A new LSPZ should be enacted for the following purposes:

Objectives of LSPZ

- Clarify the purposes and objectives of the SPZ
- Declare the establishment and nature of the SPZ
- Identify the SPZ zones or areas and/or requirements to be designated as an SPZ
- Define the legal status and functions of the SPZ
- Adopt economic and financial principles for the SPZ
- Establish the governing structures of the SPZ
- Define the operational rules and procedures and provide investment incentives
- Regulate the relevant organizations with respective powers, roles and responsibilities
- Regulate the relationship between national government and other relevant entities.

The LSPZ also aims at offering the following system and facilities among others, to attract foreign and local private investors and activate the economic activities in the SPZ and its hinterland.

Systems and Facilities offered by LSPZ

- Full range of investment incentives including fiscal incentives such as preferential rate of corporate profit tax, tax holidays, special depreciation, etc. and non-fiscal incentives
- A simpler and predictable license provision system
- Smooth, transparent and efficient customs clearance procedures
- A transparent fee and charge system for the services rendered by the SPZ Authority
- Transparent and freer land leasing and use system
- Flexible labor relations and use of foreign labor
- Limited interference from the central government and other governmental agencies
- Economic freedom based on the market economy principle
- Freer transactions in foreign currencies
- An adequate accounting system
- Other systems and facilities necessary for the investors to activate their business activities

The Study Team prepared a sample LSPZ for consideration². The sample LSPZ consists of 55 articles, stipulating the following essential elements of establishing, governing and operating the proposed SPZ.

² See Annex3 of the Main Report for the full text of the sample. In Cambodia, a few proposals have been made in regard to export-oriented industrial estates, such as Draft Law on Export Processing Zone and Draft Law on Industrial Zone. The present proposal is compiled anew in consideration of the previous works and the proposed framework for SPZ proposed in this Study.

Table 6-6 Major Stipulations in the Proposed Sample of SLPZ

Chapter / Article	Contents
CHAPTER I PURPOSES AND OBJECTIVES; ESTABLISHMENT AND NATURE OF SPECIAL PROMOTION ZONES; COORDINATION WITH OTHER SIMILAR SCHEMES	
Article 1	Title
Article 2	Declaration of Policy
Article 3	Purposes, Intents and Objectives
Article 4	Definition of Terms
Article 5	Establishment of SPZ
Article 6	Criteria for the Establishment of Other SPZ
Article 7	SPZ to be a Decentralized Industrial, Servicing, Commercial/ Trading, Agro-Industrial, Tourist/Recreational, Financial and Investment Community
Article 8	FZ to be Operated and Managed as Separate Customs Territory
Article 9	Defense and Security
Article 10	Immigration
CHAPTER II GOVERNING STRUCTURES	
Article 11	The Cambodian Special Promotion Zone Authority (CAPZA)
Article 12	Functions and Powers of the CAPZA Council of Administration
Article 13	General Powers and Functions of the CAPZA Executing Body
Article 14	Powers and Functions of the Director General
Article 15	Administration of Each SPZ
Article 16	Personnel
Article 17	Investigation and Inquiries
Article 18	Prohibition Against Holding Any Other Office
Article 19	Disbursement of Funds
Article 20	Full Disclosure of Financial and Business Interest
CHAPTER III OPERATIONS WITHIN THE SPZ	
Article 21	Development Strategy of the SPZ
Article 22	Survey of Resources
Article 23	Provision of Fiscal Incentives
Article 24	Applicable Fiscal Incentives to the enterprises in FZ
Article 25	Applicable Fiscal Incentives to the enterprises in PZ
Article 26	Domestic Sales
Article 27	Applicability of Banking Laws and Regulation
Article 28	After Tax Profits
Article 29	Eminent Domain
Article 30	Leases of Lands and Buildings
Article 31	Land conversion
Article 32	Transport and Transport Register
Article 33	Protection of Environment
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CHAPTER IV INDUSTRIAL HARMONY IN THE SPZ	
Article 37	Labor and Management Relations
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6.5 IMPLEMENTATION ARRANGEMENT

6.5.1 Proposed Governing Body of the SPZ

As a governing body of the SPZ, an independent, efficient and autonomous organization needs to be established, with a tentative name of the Cambodian Special Promotion Zones Authority (CAPZA). The CAPZA will be an autonomous and independent public corporation, which is to be under the guidance of a high authority of RGC, such as the Council of Ministers³. The CAPZA shall keep its own account and be responsible for its profit and loss. The profit generated from its operation shall be taxable.

The CAPZA will have a Council of Administration (hereinafter referred to as the “Council”) as its policy and decision making organization. The Council will be chaired by a Minister of the Cabinet as a president general director, supported by a director general of the CAPZA as a vice president. The Council will have five other members, totaling seven members of the Council⁴. The other five chairs of the Council members will be taken by the secretaries of state of the MEF, MOC, MIME, a secretary general of the CIB and a representative of investor/business society of the SPZ. Other relevant ministries will dispatch observers and the governor of a province/municipality where an SPZ locates also will have a seat as an observer.

For management of the CAPZA and operation of an SPZ, each will have a CAPZA Executive Office, which will be led by a Director General, who can be a private person, regardless of his/her nationality. The director general will be supported by three deputy directors general in charge of administration, operations and policy and planning.

At the SPZ site, the CAPZA will set up an SPZ Administrative Unit, which will be in charge of day-to-day operations of the SPZ. The Administrative Unit will be managed by an SPZ Administrator and his/her deputy, who will be given advice and assistance by the SPZ Advisory Board. The Advisory Board shall discuss daily routine issues, countermeasures and requests for the CAPZA. It will have a representative of investors, labor unions, local government, the CAPZA and relevant ministries as its members.

An organizational chart of the CAPZA is shown below and the job description of each unit of the CAPZA and the rights and responsibilities of a person in charge are explained in the “Draft Law on the Special Promotion Zones (Cambodia)”, attached at the end of this report.

³ The Study Team is aware that in the course of discussion to sign-off the Draft Law on Industrial Zone, agreement was reached to put the operating body under a department within CDC. This would not be a good place to place such an organization, as the administrative requirements governing the organization would be highly complex. In order for the organization to be autonomous and independent, the counterproposal made in this Study will have to be considered seriously. A bad decision in this context may carry the risk of losing investor confidence, and thus this will be a critical issue in successfully implementing the concept of the SPZ into reality in Cambodia. The final decision will belong to RGC.

⁴ This follows from a stipulation in the KRAM of June 17, 1996, on the General Statute of Public Enterprises/

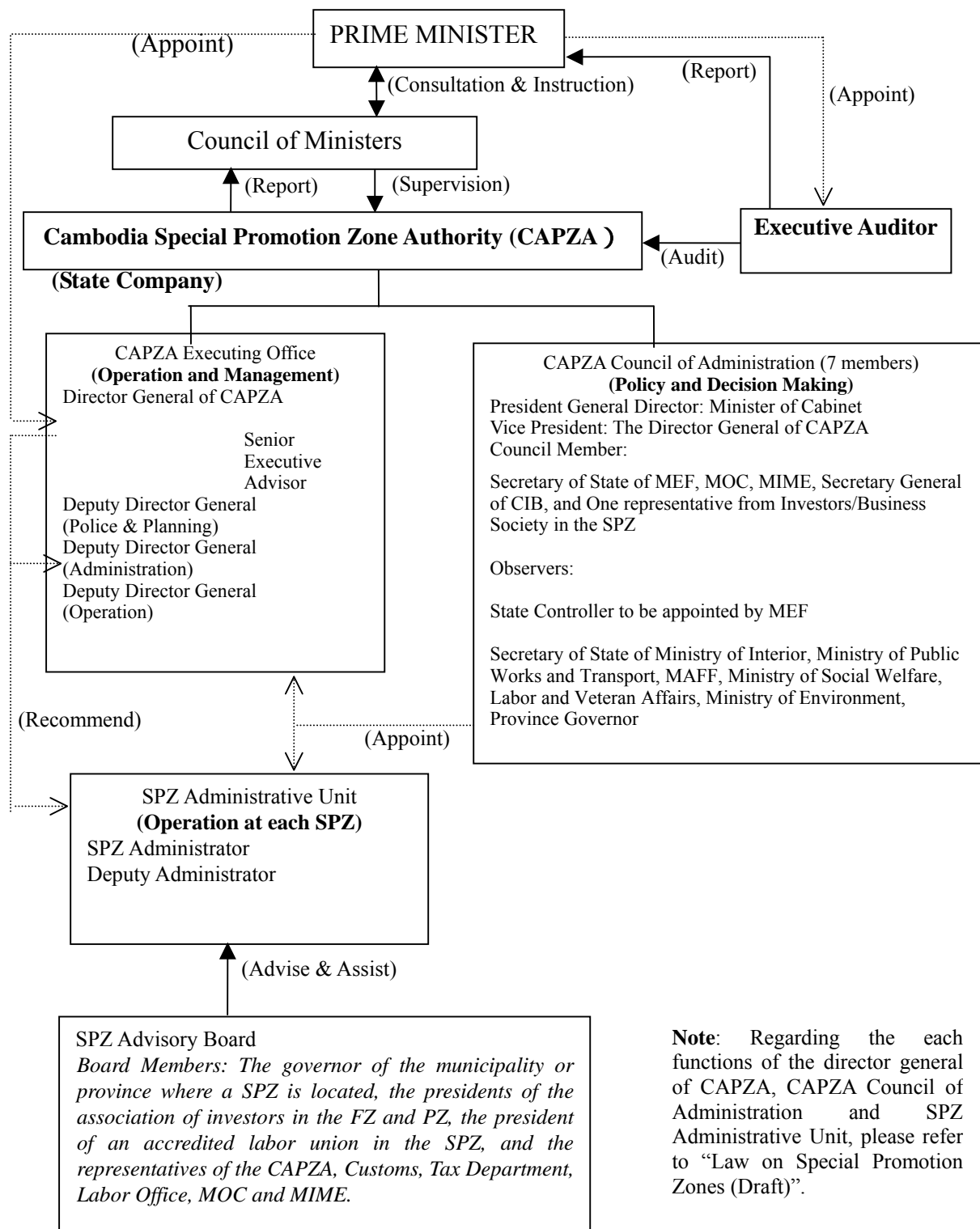


Figure 6-5 Organization of the Cambodia Special Promotion Zones Authority (CAPZA)

6.5.2 Financing Options

There are three possible options for financing of the proposed FZ within the spectrum of public to private initiatives. The public initiative would have the public sector as the ultimate developer of the zone. This would be possible if a soft loan was to be made available and capacity building for the public sector advocate was readily provided. Public-private partnership (PPP) initiative would utilize the private sector firm acting as the developer under contractual arrangement with the public sector. The private initiative would be proceeded primarily by a private sector firm, while the public sector would provide regulatory function only.

Considering the urgency of development, the PPP initiative would be the likely, but not necessarily the only choice of the financing option.

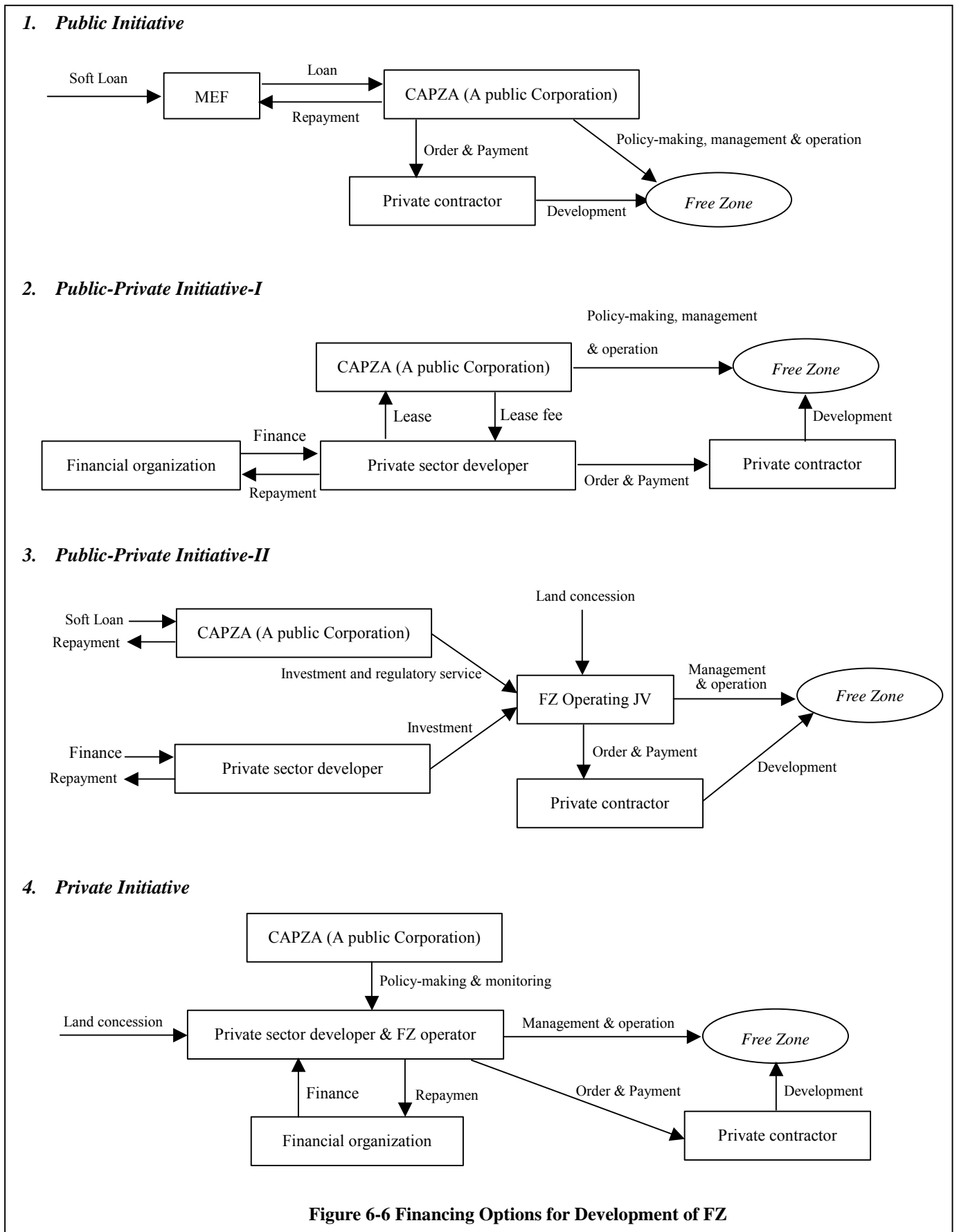


Figure 6-6 Financing Options for Development of FZ

6.6 INSTITUTIONAL FRAMEWORK OF THE CAPZA

6.6.1 Management of the CAPZA

The director general of the CAPZA would preferably be recruited from outside of the current governmental circle, because experience and knowledge in the private sector would be valuable in dealing with predominantly private investors.

For this reason, he/she may be a private person, regardless of nationality, have sufficient experience in a similar field and be fair and serene. He/she is also expected to exert strong leadership to overcome the existing constraints for implementing the new concept of specially promoting economic and industrial activities in the designated zones and establishing a practical and flexible operation to meet the business needs of the investors located therein. To strengthen his/her abilities, he/she shall be allowed to maintain direct contact with the highest authority of RGC to have his opinion regarding the preferential treatment, procedures, management, operation and/or other institutional matters of the zones.

6.6.2 Officials of the CAPZA

Some of the officials of the CAPZA may be transferred or dispatched from the relevant sections of the government or institutions. Upon taking up their positions in the CAPZA, *transferred* officers would cease to be public servants. The *dispatched* officers from customs, the tax office, MOC or other relevant governmental sections as to be specified by Sub-Decree, shall maintain their status as public servants but be expected to observe and follow the rules and regulations set by the CAPZA.

The staff of the operating organization of the SPZ must have required capacity and expertise for operating the SPZ smoothly, gaining the investor confidence and handling issues of various fields proactively and confidently. In this respect, the human resources development for the future staff of CAPZA will be indispensable. Considering that the functions of CAPZA will be diverse and multi-ministerial, capable and willing young administrators from relevant ministries need to be selected, to whom intensive human development training needs to be rendered.

Private persons, including foreign nationals, with appropriate abilities, experience and expertise would also be recruited for various positions, even of a high rank.

Salaries and wages of the CAPZA officers and employees, including transferred officers, shall be determined independently by the CAPZA without referring to the standard pertaining to the public servant salaries. It is recommended that the CAPZA offer generous remuneration to its staff, but stringent compliance to the CAPZA rules and regulations would be required. Failure to observe this principle by the officers and employees may lead to immediate dismissal from their positions.

For those officers dispatched from the relevant ministries or other governmental institutions, a special allowance on top of the regular remuneration as governmental officers shall be payable so as to render a good standard of income. This shall serve to prevent corruption or minimize their asking for unofficial charges or fees.

The CAPZA may also offer additional allowances to its officers and employees, depending on their performances.

6.6.3 The income of the CAPZA

The CAPZA shall expect its income from the charges and fees levied on the various services rendered by the CAPZA to the investors located in the SPZ. The Services rendered by the CAPZA may include: the provision of one-stop shop center regarding the investment approvals, registration of companies, issuance of various licenses and approvals, employee training service and, security service,

The CAPZA may expect income from charging for supply of utilities, waste disposal and treatment services or land and building leasing, where applicable.

Those charges, fees and rents will be determined by the CAPZA and set at a competitive level. They are to be clearly established and disclosed to the public.

6.6.4 Functional Units at the SPZ Site

The CAPZA shall keep its own functional units, which will provide or be delegated an authority to provide legal and institutional services such as licensing, issuing permits or approvals, customs clearance and tax valuation on the basis of transparent and non-negotiable principles.

(1) One-stop Shop Center

The CAPZA will establish the One-Stop Shop Center. All the necessary licenses, permits and/or approvals for the operation and business activities in the SPZ can be obtained through this Center, subject to the payment of service fees. Officers from relevant ministries and agencies shall be dispatched and stationed at the SPZ for facilitating the activities of the One-stop Shop Center.

(2) Customs Clearance Unit

The CAPZA Customs Clearance Unit shall deal with the customs clearance procedures for the cargoes into or out of FZ, in principle through document inspection, by utilizing a computerized system. Such document inspection shall be done solely inside of FZ. The customs clearance unit of the CAPZA, which consists of the customs officers dispatched by the MEF but being under control of the CAPZA, will create a database of the investors (importers and exporters) profiles and apply the post-clearance audit (PCA) system, if necessary. By adopting such a green lanes policy, the CAPZA will be able to secure smoother in- and out-flow of cargoes and products.

For PZ enterprises, the CAPZA customs clearance unit will also be in charge of clearing incoming and outgoing cargoes. In either case, the unit shall try to minimize the physical inspection and assure there is nothing to block the smooth flow of cargoes. When the unit accumulates sufficient profile data on the PZ enterprises, the PCA system may be extended to all PZ enterprises.

Inspection measures shall be determined in accordance with the rules set by the CAPZA and a single customs officer will not be able to deviate from those rules.

(3) Taxation Unit

The CAPZA also maintains its own Taxation Unit, which is responsible for tax valuations, collecting taxes, providing tax refund services and other tax-related services to the investors locating in the SPZ.

By placing the dispatched officers from the Tax Department of the MEF under direct supervision of the CAPZA, more transparent and quicker tax valuations and refunds will be expected. At the same time, by concentrating only on the limited number of SPZ enterprises, more effective, accountable and proper tax collection will be attained.

As described in Chapter 3.10.5 (3), the exporters are not supposed to bear VAT on their imported materials that are to be used in production of export commodities, exporting products and other materials to be purchased from domestic markets. VAT, if paid upon purchasing the domestic products, is to be refunded when the final products containing such domestic products, are exported. In the SPZ, such VAT amount, levied upon purchasing the domestic products, shall be kept in the books and actual payment will not be involved. When the final products are exported, the corresponding VAT amount is erased from the VAT record book. A computerized customs clearance shall be installed for this purpose as well.

(4) Labor Relations Unit

The CAPZA will also establish a Labor Relations and Employment Office (hereinafter referred to as “Labor Office”) and appoint its own Labor Inspectors under agreement with the Ministry of Labor.

The Labor Office will prepare a Master Employment Contract, which will be used for all the staff and workers in the SPZ. It will be written in Khmer language and contain all the requirements provided under the Law on Labor and LSPZ and other relevant regulations issued by the national government. A Master Employment Contract shall be made in a format with which detailed terms and conditions of employment of specific staff members or workers can be clearly described.

The Labor Office shall arrange and provide explanatory seminars on the contents and interpretation of the employment contract to all the new staff and workers so that the unnecessary disputes between employers and employees due to misunderstanding or

ignorance would be minimized and illegal strikes could be avoided. Employers' diligent adherence to such a master employment contract and actual working conditions will be inspected periodically by the CAPZA Labor Inspector.

The Labor Office will also act as a placement office where job seekers can register their careers and intentions and employers can look for the candidates for employment. For this purpose, The Labor Office may keep a file of prospective staffs and workers who will be selected through screening placed according to the rules and regulations set by the CAPZA. The Labor Office may charge the employer when they conclude employment contracts with such registered job seekers, while to charge and collect any fees from the staff or workers is prohibited. The employers are allowed to freely hire any person from anywhere.

For the purpose of human resource development, the Labor Office will arrange and provide skill development workshops or other job-training seminars for the staff and workers in the SPZ. When employers bear the attendance fees, the Labor Office shall issue a certified receipt of such attendance fees and, by presenting it to the Taxation Unit, employers are allowed to deduct a half of such fees from the tax on profit.

It also acts as a conciliation and mediation center for labor-related issues and/or disputes. Upon occurrence of a dispute relating to the labor relations between employers and employees, the Labor Office shall act immediately to conciliate and mediate. On this token, the Labor Office shall keep close contact with the tripartite conciliation body, which consists of representatives of the Ministry of Labor, investors and laborers and is set up as an attachment to the CAPZA Executive Office.

(5) SME Promotion Unit

A financing scheme, which specifically aims at promoting SMEs and called a SME financing scheme, may be arranged and provided by the CAPZ to the SPZ-registered SMEs. SMEs will be able to borrow a small to medium amount of funds for purchasing or as an operating capital, either directly from the CAPZA or through arrangement with commercial banks. In the latter case, a credit guarantee will be provided by the CAPZA, together with the central government's guarantee, to the commercial banks to facilitate such lending. As the source funds for the direct finance of the CAPZA, a two-step-loan (TSL) may be arranged by the central government. In order to realize such an SME financing scheme, the CAPZA Executive Office will discuss and coordinate with the MEF.

The SME Promotion Unit, upon introduction of such an SME financing scheme into the SPZ, will locate prospective borrowers and aid them with a training program on proper accounting and effective management. Only qualified SMEs in such a training program will be entitled to use the SME financing scheme.

(6) Telecommunication Unit

The Telecommunication Unit shall be responsible for examining and promoting an appropriate IT environment in the SPZ. A broadband compatible facility has to be introduced at an earliest possible occasion. It shall provide telecommunication services at internationally competitive prices.

(7) Security and Fire-fighting Unit

The CAPZA will establish its own security forces and fire-fighting units so that, unless so requested by the CAPZA, general police or boarder police will not be allowed to interfere in the normal operation of the investors.

(8) Infrastructure Unit

The Unit shall formulate plans for supplying adequate and sufficient infrastructures to the SPZ at internationally competitive prices and maintain and operate the necessary facilities.

(9) Overall arrangement of functional units on the SPZ site

In the initial stage of, SPZ development, the staff of the CAPZA Headquarters may, at the same time, also serve as staff of functional units on the SPZ having the same responsibilities and being in similar positions. The staff of the functional units on the SPZ site will gradually be appointed as full-time staff according to the degree of development of the SPZ.

6.6.5 Related Reform in Procedures and Taxation Schemes**(1) Inspection**

In case that physical inspection is carried out for customs, taxation, labor or other purposes, the CAPZA will oversee and ensure that the normal operations of the investors is disturbed as little as possible. For this, the CAPZA will form a team of inspectors from all the involved authorities, to complete the physical inspection at one time. Any physical inspection can be carried out subject to the prior approval of the CAPZA management.

Inspection on the export products, which will be made at the factories of the SPZ enterprises, will be carried out by a group of relevant officers once only and the container will then be sealed. In such a manner, the inspection will be finalized before shipment.

(2) Taxation scheme

1) Taxation on capital gain generated from the scale of lands in the SPZ

Although no capital gain taxation exists in Cambodia at this moment, it is recommendable to introduce it limited only to the SPZ. Upon implementation of the SPZ scheme, it can be expected that speculation money may flow into the SPZ area consequently raising the price of lands to an extent that the advantage of the proposed fiscal incentives might be eroded and dissipated.

The applicable tax rates may vary according to the period of ownership of the lands. The proposed rates are:

- 50% for the ownership of 5 years or less
- 25% for the ownership of 6 to 10 years or less
- 10% for the ownership of more than 10 years

2) Import duty on the materials for garments and footwear

The amount of import duty collected from the textiles has only been around half a million dollars per year. At the same time, garment manufacturers have long been complaining that the bureaucratic procedure for importation of the garment material exempt of duty was too complicated, time-consuming and costly. If the consequence of such regulations and procedures is a mere half a million dollars per year, the benefit accruing from the procedure would have been exceeded by the incurred loss of foregone business and discouragement on further investment in Cambodia.

For rationalizing the procedural cost both on the importers and government side and improving the competitiveness of the garment industry, the application of 0% import tax rate for garment and footwear materials and auxiliaries is recommendable.

In this way, the garment and footwear manufacturers could freely import any kind of materials at any time they need, so that they could meet the customers' requests more flexibly and in a shorter time. It would inevitably lead to the strengthening of the competitiveness of the country's garment and footwear industries as the ability to respond to the requirements for shorter period shipment will be especially improved, which many buyers think vital nowadays. If they could meet such requirements, they would be able to expand into the higher priced product range with higher value added. As a result, the country would be able to attract even more garment and footwear manufactures and, therefore, the industry's competitiveness would be strengthened and thereby overcome the post 2004 issue.

6.6.6 Fiscal Incentives to be granted for the SPZ Enterprises

The tables below present the proposed fiscal incentive scheme, which would be granted to the SPZ enterprises.

As the enterprises to locate in PZ may also be expected to come from the garment and footwear industries by utilizing the application of the proposed 0% rate of import duty on their materials, the simplified procedures on licensing and inspections to be provided within the SPZ and the advantageous location for import/export, the extensive incentives shall be granted to these enterprises in FZ as well.

Special depreciation will be an effective measure to provide for attracting the capital-intensive industries, which Cambodia is in need of so as to facilitate technology improvement. In parallel, in order to accelerate capital accumulation and promote even more investment, the corporate tax on reinvested profit is recommended for exemption.

Human resource development has to be encouraged in the SPZ for realizing technology transfer and replacing foreign personnel from the earlier stage with Cambodian counterparts. For this purpose, a tax free training allowance is proposed for the SPZ enterprises.

The whole idea of the proposed fiscal incentives will be that the SPZ shall aim at facilitating and promoting private investment as much as possible by offering a free business environment and the cheapest cost possible in the first place. With this, the SPZ may be able to assure the accumulation of various industries and improve their competitiveness. If more enterprises come to Cambodia because of these measures, the taxation base of the SPZ would broaden sizably. The previously foregone revenue shall be brought in by the proposed incentives. Further pay offs will come in the form of an activated domestic economy in the medium to long range period in the SPZ.

Table 6-7 Proposed Fiscal Incentive Schemes in SPZ

Description of Fiscal Incentives	FZ (Free Zone)	PZ (Promotion Zone)	2002 Draft Amendment Law on Investment
Corporate Tax	10% for 3 years after the tax holiday; 20% thereafter (5% for FZ developers)	15% for 3 years after the tax holiday; 20% thereafter	20%
Tax Holiday	Trigger period* + 3 years Priority Period **	Trigger period* + 3 years + Priority Period **	Trigger period* + 3 years + Priority Period **
Special Depreciation	40% in the first year operation on production equipment	40% in the first year operation on production equipment	40% in the first year operation (In case of using the entitlement of tax holiday, a QIP shall no be entitled to claim any special depreciation.)
Corporate Tax on Reinvestment of profits	Not applicable	Not applicable	No description (Applicable as proposed in the Draft of Amendment Law on Taxation)
Corporate Tax on Distribution of dividends and profits	Applicable	Applicable	No description (Applicable as proposed in the Draft of Amendment Law on Taxation)
Export Tax	Exempt	Exempt	Exempt
Duty free import	Production equipment, construction materials and production input materials	Production equipment and construction materials	Export QIP and Supporting QIP: Production equipment, construction materials and production input materials Domestic-oriented QIP: Production equipment and construction materials
Minimum Tax	Not applicable	Not applicable	Not applicable
Pre-payment of Tax on Profit	Not applicable during tax holiday period	Not applicable during tax holiday period	Not applicable during tax holiday period
Loss carry- forward	5 years	5 years	No description (5 years as stipulated in Law on Tax)
Withholding tax on salary for expatriates	10%	10%	No description (20% as stipulated in Law on Taxation)
Tax on house and land rent	Not applicable	5%	No description (10% as stipulated in Law on Taxation)
Value Added Tax	Exempt direct exports & indirect exports #	Exempt direct exports & indirect exports ##	No description (10% as stipulated in Law on Taxation)

* Trigger period: 1st year of profit or 3 years after earning first revenue, whichever is sooner

** Priority Period : Priority Period : Determined by Financial Management Law

Exempt for exporting products, imported materials to be used in the production of export commodities and other materials to be purchased from domestic markets, which are deemed as imported materials, transactions within FZ

For indirect exports, VAT amount payable shall be kept in books and actual payment will not be involved. When the final products are exported, the corresponding VAT amount is erased from the VAT record book.)

6.7 COHERENT POLICIES SUPPORTING THE DEVELOPMENT IN SPZ

6.7.1 Human Resources Development in SPZ

One of the potential gains expected from the SPZ is human resources development. However, experience in Cambodia shows that employment opportunities available will be mostly for unskilled work (Section 3.6, Table 3-9 Labor Force Created by Newly Approved Investment) at least at the outset.

Some of those absorbed in the SPZ jobs will be from rural areas. They might have been surplus agricultural workers. Those people are supposed to learn industrial work discipline, which is completely different from agriculture. This is the beginning of human resources development initiative in many countries in their early stages of industrialization.

Unskilled work itself does not contribute to the human resources development of the country. It is thus necessary to assist the employees' career development, which may lead to the establishment of Cambodian-owned enterprises.

(1) Support for Workers' Continued Study

Most workers currently available in Sihanoukville have completed merely six (6) years of education. In addition to encouraging enrollment to lower secondary schools, support for those workers already working is required. One such measure is to dispatch teachers to the workplaces so that those primary school graduates receive lower secondary level education. Arrangement with FDI enterprises should be made to bear expenses for sending teachers to the factories. The government should provide accreditation to those skilled workers with "lower secondary level education completed" and "upper secondary level education completed" even though they have not attended formal schooling. With this accreditation, the workers will have a better opportunity for promotion and wage increases. The workers' increased motivation can be expected from these measures. Arrangement should also be made that more skilled workers and technicians attend university level education while working. Through these continuing education arrangements, some of the Cambodian employees will spin out and start their own businesses. They may constitute the basis of Cambodian enterprises.

(2) Public-Private Coordination in Workers' Training – Demand-Driven Training

In Sihanoukville, there are two NGO managed Vocational Training Schools. One is the JVC Transportation School and the other is the Don Bosco School. They provide training programs of more than 12 months. There is a public run Sihanoukville Municipality Vocational Training Center. The Municipality Vocational Training Center seems to be under utilized. Specific skills

short-duration training tailored to the needs of the enterprises can be designed in the Center.

It is difficult for a single FDI enterprise to establishing a training facility because of the financial burden for workshops, equipment and materials. It would be useful to design a multi-purpose training facility within Sihanoukville SPZ. Enterprises in the SPZ can utilize the basic facility available at the training area within the zone. Employers' direct participation in training provision is useful as demand-driven skills training.

6.7.2 Mitigation of Negative Social Impacts

As the SPZ will facilitate a model of preferred development in Cambodia, attention needs to be paid to the readily considered processes of development as well as providing lawful practices during its operation. Any possible negative impacts that may accrue from the SPZ in construction and operation phases will be mitigated through various measures.

Involuntary resettlement should be avoided where feasible. If, after exploring all options, it is not avoidable, measures to minimize the negative impacts posed and compensate losses incurred to the people affected should be taken and provided, upon agreement from the people. The implementation of necessary resettlement rests on RGC where the relevant policy, laws and regulations must be observed.

On this token, the CAPZA should support the existing official mechanisms at different levels of resettlement, such as the commission/working groups regarding the resettlement, by way of participating and monitoring the procedure and providing necessary cooperation and advise.

For the development of the SPZ, and in particular of the FZ, attention needs to be paid to the following:

- Sufficient and timely provision of compensation and support from the project proponents to the people affected to restore the lost or hindered means of livelihood to pre-project levels
- Sufficient information provision to and consultation with the people affected about the resettlement and compensation options
- Promotion of participation of the people affected in the resettlement plans and the compensation
- The absence of an official land title by some affected groups should not be a bar to compensation

6.7.3 Environmental Protection

To prevent or minimize negative impact on environment/natural resources and facilitate sustainable development in the SPZ, compliance with the Law on

Environmental Protection and Natural Resource Management and relevant and applicable Sub-Decrees and standards is the basic principal.

Environmental reviews of the project in the SPZ should be undertaken in its planning stage based on the EIA and other relevant reports prepared by the project proponents to confirm that the project complies with environmental laws and standards, and to assess and examine environmental impacts accruing from the project. Any expected negative impacts should be avoided by taking all possible measures, and when this is not accomplished, minimization or mitigation measures or alternative plans, including compensation measures, should be considered. If as a result of environmental review the project is judged to not be ensuring appropriate environmental considerations the implementation of the project should not be permitted.

Consultation with all stakeholders, including local residents and NGOs should be implemented in the environmental review process to discuss appropriate measures for environment/natural resource conservation and to ensure transparent and accountable review processes.

After its implementation, the project should be monitored to ensure compliance with the environmental laws and regulations, and to secure constant and effective fulfillment of environmental protection measures and law compliance. To implement effective and trustworthy monitoring, legitimate monitoring/control systems entirely covering the SPZ should be established as well as special unit for effective enforcement of environmental laws and regulations within the jurisdiction of the MOE.

When, as a result of the monitoring, it is concluded that relevant laws/regulations are not being complied with or environment protection measures are not fully undertaken, the project proponent should be required to take appropriate action to improve the situation. If the action or response of the project proponent is inappropriate, the project should be suspended.

Special attention should be paid to the natural rich characteristic of Sihanoukville. To conserve the rich and valuable natural resources, environmental standards and/or good practices regarding environmental conservation as established by international organizations and developed countries might be applied according to circumstances, especially if the project is expected to impose significant negative impacts on the protected areas. In addition, strict control and management systems for natural resource exploitation should be established.

6.7.4 Urban Development Planning for Sustainable Development

For a balanced and sustainable development of the SPZ, an urban master plan will be devised following the relevant and applicable laws and regulations of RGC, particularly the Law on Land Use Planning, Urbanization and Construction.

The plan will facilitate a clear spatial vision of the SPZ in Sihanoukville, together with necessary regulatory measures to control and realize the vision in a sustainable and implementable manner.

The formulation and implementation of an urban master plan shall be advocated to serve as a model urban development management instrument. International donors including JICA are encouraged to support this initiative for the sustainable development of Sihanoukville Municipality, particularly the urban area thereof.

Focuses of the proposed urban development plan will be the following;

- Formulation of the Urban Master Plan for Sihanoukville
 - ✓ Planning framework; Establishing planning parameters such as population, employment, tourism, industry etc.
 - ✓ Development Master Plan including population projections for sub-districts; planning of urban structure; population distribution; transportation network plan; infrastructure planning for water, power sewerage and telecommunication; environmental management; and recreational area planning
 - ✓ Land Use Plan with a zoning plan with residential, commercial, industrial, recreational, public, defense and other relevant categories;
- Establishment of the relevant regulatory criteria; and an enforcement plan
- Technology transfer and capacity building of counterparts in urban planning
- Submittal of the Urban Master Plan to the National Committee for approval