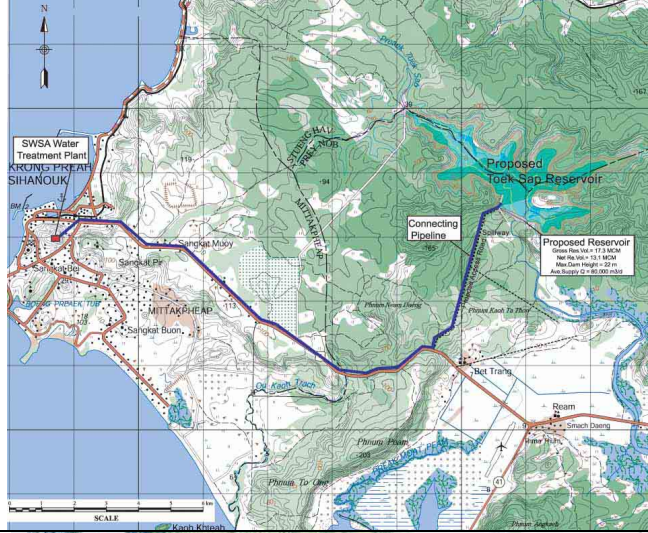



## K. Water Resources

K-4

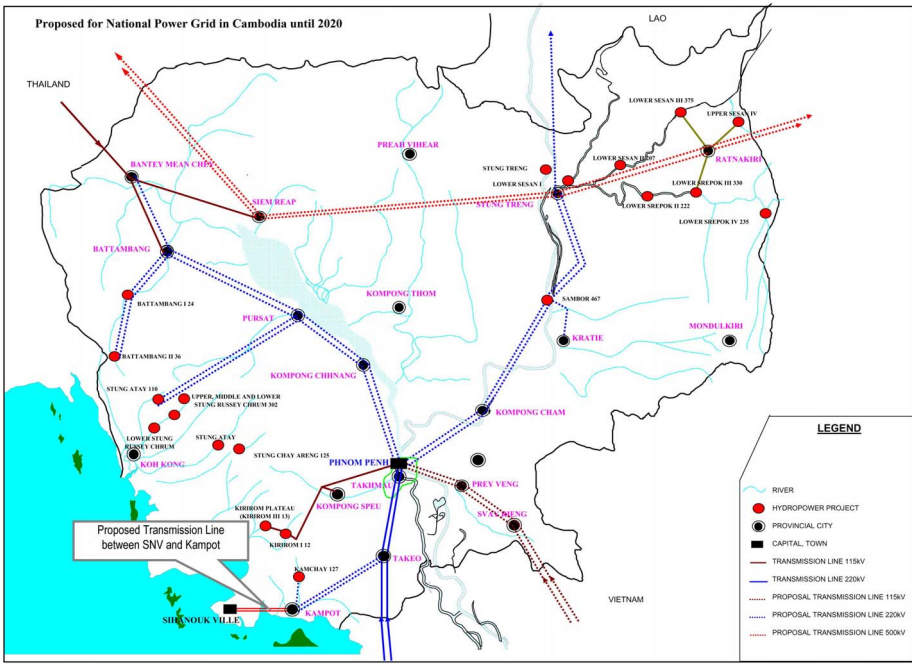
<b>Project Name</b>	<b>Improvement of Urban Water Supply in Sihanoukville</b>			
<b>Backgrounds</b>	<p>Water resources potential in the Sihanoukville City is very limited. The river flow is almost dried up in the dry season, while the groundwater potential is not high in the Sihanoukville province. Water sources are not sufficient to supply water for a large demand without water an impounding reservoir in this area.</p> <p>At present in 2002, the plant capacity of the water supply system in Sihanoukville by SWSA is only 3,000 m<sup>3</sup>/day and the service ratio is reported at only 13% (1,400 households) of the population in the service area. The expansion project (funded by World Bank) is on going to extend to the capacity of 6,000 m<sup>3</sup>/day (max. 8,000 m<sup>3</sup>/d) (service ratio of 50% for 4,000 households) by increasing capacity of existing reservoir and additional 3 wells. As the future water demand in the Sihanoukville City at 2020 level is projected at 86,000 m<sup>3</sup>/day in this Study, there will be a substantial deficit of 80,000 m<sup>3</sup>/day in the water supply capacity in this city.</p> <p>Several potential alternative long-term sources of water supply to Sihanoukville were investigated by pre-F/S (1999). These investigations confirmed that the upper reaches of the Prek Toek Sap River is the only resource within close (and acceptable) proximity to Sihanoukville able to sustain the estimated long-term dry season yield. Proposed free zone (FZ) and industrial areas (IA) will need the water of more than 20,000 m<sup>3</sup>/day in average. These industrial zones will largely help to development of this country.</p>			
<b>Project Purposes</b>	<p>1) To increase plant capacity and increase water supply service ratio for four Sihanoukville,</p> <p>2) To improve the operation and maintenance of water supply system,</p>			
<b>Target Year (Project Period)</b>	<p>F/S: 2003-2004 D/D: 2005-2006 Construction : 2007-2009 (construction of Toek Sap Reservoir and expansion of water treatment and distribution facilities) Target Year of Water Demand and Supply : 2020</p>			
<b>Beneficiaries (Target Group, Target Area)</b>	Residents, commercial, industrial and tourism water users in Sihanoukville City (Total beneficiaries of residents in 2020 = around 133,000 people)			
<b>Activities</b>	<p>1) Feasibility Study 2) Detailed Design 3) Preparation of tender document and tendering 4) Construction</p>			
<b>Executing Organization</b>	Ministry of Industry, Mines and Energy (MIME), and Sihanoukville Water Supply Authority (SWSA)			
<b>Outputs(Results)</b>	<p>Water supply capacity and service ratio will be increased as follows: Average Supply Capacity: 6,000 -&gt; 86,000 m<sup>3</sup>/d, Service Ratio:14% -&gt; 95%</p>			
<b>Inputs (Project Cost)</b>	F/S	: US\$	1.5	million (incl. topo. & geo. survey, land mine clear)
	B/D, D/D	: US\$	1.5	million (incl. dam & supply system, tender doc.)
	Construction	: US\$	25.0	million (dam, spillway, foundation, access road)
		US\$	3.5	million (connecting pipeline)
		US\$	1.5	million (treatment plant)
		US\$	7.0	million (distribution pipelines)
	Total	: US\$	40.0	million
<b>Finance</b>	Technical assistance & Loan			

<b>Implementation Schedule</b>	<b>Activity</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>																	
	Feasibility Study	=====	=====																		
	Detailed Design			==== to 2006																	
	Tendering			(to be 2006)																	
	Construction			(2007-2009)																	
<b>Evaluation Results (Including Results of IEE)</b>	<p>Benefit of this project will be huge for water users of residents, commercial, industrial and tourism, because of no other choice of water source in this area. Proposed industrial zones will help to development of this country.</p> <p>IEE: The construction of proposed reservoir at Toek Sap River in Sihanoukville will provide mainly positive impact such as decreasing of flood and stabilization of river flow. Some negative impacts are anticipated on the surrounding environment. Degrees of impacts on some of environmental items are not clear at this stage. Therefore, EIA needs to be conducted</p>																				
<b>SW of EIA ( if necessary), mitigation for Impacts</b>	<p>EIA needs to be conducted on following items.</p> <table border="1"> <thead> <tr> <th>Phase</th> <th>Category</th> <th>Items</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Construction Phase</td> <td rowspan="2">Social Environment</td> <td>Resettlement</td> </tr> <tr> <td>Water Rights and Rights of Common</td> </tr> <tr> <td rowspan="2">Natural Environment</td> <td>Topography &amp; Geology</td> </tr> <tr> <td>Hydrological Situation</td> </tr> <tr> <td rowspan="2">After Operation</td> <td rowspan="2">Natural Environment</td> <td>Fauna and Flora</td> </tr> <tr> <td>Hydrological Situation</td> </tr> <tr> <td></td> <td></td> <td>Fauna and Flora</td> </tr> </tbody> </table>				Phase	Category	Items	Construction Phase	Social Environment	Resettlement	Water Rights and Rights of Common	Natural Environment	Topography & Geology	Hydrological Situation	After Operation	Natural Environment	Fauna and Flora	Hydrological Situation			Fauna and Flora
Phase	Category	Items																			
Construction Phase	Social Environment	Resettlement																			
		Water Rights and Rights of Common																			
	Natural Environment	Topography & Geology																			
		Hydrological Situation																			
After Operation	Natural Environment	Fauna and Flora																			
		Hydrological Situation																			
		Fauna and Flora																			
<b>Location Map</b>				<p>Location Map of Proposed Reservoir and Connecting Pipeline</p>																	
<b>Project Image Photo etc.</b>				<p>Kbal Chay Waterfall at Toek Sap River in Sihanouk-ville</p> <p>(Proposed water source for water supply in Sihanouk-ville City. The reservoir will be constructed at around 6 km downstream of this waterfall.)</p>																	

## L. Electricity

**L-5**

<b>Project Name</b>	F/S of Transmission line between Kampot and Sihanoukville
<b>Backgrounds</b>	<p>The electricity supply in SNV is managed by EDC through their isolated distribution network. To solve the power shortage in this region and the whole country, MIME and EDC projects to establish the interconnecting transmission line with Vietnam with the financial assistance of WB, ADB and others, and to extend its branch line from Takeo to Kampot with assistance of Gov. of Germany.</p> <p>At the same time, MIME and EDC plans a gas combined cycle generation in SNV contingent on the natural gas resource in Siam Bay. To feed the power from this power plant, the transmission line from SNV to Kampot has to be set up, up to the commencement of this generation. In addition, even if the natural gas is not available and generation is not commenced, the transmission line is necessary to receive the power from the national grid, against the growing power demand in the region. Therefore, regardless of the availability of gas combined cycle power generation, the transmission line between SNV and Kampot will necessarily be very important for securing the stable electricity.</p> <p>The Grid Substation in Sihanoukville must be a main power source covering whole Sihanoukville in future.</p>
<b>Project Purposes</b>	<ol style="list-style-type: none"> <li>1) Construction of transmission line between Kampot and SNV.</li> <li>2) Establishment of Grid Substation at SNV and extension feeder bays at Grid Substation at Kampot.</li> <li>3) Establishment of sub-transmission or distribution network in SNV area</li> </ol>
<b>Target Year (Project Period)</b>	<p>2004-05: Feasibility Study (It should be done, based on the result of exploratory drilling of natural gas.)</p> <p>2006-08: D/D &amp; Construction</p>
<b>Beneficiaries (Target Group, Target Area)</b>	<p>The benefit from the implementation of project is :</p> <ol style="list-style-type: none"> <li>1) Promotion of industrialization in the region with the stable power supply</li> </ol> <p>Electrification at some towns/villages by the new distribution networks Reduction of the electricity tariff Improvement of the quality of life by electrification Target area: SNV City and Kampot Province</p>
<b>Activities</b>	<ol style="list-style-type: none"> <li>1) Feasibility study of the transmission line between SNV and Kampot Design on the transmission route, specifications of transmission line and towers, sub-transmission network in SNV, social and environmental evaluation, economic and financial analysis, etc.</li> <li>2) Construction works (continuously to the F/S) of: <ul style="list-style-type: none"> <li>-Transmission line between SNV-Kampot</li> <li>-Grid substations in SNV and Kampot(extension)</li> <li>-Sub-transmission facilities for distribution in SNV</li> </ul> </li> </ol>
<b>Executing Organization</b>	Ministry of Industry, Mine and Energy (MIME), and Electricite du Cabodge (EDC)
<b>Outputs(Results)</b>	Feeding the power (180MW) from the gas combined cycle to the national power grid, or Receiving the power at SNV, fed from national power grid.
<b>Inputs (Project Cost)</b>	<p>F/S: 700,000 US\$</p> <p>Construction: 25,000,000 US\$ (If C/C generation is available.) 12,000,000 US\$ (If C/C generation is not available.)</p>

<b>Finance</b>	F/S:Technical assistance, Construction: Soft loan or grant			
<b>Implementation Schedule</b>	<b>Activity</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
	Route Survey		=====	
	Demand Forecast		=====	
	Design of Transmission Lines		=====	=====
	Design of Substation			=====
	System Analysis			=====
	Design of telecommunication			=====
	Financial and Economic Analysis			=====
Environmental Evaluation			=====	
<b>Evaluation (Including Results of IEE)</b>	The construction of Transmission Line between Sihanoukville and Kampot will provide mainly positive impact. Some negative impacts are also anticipated, but most of the negative impacts may be avoided or mitigated if the environmental mitigation measures.			
<b>SW of EIA ( if necessary), mitigation for Impacts</b>	Environmental Impact Assessment (EIA) needs to be conducted to study the possibility of resettlement and the impact of high voltage cables on public.			
<b>Location Map</b>	Refer to the attached drawing, “Proposed National Power Grid in Cambodia until 2020”			
<b>Project Image Photo etc.</b>				

**M. Telecommunications**

**M-1**

<b>Project Name</b>	<b>Nourishment of Qualified IT Related Human Resources (1000 IT Engineer Project)</b>			
<b>Backgrounds</b>	Although the IT experts and engineers are graduating from the IT faculties of Royal Phnom Penh University and Cambodia Technology of Institute, their IT capability is unspecialized and uncertified. The nourishment of IT experts and engineers, who have a certain standard of technology qualified by formal certification, is necessary.			
<b>Project Purposes</b>	Nourishment of qualified IT experts and engineers, who have a certain standard of technology, to cope with the increasing IT specialist demand from the private and government sector.			
<b>Target Year (Project Period)</b>	Short and medium term (2008)			
<b>Beneficiaries (Target Group, Target Area)</b>	IT engineers and experts/ IT industries			
<b>Activities</b>	Introduction of IT technology qualifying examination through Scheme of the Asia Common IT Skill Standard/ Practical Training Education/Training material development by Khmer Language			
<b>Executing Organization</b>	MOC, The National Information Communications Technology Development Authority (NiDA)			
<b>Outputs(Results)</b>	Increase of number of qualified IT engineers and experts (1000 Engineer /5year) Upgrade of the integrated IT technology of Cambodia Acceleration of the IT development in the governmental service Benefit to the IT development in the private sector			
<b>Inputs (Project Cost)</b>	US\$1million (3 Years)			
<b>Finance</b>	Grant Aid			
<b>Implementation Schedule</b>	<b>Activity</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
	Arrangement of Organs	■		
	Training Facilities (C/S system)	■		
	Instructors' Training		■	■
	Fundamental Engineers Train.	■	■	■
	Software Developers' Train.		■	■
	Application Engineers' Train.			■
	Cambodian Skill Standards		■	
	FE Examination		○	○
On the Job Training (Abroad)			■	
<b>Evaluation (Including Results of IEE)</b>	Un-necessary			
<b>SW of EIA (if necessary), Mitigation for Impacts</b>				
<b>Location Map</b>	Phnom Penh			
<b>Project Image Photo etc.</b>				

**M. Telecommunications**

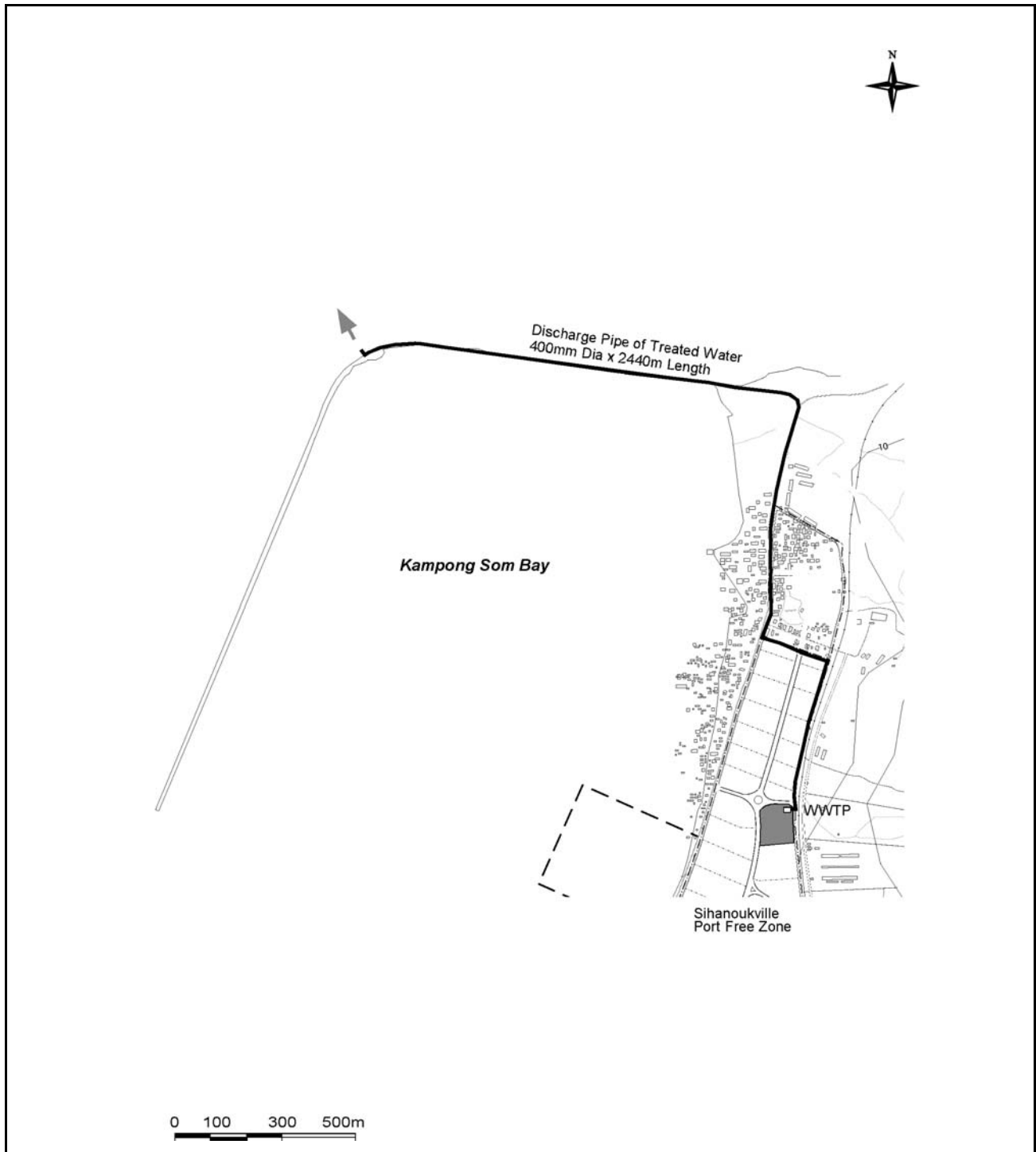
**M-2**

<b>Project Name</b>	<b>Development of Optical fiber cable network between Phnom Penh and Sihanoukville(Growth Corridor IT Platform Development)</b>			
<b>Backgrounds</b>	The east-west optical fiber cable (OF) linking Vietnam -Phnom Penh -Battambang-Thailand was already developed and the connection from Siem Reap by the OF is under construction in Cambodia. The fixed telephone service by the microwave and mobile phone service by the private initiative are available presently in the Study Area. However the capacity of the transmission line is limited then the data telecommunication services by the industrial expansion in the Sihanoukville area shall be incapable.			
<b>Project Purposes</b>	The high speed and large capacity communication devices by means of the optical fiber cable is necessary to cope with the communication demand induced by the modern industrial development.			
<b>Target Year (Project Period)</b>	Short term (2005)			
<b>Beneficiaries (Target Group, Target Area)</b>	Investors in Sihanoukville SPZ and local community as well as local industrial establishments			
<b>Activities</b>	Construction of the optical fiber cable (O/F) between PP and SNV through Takeov and Kompot (Rt.2 and 3). Telecommunication capacity of Sihanoukville and the cities in the intermediate area will be improved by the O/F			
<b>Executing Organization</b>	MPTC			
<b>Outputs(Results)</b>	Dissolution of digital divide problem in Sihanoukville and the intermediate area Improvement of IT environment in Sihanoukville and the intermediate area Improvement of telecommunication environment in Sihanoukville and major cities in the intermediate area.			
<b>Inputs (Project Cost)</b>	15.4million USD			
<b>Finance</b>	Grant Aid			
<b>Implementation Schedule</b>	<b>Activity</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
	DD	■		
	Biding	■		
	OF Construction		■	
	LS and Access NW Installation		■	■
<b>Evaluation (Including Results of IEE)</b>	The impact will be negligible.			
<b>SW of EIA (if necessary), Mitigation for Impacts</b>	Un-necessary			
<b>Location Map</b>				
<b>Project Image Photo etc.</b>				

**N. FZ Development**

**N-1**

<b>Project Name</b>	<b>Development of Wastewater Treatment Plant (WWTP) for the Sihanoukville Port Free Zone</b>															
<b>Backgrounds</b>	<p>1. At present, there is no provision to treat wastewater generated from the site of the Free Zone and the surrounding area. Therefore, a WWTP, which treats wastewater to be generated from factories, will be furnished to maintain the hygienic environment in the Free Zone and to preserve the water environment in Kampong Song Bay to which treated wastewater is discharged.</p> <p>2. The effluent standards set by the Cambodian Government has been applied. Wastewater is discharged from the middle point of the breakwater, in order that the stagnation of discharged wastewater near seashore is avoided.</p>															
<b>Project Purposes</b>	To maintain the hygienic environment in the Free Zone and to preserve the water environment in Kampong Song Bay, through the construction of WWTP.															
<b>Target Year (Project Period)</b>	2005															
<b>Beneficiaries (Target Group, Target Area)</b>	<p>1. Free Zone Corporation (tentatively called) and its members.</p> <p>2. People living in the neighborhood of the Free Zone.</p>															
<b>Activities</b>	<p>1. The planning, design, manufacturing and installation works of the WWTP with the following capacity and performance will be carried out, including the treated water discharge system:</p> <p>(Flowrate of wastewater)</p> <p>- Daily Maximum Flow: 2,330 (m<sup>3</sup>/day)</p> <p>- Hourly Maximum Flow: 240 (m<sup>3</sup>/hr)</p> <p>(Quality of water)</p> <table style="margin-left: 40px;"> <thead> <tr> <th></th> <th>Incoming Wastewater</th> <th>Treated Wastewater</th> </tr> </thead> <tbody> <tr> <td>- pH:</td> <td>5 - 9</td> <td>5 - 9</td> </tr> <tr> <td>- BOD: (mg/l)</td> <td>410</td> <td>less than 80</td> </tr> <tr> <td>- SS: (mg/l)</td> <td>390</td> <td>less than 80</td> </tr> </tbody> </table> <p>2. Necessary training for the operation and maintenance of the WWTP will be carried out.</p>					Incoming Wastewater	Treated Wastewater	- pH:	5 - 9	5 - 9	- BOD: (mg/l)	410	less than 80	- SS: (mg/l)	390	less than 80
	Incoming Wastewater	Treated Wastewater														
- pH:	5 - 9	5 - 9														
- BOD: (mg/l)	410	less than 80														
- SS: (mg/l)	390	less than 80														
<b>Executing Organization</b>	Free Zone Corporation (tentatively called)															
<b>Outputs (Results)</b>	The wastewater from the Free Zone will be purified, by the provision of the WWTP and its operation.															
<b>Inputs (Project Cost)</b>	2.8 million US\$ (including equipment, materials and man-hours for the construction works of the WWTP)															
<b>Finance</b>	Technical cooperation															
<b>Implementation Schedule</b>	<b>Activity</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>												
	Basic design, detail design	=====	=====													
	Construction works and start-up operation		=====	=====												
<b>Evaluation (Including Results of IEE)</b>																
<b>SW of EIA</b>	The simulation of discharged wastewater and the study of the impact on natural conditions and ecosystem are required.															
<b>Location Map</b>	As attached drawing.															



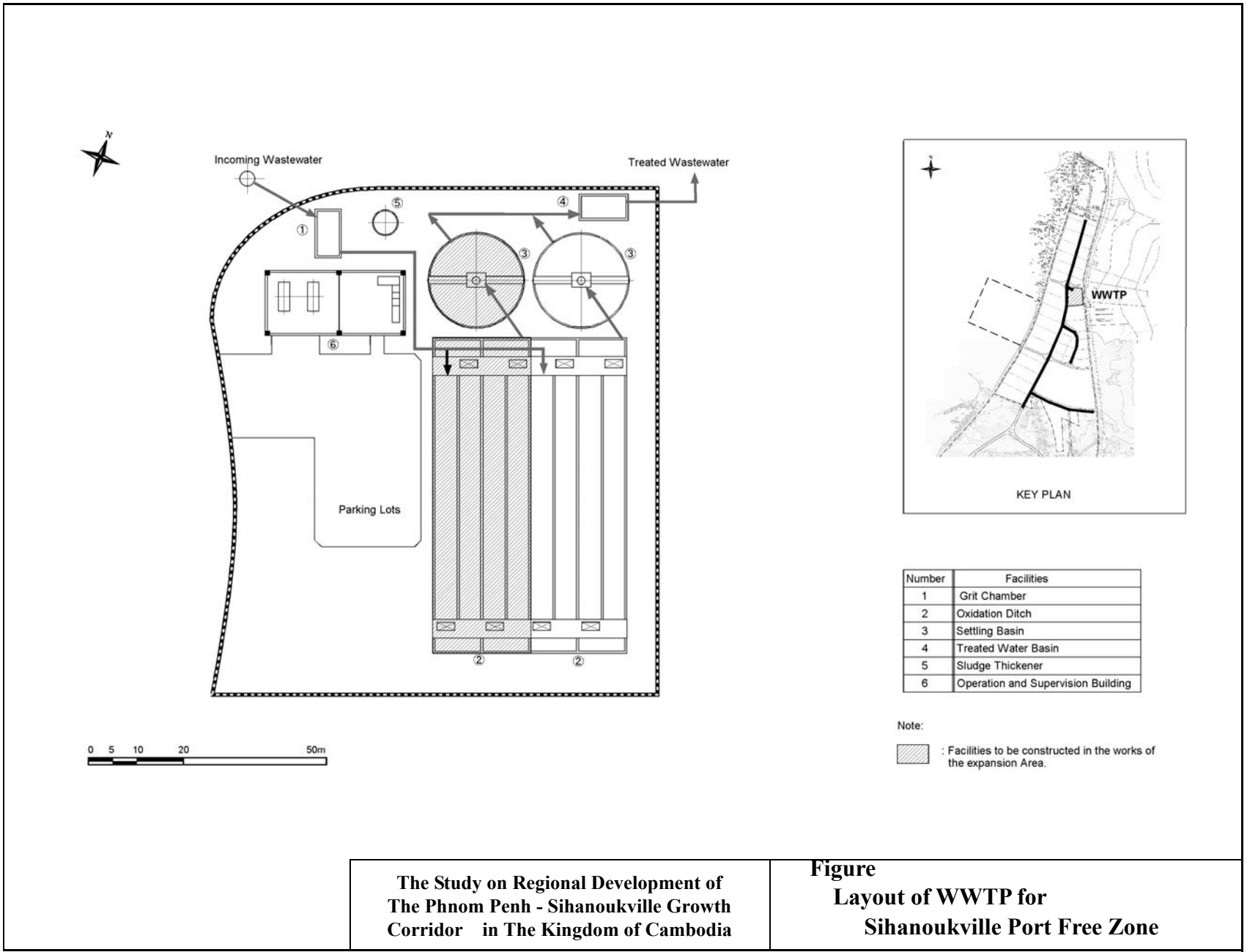
The Study on Regional Development of  
The Phnom Penh-Sihanoukville Growth Corridor  
in The Kingdom of Cambodia

Japan International Cooperation Agency (JICA)

**Figure**

**Discharge Pipe of Treated Wastewater for  
Sihanoukville Port Free Zone**





The Study on Regional Development of The Phnom Penh - Sihanoukville Growth Corridor in The Kingdom of Cambodia

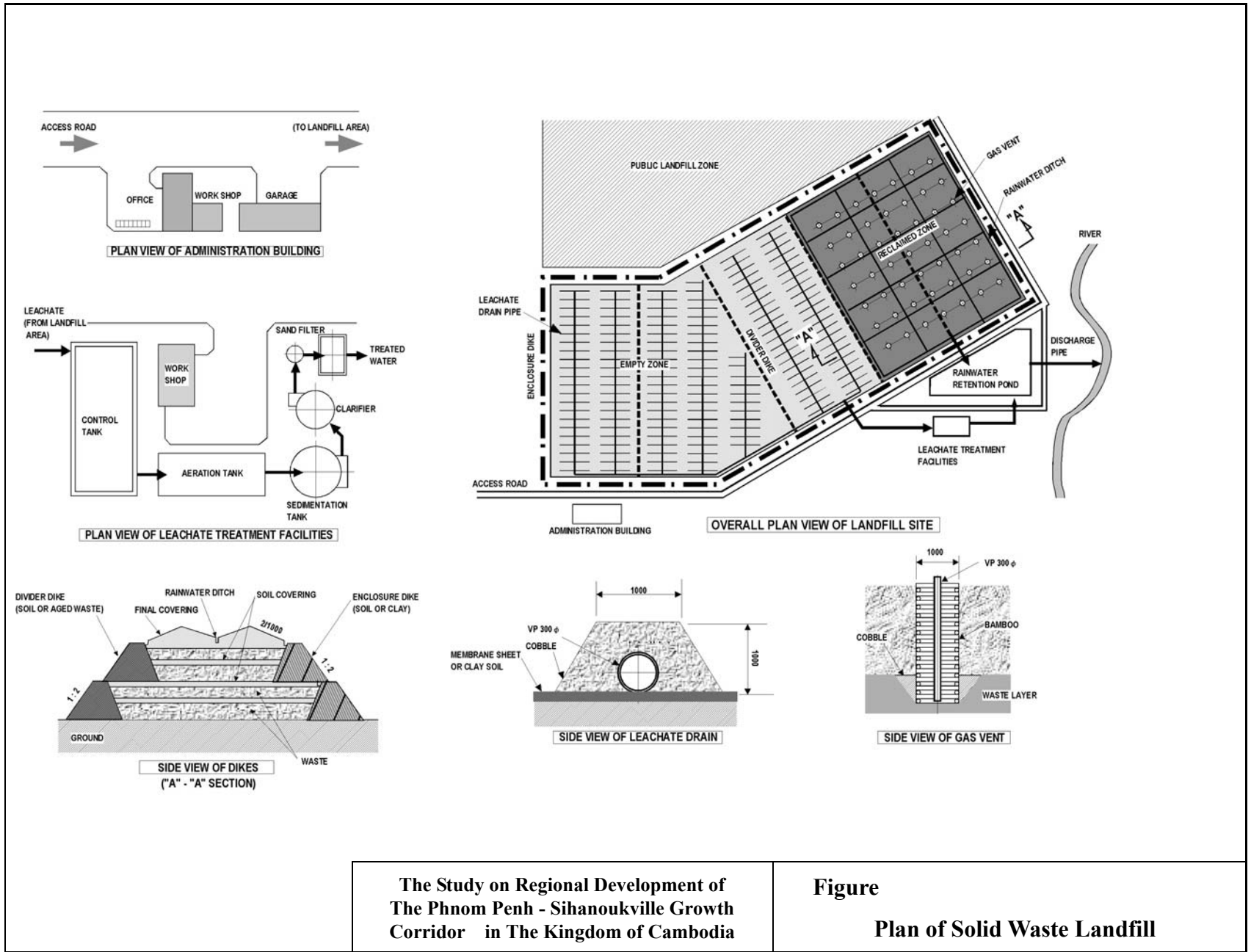
Figure  
 Layout of WWTP for  
 Sihanoukville Port Free Zone

## N. FZ Development

**N-2**

<b>Project Name</b>	Development of Solid Waste Landfill for the Sihanoukville Port Free Zone			
<b>Backgrounds</b>	<p>1. As the Free Zone is operated, the solid waste of 7.0 ton/day including the dehydrated sludge from the WWTP will be discharged.</p> <p>2. An existing public disposal site, which is being used mainly for municipal garbage at present, is a candidate disposal site of solid waste. However, there is a significant concern that disposed waste containing organic or combustible components may influence to the surrounding environment, because the current disposal is being carried out in the way of simple dumping. Therefore, it is proposed that a tentative and small landfill be constructed in the site of the existing public disposal and be used, until the public disposal site is renovated.</p>			
<b>Project Purposes</b>	To maintain the hygienic environment in the Free Zone and so as not to give negative impacts to the environment surrounding the disposal site.			
<b>Target Year (Project Period)</b>	2005			
<b>Beneficiaries (Target Group, Target Area)</b>	<p>1. Free Zone Corporation (tentatively called) and its members.</p> <p>2. People living in the neighborhood of the Free Zone.</p>			
<b>Activities</b>	<p>1. The planning, design, manufacturing and installation works of environment-friendly landfill and its related systems will be carried out. This landfill is of "Controlled Landfill" type, which is provided with necessary facilities like enclosure dikes, protection fences, a leachate treatment, gas vents, etc. and expected to be used for about five years. The landfill capacity is 15,000 m<sup>3</sup>. Necessary vehicles like trucks and bulldozer are provided also.</p> <p>2. Necessary training for the operation and maintenance of the landfill will be carried out.</p>			
<b>Executing Organization</b>	Free Zone Corporation (tentatively called)			
<b>Outputs (Results)</b>	The safe disposal of solid waste discharged from the Free Zone will be attained, by the provision of the controlled landfill and its operation.			
<b>Inputs (Project Cost)</b>	0.7 million US\$ (including equipment, materials and man-hours for the construction works of the landfill)			
<b>Finance</b>	Technical cooperation			
<b>Implementation Schedule</b>	<b>Activity</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
	Basic design, detail design	=====	=====	
	Construction works and start-up operation		=====	=====
<b>Evaluation (Including Results of IEE)</b>				
<b>SW of EIA</b>	The study of the impact on the surrounding environment in the vicinity of the landfill site is required.			
<b>Location Map</b>	As attached drawing.			





**Figure**  
**Plan of Solid Waste Landfill**

**Annex 3**  
**Attachment to Chapter 6**

**Attachment 1; Draft Law on the Special Promotion Zone**

**Attachment 2; Draft Law on the Special Economic Zones**

This section contains the attachments to Chapter 6. The attachments include two draft laws for consideration by RGC; namely,

- Attachment 1; Draft Law on the Special Promotion Zone, and
- Attachment 2; Draft Law on the Special Economic Zones.

Attachment 1 was the original proposal for this Study, pertaining to the Special Promotion Zones in Cambodia, as discussed in Chapter 6. This draft was prepared to establish a comprehensive legal and institutional framework for the SPZ, as proposed by the Study Team.

Attachment 2 was prepared by the Study Team upon the request by the RGC on 30<sup>th</sup> April, 2003 to integrate the framework established in Attachment 1 with the framework for export processing zones formulated for the Draft Law on Industrial Zone.

The integration of the draft laws has both advantages and disadvantages. A clear advantage is having the one and the only law for different types of export promotion zones. On the other hand, the export processing zone concept stipulated in the Draft Law on Industrial Zone is not the proposal by this Study Team, and the Study Team could not take full commitment for this concept. Despite that Attachment 2 apparently shows a fairly realistic integration effort as a milestone for further discussion, details will have to be worked out under the initiative of the RGC.

## **Attachment 1 Law on the Special Promotion Zones**

### **KINGDOM OF CAMBODIA NATION – RELIGION- KING**

- Referring to....
- Referring to....
- Referring to....

#### **HEREBY PROMULGATE**

The Law on The Special Promotion Zones enacted by the National Assembly on the ... of ... 200x at its ..th plenary session of the ... legislature and entirely approved by the Senate on its form and legal concepts on the ... of ... 200x at its ... th plenary session of the ... legislature and include the following provisions:

## **LAW ON THE SPECIAL PROMOTION ZONES**

### **CHAPTER I PURPOSES AND OBJECTIVES; ESTABLISHMENT AND NATURE OF SPECIAL PROMOTION ZONES; COORDINATION WITH OTHER SIMILAR SCHEMES**

#### **Article 1. Title**

*This Law shall be known and cited as “Law on the Special Promotion Zone of the Kingdom of Cambodia”.*

#### **Article 2. Declaration of Policy**

*It is the declared policy of the Royal Government of Cambodia (hereinafter referred to as “RGC”) that aims to actively encourage, promote, induce and accelerate a sound and balanced industrial, economic and social development of the country in order to provide jobs to the people, increase their productivity and their individual and family income, and thereby improve the level and quality of their living condition. For this purpose, the RGC shall establish the special promotion zones in suitable and strategic locations in the country and thereby attract effectively legitimate and productive foreign and domestic investments.*

#### **Article 3. Purposes, Intents and Objectives**

*The purpose, intent and objective of this Law is as follows:*

- To establish the legal framework and mechanisms for the planning and monitoring of the special promotion zones;*
- To transform selected areas in the country into highly developed, industrial, commercial, services, tourist, agro-industrial, investment, and financial centers, where highly trained workers and efficient services will be available to commercial enterprises;*
- To promote the flow of investors, both foreign and domestic, into the special promotion zones which would generate employment opportunities and establish backward and forward linkage among industries in and around the special promotion zones;*

- (d) To provide foreign exchange earnings by promoting exports;
- (e) To stimulate the repatriation of Cambodian capital by providing attractive climate and incentives for business activities;
- (f) To promote industrial, servicing and financial cooperation between the Kingdom of Cambodia and industrialized countries through modernized industries that will upgrade the country's industrial sector and improve productivity by utilizing new technological and managerial know-how; and
- (g) To vest the part of the special promotion zones on certain areas thereof with the status of a separate customs territory within the framework of the Constitution and the national sovereignty and territorial integrity of the Kingdom of Cambodia.

#### **Article 4. Definition of Terms**

For purposes of this Law, the following definitions shall apply to the following terms:

- (a) "Special Promotion Zone" (hereinafter referred to as "SPZ") - a selected area which has the potential to be developed into industrial, tourist/recreational, commercial, servicing, agro-industrial, investment and financial center. An SPZ shall contain Promotion Zone (hereinafter referred to as "PZ") as domestic tariff area and Free Zone (hereinafter referred to as "FZ") as separate customs territory. FZ shall have the functions as export processing areas (hereinafter referred to as "EPA"), free trade areas (hereinafter referred to as "FTA") and/or free logistics centers (or free port as it may be called, hereinafter referred to as "FP"). Enterprises within the SPZ shall be granted preferential fiscal and non-fiscal treatment.
- (b) "Promotion Zones" (PZ) – a domestic tariff area within the SPZ, which is designated as promotional area for the industrial, servicing, commercial/trading, agro-industrial, tourist/recreational, real estate and financial development for general purposes. The authorized investment projects will be granted preferential fiscal and non-fiscal privileges.
- (c) "Free Zones (FZ)" - a fenced-in area which is a separate customs territory and shall provide the functions as export processing areas (EPA), free trade areas (FTA) and/or free ports (FP). FZ is basically designated as an export-oriented production base but also utilized for the processing of high-value materials, which are subject to the high duties and taxes. It houses duty-free wholesalers/retailers, and export-related traders and service providers. The authorized investment projects in FZ will be granted even wider preferential fiscal and non-fiscal privileges, which include the duty- and tax- 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.
- (d) "Export processing areas" (EPA) - a specialized industrial area located physically and/or administratively outside customs territory, predominantly oriented to export production. Enterprises located in EPA are allowed to import raw materials, inputs and capital goods free from the import duties and relevant taxes. However, movement of these imported goods from EPA to non-FZ area in the country shall be subject to import duties and other relevant taxes.
- (e) "Free trade areas" (FTA) - an isolated policed area adjacent to a port of entry where imported goods may be unloaded for immediate transshipment, stored, repacked, sorted, mixed, processed, assembled, sold and/or bought for wholesale or retail purpose, or otherwise manipulated without being subject to import duties and relevant taxes. However, movement of these imported goods from FTA to a non-FZ area in the country shall be subject to duties and taxes.
- (f) "Free logistics center or free port" (FP) - an isolated policed area near to a port of entry where imported goods may be unloaded for immediate transshipment or stored, repacked, sorted, mixed, or otherwise manipulated without being subject to import duties and relevant taxes. However, movement of these imported goods from FP a non-FZ area in the country shall be subject to duties and taxes.

#### **Article 5. Establishment of SPZ**

To ensure the viability and geographic dispersion of the SPZ through a system of prioritization, the whole Sihanoukville municipality, except two national park and one forest management and water conservation areas, is initially identified as the SPZ, subject to the criteria specified in Article 6:

These areas shall be developed through any of the following schemes:



- (i) Private initiative;
- (ii) Local government initiative with the assistance of the national government;
- (iii) National government initiative; and
- (iv) The mixed scheme of the above

The meters and boundary of the SPZ are to be delineated and more particularly described in a Sub-Decree to be issued by the Prime Minister of the RGC, upon the recommendation of the Cambodian Special Promotion Zones Authority (hereinafter referred to as "CAPZA"), which shall be established under this Law, in coordination with the relevant governmental organizations.

#### **Article 6. Criteria for the Establishment of Other SPZ**

In addition to the SPZ identified in Article 5 of this Law, other areas may be established as a SPZ in a Sub-Decree to be issued by the Prime Minister of the RGC, subject to the evaluation and recommendation of the CAPZA, based on a detailed feasibility and engineering study which must conform to the following criteria:

- (a) 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;
- (b) The proposed area must be identified as a regional growth center in the medium-term development plan authorized by the central government;
- (c) 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;
- (d) The availability of water source and electric power supply for use of the SPZ;
- (e) The existence of vacant lands available for industrial and commercial development and future expansion of the FZ as well as of lands adjacent to the FZ available for development of residential areas for the SPZ workers;
- (f) The availability of skilled, semi-skilled and non-skilled trainable labor force in and around the SPZ;
- (g) The area must have a significant incremental advantage over other area in the Kingdom of Cambodia and its potential profitability can be established; and
- (h) The area shall be strategically located.

Other areas, which do not meet the foregoing criteria, may be established as a SPZ: Provided, That the said area shall be developed only through local government and/or private sector initiative, and without any financial exposure on the part of the national government: Provided, further, That the area can be easily secured to curtail smuggling activities: Provided, finally, That after five (5) years the area must have attained a substantial degree of development, the indicators of which shall be formulated by the CAPZA.

#### **Article 7. SPZ to be a Decentralized Industrial, Servicing, Commercial/Trading, Agro-Industrial, Tourist/Recreational, Financial and Investment Community**

Within the framework of the Constitution, the interest of national sovereignty and territorial integrity of the Kingdom of Cambodia, the SPZ shall be developed, as much as possible, into a decentralized, self-reliant and self-sustaining industrial, servicing, commercial/trading, agro-industrial, tourist/recreational, financial and investment center with minimum government intervention. Each SPZ shall be provided with transportation, telecommunications, and other facilities needed to generate linkage with industries and employment opportunities for its own inhabitants and those of nearby towns and cities.

The SPZ shall administer itself on industrial, economic, tourism, financial and investment development, and such other matters within the exclusive competence of the national government.

The SPZ may establish mutually beneficial economic relations with other entities within the country, or, subject to the administrative guidance of the Council of the Ministers, the Ministry of Commerce

(hereinafter referred to as “MOC”), the Ministry of Economy and Finance (hereinafter referred to as “MEF”), the Ministry of Industry, Mine and Energy (hereinafter referred to as “MIME”), the Ministry of Foreign Affairs (hereinafter referred to as “MFA”), the Ministry of Interior (hereinafter referred to as “MOI”) and the Council for the Development of Cambodia (hereinafter referred to as “CDC”), with foreign entities or enterprises.

Foreign citizens and companies owned by non-Cambodian citizens in whatever proportion may set up enterprises in the SPZ, either by themselves or in joint venture with the Cambodian nationals in any sector of industry, international trade and commerce, services within the SPZ, except in the areas restricted in a negative list of industries that will be drawn up by the CAPZA. Their assets, profits and other legitimate interests shall be protected: Provided, That the SPZ through the CAPZA may require a minimum investment for any SPZ enterprise in freely convertible currencies: Provided, further, That the new investment shall fall under the priorities, thrusts and limits provided for in this Law.

#### **Article 8. FZ to be Operated and Managed as Separate Customs Territory**

The FZ in an SPZ shall be managed and operated by the CAPZA as a separate customs territory.

The CAPZA is hereby vested with the authority to issue certificates of origin for products manufactured or processed in each SPZ in accordance with the prevailing rules of origin, and the pertinent regulations of the MOC and the MIME, of which implementing procedures shall be modified by the CAPZA.

#### **Article 9. Defense and Security**

The defense of the SPZ and the security of its perimeter area shall be the responsibility of the RGC in coordination with the CAPZA. Military forces sent by the RGC for the purpose of defense shall not interfere in the internal affairs of any of the SPZ and expenditure for these military forces shall be borne by the RGC. The CAPZA may provide and establish the SPZ's internal security and firefighting forces.

#### **Article 10. Immigration**

Any investor within the SPZ whose initial investment shall not be less than two hundred fifty thousand dollars (\$250,000), his/her spouse and dependent children under eighteen (18) years of age shall be granted permanent resident status by the CAPZA within the SPZ without any need of special authorization from the MOI.

The CAPZA shall issue working visas renewable every two (2) years to foreign executives, engineers, technicians, workers and other aliens, possessing highly technical skills, which no Cambodian citizens within the SPZ possesses, as certified by the Ministry of Social Affairs, Labor, Vocational Training and Youth Rehabilitation (hereinafter referred to as “MOL”), or strong and appropriate workability to fill up the vacant positions in the SPZ enterprises, as approved by the CAPZA. The names of aliens granted permanent resident status and working visas by the CAPZA shall be reported to the MOI within thirty (30) days after issuance thereof.

## **CHAPTER II GOVERNING STRUCTURES**

#### **Article 11. The Cambodian Special Promotion Zone Authority (CAPZA)**

There is hereby created a public corporation to be known as the Cambodian Special Promotion Zone Authority (CAPZA) attached to the Council of the Ministers.

The CAPZA shall have CAPZA Council of Administration (hereinafter referred to as “CAPZA Council”) for its policy making. The CAPZA Council shall be composed of seven (7) members as follows: Minister of Cabinet as a President General Director, the Director General of the CAPZA as a Vice President and, as a CAPZA Council members, the Secretaries of State of the MEF, the MOC, the MIME, Secretary General of Cambodian Investment Board (hereinafter referred to as “CIB”) of the CDC and one representative from Investors/Business Society in the SPZ. In case of the unavailability of the Minister of Cabinet to attend a particular CAPZA Council meeting, the Director General of the CAPZA shall act as Chairman.

The CAPZA shall have a director general, who shall act as a Chief Executive Officer (hereinafter referred to as “CEO”) of the CAPZA in the CAPZA Executive Office, with the rank of minister who shall be appointed by the Prime Minister. The director general shall be of proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least twenty (20) years relevant working experience preferably in the field of management or public administration. The director general shall not always be a government person but a private person, regardless of his nationality, with respectful careers in private sector.

The director general shall be assisted by three (3) Deputy Directors General each for policy and planning, administration and operation, who shall be appointed by the CAPZA Council of Administration, upon the recommendation of the Director General. The deputy directors general shall be with proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least fifteen (15) years relevant working experiences in each assigned fields. The deputy directors general shall not always be government persons but private persons, regardless of their nationalities, with respectful careers in private sector.

One (1) Senior Executive Advisor for strategic planning and supervision on the implementation of policy and planning, administration and operation for and of the SPZ, who shall be appointed by the CAPZA Council upon the recommendation of the director general, shall assist the director general. The senior executive advisor shall be of proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least more than twenty (20) years working experience preferably in the field of planning and/or management of equivalent special promotion zones.

There shall be one (1) Executive Auditor, who shall be appointed by the Prime Minister, to audit the CAPZA as a whole. The executive auditor shall be of proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least more than fifteen (15) years working experience preferably in the field of auditing, planning and/or management. He shall be responsible and entitled to make direct and periodical report to the Prime Minister of the RGC, regarding the management, policies and operations of the SPZ.

Members of the CAPZA Council, except the director general, shall receive a per diem of not less than the amount equivalent to the representation and transportation allowances as the members of the CAPZA Council and/or as may be determined by the MEF: Provided, however, That the per diem collected per month does not exceed the equivalent of four (4) meetings.

## **Article 12. Functions and Powers of the CAPZA Council of Administration**

The CAPZA Council shall have the following functions and powers:

- (a) Set the general policies on the establishment and operations of the SPZ;
- (b) Review proposals for the establishment of the SPZ based on the set criteria under Article 6 and

endorse to the Prime Minister the establishment of the SPZ. Thereafter, it shall facilitate and assist in the organization of said entities;

- (c) Regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in the SPZ, such as heat, light and power, water supply, telecommunications, transport, toll road and bridges, post services, etc., and to fix reasonable and competitive rates, charges and fees thereof;
- (d) Fix and collect the reasonable and competitive land leasing rates, service charges or other necessary charges or fees from the investment enterprises in case they may locate at the premises developed by the CAPZA or from the developer in case they are in charge of developing land, buildings or other necessary facilities basing on sub-leasing rights from the CAPZA;
- (e) Approve the annual budget of the CAPZA and the SPZ development plan;
- (f) Issue rules and regulations to implement the provisions of this Law in so far as its power and functions are concerned;
- (g) Exercise its powers and functions as provided for in this Law; and
- (h) Render annual reports to the Prime Minister and the National Assembly.

### **Article 13. General Powers and Functions of the CAPZA Executive Office**

The CAPZA Executive Office has the following powers and functions:

- (a) To operate, administer, manage and develop the SPZ according to the principles and provisions set forth in this Law;
- (b) To accept and evaluate the investment projects plans, and provide the investment licenses in the SPZ
- (c) To register, regulate and supervise the enterprises in the SPZ in an efficient and decentralized manner;
- (d) To coordinate with local government units and exercise general supervision over the development plans, activities and operations of the SPZ and the like;
- (e) In coordination with local government units concerned and appropriate agencies, to construct, acquire, own, lease, operate and maintain on its own or through contract, franchise, license, bulk purchase from the private sector and build-operate-transfer scheme or joint venture, adequate facilities and infrastructure, such as light and power systems, water supply and distribution systems, telecommunication and transportation, buildings, structures, warehouses, roads, bridges and other facilities for the operation and development of the SPZ;
- (f) To create, operate and/or contract to operate such agencies and functional units or offices of the CAPZA as it may deem necessary;
- (g) To adopt, alter and use a corporate seal; make contracts, lease, own or otherwise dispose of personal or real property; sue and be sued; and otherwise carry out its duties and functions as provided for in this Law;
- (h) To coordinate the formulation and preparation of the development plans of the different entities mentioned above;
- (i) To coordinate with the Council of the Ministers, the MEF, the MOC, the MIME, the MOI, the CDC and other relevant ministries and the local government units for policy and program formulation and implementation; and
- (j) To monitor and evaluate the development and requirements of entities in subsection (a) and recommend to the appropriate authorities the location, incentives, basic services, utilities and infrastructure required or to be made available for said entities.

### **Article 14. Powers and Functions of the Director General**

The director general shall be the overall coordinator of the policies, plans and programs of the SPZ, being a CEO of the CAPZA. As such, he shall provide overall supervision over and general direction to the development and operations of the SPZ. He shall determine the structure and the staffing pattern and personnel complement of the CAPZA and establish regional offices, when necessary, subject to the approval of the CAPZA Council.

In addition, he shall have the following specific powers and responsibilities:

- (a) To safeguard all the lands, buildings, records, monies, credits and other properties and rights of the SPZ;
- (b) To ensure that all revenues of the SPZ are collected and applied in accordance with its budgets;
- (c) To ensure that the investors/enterprises and employees of the SPZ are properly discharging their respective duties;
- (d) To give such information and recommend such measures to the CAPZA Council, as he shall deem advantageous to the SPZ;
- (e) To submit to the CAPZA Council, the ongoing and proposed projects, work and financial program, annual budget of receipts, and expenditures of the SPZ;
- (f) To represent the SPZ in all its business matters and signs on its behalf after approval of the CAPZA Council, all its bonds, borrowings, contracts, agreements and obligations made in accordance with this Law;
- (g) To acquire jurisdiction, as he may deem proper, over the protests, complains, and claims of the residents and enterprises in the SPZ concerning administrative matters;
- (h) To recommend to the CAPZA Council the grant, approval, refusal, amendment or termination of the SPZ franchises, licenses, permits, contracts, and agreements in accordance with the policies set by the CAPZA Council;
- (i) To require owners of houses, buildings or other structures constructed without the necessary permit whether constructed on public or private lands, to remove or demolish such houses, buildings, structures within sixty (60) days after notice and upon failure of such owner to remove or demolish such house, building or structure within said period, the director general or his authorized representative may summarily cause its removal or demolition at the expense of the owner, any existing law, decree, executive order and other issuances or part thereof to the contrary notwithstanding;
- (j) To take such emergency measures as may be necessary to avoid fires, floods and mitigate the effects of storms and other natural or public calamities;
- (k) To prepare and make out plans for the physical and economic development of the SPZ, including zoning and land subdivision, and issue such rules and regulations which shall be submitted to the CAPZA Council for its approval; and
- (l) To perform such other duties and exercises such powers as may be prescribed by the CAPZA Council, and to implement the policies, rules and regulations set by the CAPZA Council.

#### **Article 15. Administration of Each SPZ**

Except for privately-owned, managed or operated SPZ, each SPZ shall be organized, administered, managed and operated by the SPZ Administrative Unit composed of the following:

- (a) The administrator who shall be appointed by the CAPZA Council upon recommendation of the director general; and
- (b) One (1) deputy administrator to be appointed by the CAPZA Council upon recommendation of the director general.

An SPZ advisory body shall be created with the following members:

- (1) The governor of the province where the SPZ is located;
- (2) The presidents of the association of investors/enterprises in the FZ and PZ
- (3) The president of an accredited labor union in the SPZ; and
- (4) The representatives of the CAPZA, Customs, Tax Department, Labor Office, MOC and MIME.

A SPZ advisory body, except for executing routine powers and functions of CAPZA under a guidance of the CAPZA Executing Body, shall have the following functions:

- (i) Advise the SPZ management on matters pertaining to policy initiatives; and
- (ii) Assist the SPZ management in setting problems arising between labor and any enterprise in the SPZ.

Privately owned, managed or operated SPZ shall retain autonomy and independence but shall be monitored by the CAPZA for the implementation of incentives and operations for adherence to the law.

**Article 16. Personnel**

*The remunerations and other emoluments of the director general and deputy directors general of the CAPZA shall be determined separately from the manner and procedures as for the ministers and secretaries of state of the central government, including the performance bonus which shall be paid according to the profit records and upon the agreement of the members of the CAPZA Council. The remunerations and other emoluments of senior executive advisor shall be separately fixed by the CAPZA Council upon recommendation of the director general with the approval of the Council of the Ministers.*

*The CAPZA Council shall provide for an organization and staff of officers and employees of the CAPZA, and upon recommendation of the director general with the approval of the Council of the Ministers, appoint and fix the remunerations and other emoluments: Provided, That the CAPZA Council shall have exclusive and final authority to promote, transfer, assign and reassign officers of the CAPZA, any provision of existing law to the contrary notwithstanding: Provided, further, That the director general may carry out removal of such officers and employees.*

*All positions in the CAPZA shall be governed by compensation, position classification system and qualification standards approved by the director general with the concurrence of the CAPZA Council based on a comprehensive job analysis and audit of actual duties and responsibilities. The compensation plan shall be comparable or better with the prevailing compensation plans for the central government officers and shall be subject periodic review by the CAPZA Council no more than one (1) time in every year without prejudice to yearly merit reviews or increases based on productivity and regulations on compensation, position classification and qualification standards.*

*The CAPZA officers and employees including all Members of the CAPZA Council shall not engage directly or indirectly in partisan activities or take part in any action, except to vote.*

**Article 17. Investigation and Inquiries**

*Upon a written formal complaint made under oath, which on its face provides reasonable basis to believe that some anomaly or irregularity might have been committed, the CAPZA or the administration of the SPZ concerned, shall have the power to inquire into the conduct of enterprises or employees of the SPZ and to conduct investigations, and for that purpose may subpoena witnesses, administer oaths, and compel the production of books, papers and other evidences: Provided, That to arrive at the truth, the investigator(s) may grant immunity from prosecution to any person whose testimony or whose possessions of documents or other evidence is necessary or convenient to determine the truth in any investigation conducted by him or under the authority of the CAPZA or the administrator of the SPZ concerned.*

**Article 18. Prohibition Against Holding Any Other Office**

*The director general, deputy directors general, administrators, officials and staff or assistants of the CAPZA shall not hold any other office or employment within or outside the CAPZA during their tenure. They shall not, during their tenure, directly or indirectly, practice any profession, participate in any business, or be financially interested in any contract with, or in any franchise, or special privilege granted by the CAPZA or the RGC, or any subdivision, agency, or instrumentally thereof, including any government-owned-controlled corporation, or its subsidiary.*

**Article 19. Disbursement of Funds**

*No money shall be paid out of the funds of any SPZ except in pursuance of the budget as formulated and approved by the CAPZA.*

**Article 20. Full Disclosure of Financial and Business Interest**

Every member of the CAPZA Council, the director general, the deputy directors general, and their staff shall, upon assumption of office, make full disclosure of their financial and business interests.

**CHAPTER III  
OPERATIONS WITHIN THE SPZ**

**Article 21. Development Strategy of the SPZ**

The strategy and priority of development of each SPZ established pursuant to this Law shall be formulated by the CAPZA, in coordination with the MEF, the MOC, the MIME and the CDC: Provided, That such development strategy is consistent with the priorities of the RGC as may be outlined in the medium-term development plan of the government.

It shall be the policy of the government and the CAPZA to encourage and provide incentives and facilitate private sector participation in the construction and operation of public utilities and infrastructure in the SPZ.

**Article 22. Survey of Resources**

The CAPZA shall, in coordination with appropriate authorities and neighboring provinces, immediately conduct a survey of the physical, natural assets and potentialities of the SPZ areas under its jurisdiction.

**Article 23. Provision of Fiscal Incentives**

The CAPZA approved investment projects operating within the SPZ, both of foreign and domestic, shall be entitled to the fiscal incentives as provided for under this Law and the Sub-Decree regarding the rules and regulations to implement this Law.

**Article 24. Applicable Fiscal Incentives to the enterprises in FZ**

The approved investment projects located in FZ and persons working thereof shall be entitled to the following fiscal incentives.

- (a) Tax on profit: 10% except for the exploration and exploitation of natural resources, timber, oil, mines, gold and precious stones which shall be set in separate laws. 5% for the FZ developers.
- (b) Tax holiday: Trigger period + 3 years + n year
- (c) Special depreciation: 40% on the production equipment in the first year of operation
- (d) Corporate tax on reinvestment of profits: Not applicable
- (e) Duty free import: Production equipment, construction materials and production input materials (On the part of production input materials, which will have been used for the products to be sold to the domestic market, import duty shall be levied at a time of delivery to the outside of FZ.)
- (f) Minimum tax: Not applicable
- (g) Prepayment of Tax on Profit: Not applicable during the tax holiday period
- (h) Loss carry-forward: 5 years
- (i) Withholding tax on salary for expatriates: 10%
- (j) Tax on house and land rent: Not applicable
- (k) Value Added Tax: 0% for exports and transaction within FZ
- (l) Training allowance: Half a training expenses borne by FZ enterprises for Cambodian citizens can be deducted from the Tax on Profit
- (m) Export duty: Not applicable

**Article 25. Applicable Fiscal Incentives to the enterprises in PZ**

The approved investment projects located in PZ and persons working thereof shall be entitled to the

following fiscal incentives.

- (n) Tax on profit: 15% except for the exploration and exploitation of natural resources, timber, oil, mines, gold and precious stones which shall be set in separate laws. 5% for the FZ developers.
- (o) Tax holiday: Trigger period + 3 years + n year
- (p) Special depreciation: 40% on the production equipment in the first year of operation
- (q) Corporate tax on reinvestment of profits: Not applicable
- (r) Duty free import: Production equipment and construction materials (On the part of production input materials, which will have been used for the exported-products, import duty shall be refunded at a time of exports.)
- (s) Minimum tax: Not applicable
- (t) Prepayment of Tax on Profit: Not applicable during the tax holiday period
- (u) Loss carry-forward: 5 years
- (v) Withholding tax on salary for expatriates: 10%
- (w) Tax on house and land rent: 5%
- (x) Value Added Tax: 0% for direct exports and indirect exports (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.)
- (y) Training allowance: Half a training expenses borne by FZ enterprises for Cambodian citizens can be deducted from the Tax on Profit
- (z) Export duty: Not applicable

Capital Gain Tax on Land shall be introduced and levied on the profits derived from the transaction of lands in the PZ at the rates as shown below.

- (1) 50% for the ownership of 5 years or less
- (2) 25% for the ownership of 10 years or less
- (3) 10% for the ownership of 10 years or more

#### **Article 26. Domestic Sales**

Goods manufactured by an FZ enterprise shall be made available for immediate wholesale or retail sales in the domestic market, subject to payment of import duties and corresponding taxes on the raw materials and other regulations that may be adopted by the CAPZA Council.

However, in order to protect the domestic industry, there shall be a negative list of industries that will be drawn up by the CAPZA. Enterprises engaged in the industries included in the negative list shall not be allowed to sell their products locally. Said negative list shall be regularly updated by the CAPZA.

The CAPZA, in coordination with the Customs Department of the MEF, the MOC and the MIME shall jointly issue the necessary implementing rules and guidelines for the effective implementation of this section.

#### **Article 27. Applicability of Banking Laws and Regulation**

Existing Law on Banking and Financial Institutions shall apply to banks and financial institutions to be established in the SPZ and to other SPZ enterprises. Among other pertinent regulations, these include those governing foreign exchange and other current account transactions (trade and non-trade), local and foreign borrowings, foreign investments, establishment and operation of local and foreign banks, foreign currency deposit units, offshore banking units and other financial institutions under the supervision of the National Bank of Cambodia.

#### **Article 28. After Tax Profits**

Without prior approval of the National Bank of Cambodia, after tax profits and other earnings of foreign investments in the SPZ enterprises may be remitted outward in the equivalent foreign exchange



through any of the banks licensed by the National Bank of Cambodia in the SPZ: Provided, however, That such foreign investments in said enterprises have been previously registered with the National Bank of Cambodia.

#### **Article 29. Eminent Domain**

The areas comprising an SPZ, FZ or PZ, may be expanded or reduced when necessary. For this purpose, the government shall have the power to acquire, either by purchase, negotiation or condemnation proceedings, any private lands within or adjacent to the SPZ for:

- (a) Consolidation of lands for zone development purposes;
- (b) Acquisition of right of way to the SPZ, FZ or PZ; and
- (c) The protection of watershed area and natural assets valuable to the prosperity of the SPZ.

If in the establishment of a publicly-owned FZ, any person or group of persons who has been occupying a parcel of land within the FZ has to be evicted, the CAPZA shall provide the person or group of persons concerned with proper disturbance compensation, a home lot in the relocation site and preferential employment in the project being undertaken.

#### **Article 30. Leases of Lands and Buildings**

Lands and buildings in each FZ may be leased to foreign and domestic investors from the CAPZA with approval of the CAPZA Council for a period of fifteen (15) years or more as a long-term lease, further renewable on case by case, as provided for under Article 106 of 2001 Law on Land. According to the provision of Article 106 of the 2001 Law on Land, the CAPZA shall approve the acquisition and determine the period of such leasehold to foreign investors. The leasehold right acquired under long-term contracts may be sold, transferred or assigned, subject to the conditions set forth by and with approval of the CAPZA.

Foreign investors in PZ shall freely make land leasehold contract for indefinite or definite period and short or long in case of definite period. Domestic investors in PZ shall also freely purchase or make land leasehold contracts.

#### **Article. Land conversion**

Any of agricultural lands, forest lands, construction lands, industrial lands and/or communication lands in the SPZ may be converted for industrial, commercial, residential, and other purposes different from their original classifications, subjects to the conditions and procedures set forth the CAPZA and according to the relevant laws and regulations.

#### **Article 32. Transport and Transport Register**

Private transport and related business including private container dry ports and track terminals may operate freely in the SPZ, subject only to such minimum reasonable regulations of local application, which the CAPZA may prescribe.

The CAPZA shall, in coordination with the Ministry of Public Works and Transport, maintain a transport register for each SPZ as a business register of convenience for internationally transporting tracks and issue related certification.

Tracks of all sizes, descriptions and nationalities shall enjoy access to the dry ports or terminal facilities of the SPZ, subject only to such reasonable requirement as may be prescribed by the CAPZA in coordination with the appropriate agencies of the RGC.

#### **Article 33. Protection of Environment**

The CAPZA, in coordination with the appropriate agencies, shall take concrete and appropriate steps

and enact the proper measure for the protection of the local environment.

#### **Article 34. Termination of Business**

Investors in the SPZ who desire to terminate business or operations shall comply with such requirements and procedures, which the CAPZA shall set, particularly those relating to the clearing of debts. The assets of the closed enterprises can be transferred and the funds can be remitted, as in the same form of currencies as invested, out of the SPZ subject to the rules, guidelines and procedures prescribed jointly by the National Bank of Cambodia and the CAPZA.

#### **Article 35. Approval and Registration of Business Enterprises**

Business enterprises or persons, which wish to make investments within a designated SPZ, shall receive the investment approval on each investment project from CAPZA and register a company, which will be organized for the purpose of implementing approved project and thereafter be referred to as an SPZ enterprise, with the CAPZA to avail of all incentives and benefits provided for in this Law. Such investment approval procedures shall be made in conformity with the rules and regulations provided for under the Law on Investment but through the CAPZA.

#### **Article 36. One Stop Shop Center**

The CAPZA shall establish a one-stop shop center for the purpose of facilitating the approval on the intended investments, registration of new enterprises, the acquisition of import/export license and other license and/or permits necessary for the business activities in the SPZ. Thus, all appropriate government agencies that are involved in registering, licensing or issuing permits to investors shall assign their representatives to the SPZ to attend to investors' requirements.

### **CHAPTE IV INDUSTRIAL HARMONY IN THE SPZ**

#### **Article 37. Labor and Management Relations**

Except as otherwise provided in this Law, labor and management relations in the SPZ shall be governed by the existing Law on Labor. Employees and personnel in the SPZ enterprises shall receive salaries and benefits and shall enjoy working conditions not less than those provided under the Law on Labor and other relevant laws, issuances, rules and regulations of the RGC.

#### **Article 38. Promotion of Industrial Peace**

In the pursuit of industrial harmony in the SPZ, a tripartite body composed of one (1) representative each from the MOL, labor sector and business and industry sectors shall be created in order to formulate a mechanism under a social pact for the enhancement and preservation of industrial peace in the SPZ within thirty (30) days after the effectuation of this Law.

#### **Article 39. Master Employment Contracts**

The CAPZA, in coordination with the MOL, shall prepare a master employment contract in Khmer language for all SPZ enterprises staff members and workers. The terms of which provide salaries and benefits not less than those provided under this Law, the Law on Labor, as amended, other relevant issuances of the national government. Such a master employment contract can be arranged and made into a format with which detailed terms and conditions of employment of each staff member or worker can be clearly described.

#### **Article 40. Percentage of Foreign Nationals**

*Employment of foreign nationals hired by the SPZ enterprises in a supervisory, advisory, technical*

capacity or those who fill up the job vacancies in order to operate the facilities to the full extent shall not exceed ten percent (10%) of its workforce without the express authorization of the MOL.

**Article. Migrant Worker**

The CAPZA, in coordination with the MOL, shall promulgate appropriate measures and programs leading to the expansion of the services of the SPZ to help the local governments of nearby areas meet the needs of the migrant workers.

**Article 42. Incentive Scheme for Training Expenses**

An additional deduction equivalent to one-half (1/2) of the value of training expenses incurred in developing skilled or unskilled labor or for managerial or other management development programs incurred by the SPZ enterprises and offered to Cambodian citizens in the SPZ can be deducted from the Tax on Profit.

The CAPZA, the MOL and the MEF shall jointly make a review of the incentive scheme provided in this section every two (2) years or when circumstances so warrant.

**CHAPTER V  
NATIONAL GOVERNMENT AND OTHER ENTITIES**

**Article 43. Relationship with the CIB**

The CAPZA shall determine the development goals for the SPZ within the framework of national development plans, policies and goals, and the director general of the CAPZA shall, upon approval by the CAPEZA Council, submit the SPZ plans, programs and projects to the CIB for inclusion in and as inputs to the overall private sector investment development plan.

**Article 44. Relationship with the Local Government Units**

Except as herein provided, the local government units comprising the SPZ shall retain their basic autonomy and identity. The provinces, municipalities, districts and villages shall operate and function in accordance with the Constitution of the Kingdom of Cambodia.

**Article 45. Relationship of CAPZA to Privately Owned FZ**

Privately owned FZ shall retain their autonomy and independence and shall be monitored by the CAPZA for the implementation of rules, regulations and incentives.

**Article 46. Transfer of Resources**

The relevant functions of the CIB over the licensing of private investments, foreign and domestic, into the SPZ, provision of incentives to and monitoring the activities of the SPZ enterprises shall be transferred to the CAPZA.

**CHAPTER VI  
MISCELLANEOUS PROVISIONS**

**Article 47. Funding**

The funding of the CAPZA shall come from the following:

- (a) The annual subsidies and/or appropriations of the national government;
- (b) The proceeds from the rent of lands, buildings, and other properties of the SPZ concerned;
- (c) The proceeds from fees, charges and other revenue-generating instruments which the CAPZA is authorized to impose and collect under this Law;

- (d) The proceeds from bonds which the CAPZA authorized to float both domestic and abroad; and
- (e) The advance rentals, license fees, and other charges which the CAPZA is authorized to impose under this Law and which an investor is willing to advance payment for.

**Article 48. Applicability of National Law**

National laws shall prevail vis-à-vis the SPZ rules, regulations and standards, unless there is a clear intent in this Law, other laws of the National Assembly or Sub-Decree to vest the SPZ specific power and privileges not otherwise allowed under existing laws.

**Article 49. Authority of the Prime Minister to Advance Initial Funding**

Subject to existing laws, the Prime Minister of the Kingdom of Cambodia is hereby authorized to advance out of the savings of the Prime Minister's Office such funds as may be necessary to effect the organization of the SPZ which shall be reimbursed by the CAPZA at reasonable term and condition.

**Article 50. Non-Applicability on Areas Covered by Other Special Laws**

This Law shall not be applicable to industrial zones, export processing zones, free trade zones and areas to be created under other special laws, and governed by authorities constituted pursuant thereto.

**Article 51. Ipso-Facto Clause**

All privileges, benefits, advantages of exemptions granted to an SPZ under this Law, shall ipso-facto be accorded to the SPZs to be created under this Law.

**Article 52. Separability Clause**

The provisions of this Law are hereby declared separable, and in the event one or more of such provisions or part thereof are declared unconstitutional, such declaration of unconstitutionality shall not affect the validity of the other provisions thereof.

**Article 53. Interpretation/Construction**

The powers, authorities and functions that are vested in the CAPZA and the SPZ concerned are intended to establish decentralization of government functions and authority as well as efficient and effective working relationship between the SPZ, the central government and the local government units.

**Article 54. Repealing Clause**

All laws, sub-decrees, orders, decisions, circulars and provincial dekas and/or administrative regulations which are inconsistent with the provisions of this Law, are hereby amended, modified, superseded or repealed accordingly.

**Article 55. Implementing Rules and Regulations**

The MOC; MEF; CDC; MIME; MOL; MOI; Ministry of Planning; Ministry of Environment; Ministry of Public Works and Transport; Ministry of Land Management, Urban Planning and Construction; Ministry of Tourism; Ministry of Rural Development; Ministry of Agriculture, Forestry and Fishery; Municipality of Sihanoukville; Port Authority of Sihanoukville; the CAPZA and the Ministry of Justice shall formulate the implementing rules and regulations of this Law within ninety (90) days after its promulgation. Such rules and regulations shall be proclaimed as Sub-Decree on the day of formulation and take effect within fifteen (15) days after its proclamation.

**Article 56. Effectuation**

*This Law shall take effect on 10<sup>th</sup> day in Phnom Penh and 20<sup>th</sup> day throughout the country from the issuance date of Royal Decree, which proclaim the promulgation of this Law.*

## **Attachment 2 Law on the Special Economic Zones**

### **KINGDOM OF CAMBODIA NATION – RELIGION- KING**

*Draft Sample*

---

## **LAW ON THE SPECIAL ECONOMIC ZONES**

### **CHAPTER I**

#### **PURPOSES AND OBJECTIVES; ESTABLISHMENT AND NATURE OF SPECIAL ECONOMIC ZONES; COORDINATION WITH OTHER SIMILAR SCHEMES**

##### **Article 1. Title**

*This Law shall be known and cited as “Law on the Special Economic Zones of the Kingdom of Cambodia”.*

##### **Article 2. Declaration of Policy**

*It is the declared policy of the Royal Government of Cambodia (hereinafter referred to as “RGC”) that aims to actively encourage, promote, induce and accelerate a sound and balanced industrial, economic and social development of the country in order to provide jobs to the people, increase their productivity and their individual and family income, and thereby improve the level and quality of their living condition. For this purpose, the RGC shall establish the Special Economic Zones (hereinafter referred to as “SEZ”) in suitable and strategic locations in the country and thereby attract effectively legitimate and productive foreign and domestic investments through the implementation of transparent, predictable and accountable regulatory frameworks in the SEZ.*

##### **Article 3. Purposes, Intents and Objectives**

*The purpose, intent and objective of this Law is as follows:*

- (a) To establish the legal framework and mechanisms for the planning and monitoring of the SEZ;*
- (b) To transform selected areas in the country into highly developed, industrial, commercial, servicing, tourism, agro-industrial, investment, and financial centers and/or export-oriented industrial centers, where highly trained workers and efficient services will be available to industrial and commercial enterprises;*
- (c) To promote the flow of investors, both foreign and domestic, into the SEZ which would generate employment opportunities and establish backward and forward linkage among industries in and around the SEZ;*
- (d) To provide foreign exchange earnings by promoting exports;*
- (e) To promote industrial, commercial, servicing and financial cooperation between the Kingdom of Cambodia and industrialized countries through modernized industries that will upgrade the country’s industrial and other relevant sectors and improve productivity by utilizing new technological and managerial know-how; and*
- (f) To vest the part of the SEZ on certain areas thereof with the status of a separate customs territory within the framework of the Constitution and the national sovereignty and territorial*

*integrity of the Kingdom of Cambodia.*

#### **Article 4. Forms of the SEZ**

*The SEZ of the Kingdom of Cambodia shall take either of the following forms.*

- (a) The Special Promotion Zones (hereinafter referred to as “SPZ”)*
- (b) The Export Processing Zones (hereinafter referred to as “EPZ”)*

#### **Article 5. Form of the SPZ**

*The SPZ is a selected areas which may cover as large space as one whole municipality to the maximum extent and have the potential to be developed into industrial, commercial, servicing, tourism, agro-industrial, investment and financial centers. An SPZ shall contain Promotion Zone (hereinafter referred to as “PZ”) as domestic tariff area and Free Zone (hereinafter referred to as “FZ”) as separate customs territory. The authorized investment projects within the SPZ shall be granted preferential fiscal and non-fiscal treatment.*

*The nature of PZ and FZ is as follows:*

- (a) “Promotion Zones” (PZ) - a domestic tariff area within the SPZ, which is designated as promotional area for the industrial, commercial, servicing, tourism, agro-industrial, real estate and financial investment and development. The authorized investment projects in the PZ will be approved to locate at any place in the PZ at the direction of investors but within a limitation to comply with an urban land use master plan and be granted preferential fiscal and non-fiscal privileges.*
- (b) “Free Zones (FZ)” - a fenced-in separate customs territory within the SPZ, which shall provide the functions as export processing area (hereinafter referred to as “EPA”), free trade area (hereinafter referred to as “FTA”) and/or free logistics center or free port as it may be called (hereinafter referred to as “FP”). FZ is basically designated as an export-oriented production base but also utilized for the processing of high-value materials, which are subject to the high duties and taxes. It also houses duty-free wholesalers/retailers, and export-related traders and service providers. The authorized investment projects in FZ will be granted even wider preferential fiscal and non-fiscal privileges, which include the imports of capital equipment, raw materials, inputs and/or commodities free from duties, taxes and other import restrictions. However, movement of these imported goods from FZ to non-FZ or non-EPZ area in the country shall be subject to import duties and relevant taxes.*

#### **Article 6. Form of the EPZ**

*The EPZ is a fenced-in plot of land located physically and/or administratively outside customs territory, developed and subdivided, predominantly for serving the industrial and other activities related to the export-oriented production. EPZ shall have EPA and may have FTA, Service Center and Residential Center. The authorized investment projects in EPZ will be granted as wide preferential fiscal and non-fiscal privileges as in the FZ of the SPZ. Enterprises located in EPZ are allowed to import capital equipment and raw materials, inputs and/or commodities free from duties, taxes and other import restrictions. However, movement of these imported goods from EPZ to non-EPZ or non-FZ area in the country shall be subject to import duties and relevant taxes.*

#### **Article 7. Definition of Terms**

*For purposes of this Law, the following definitions shall apply to the following terms:*

- (a) “Export Processing Areas” (EPA) - a specialized industrial area within the FZ of the SPZ or the EPZ predominantly oriented to export-oriented production.*

(b) “Free Trade Areas” (FTA) - an area within the FZ of the SPZ or the EPZ where imported goods may be unloaded for immediate transshipment or stored, repacked, sorted, mixed, assembled or otherwise manipulated, sold and bought for wholesale or retail purpose, and/or served the industrial activities within the FZ or the EPZ through supplying, storing, displaying, repackaging, cleaning or finalizing products, supplies or other materials which are not prohibited by any laws.

(c) “Free Logistics Center or Free Port” (FP) - an area near to a port of entry within the FZ of the SPZ where imported goods may be unloaded for immediate transshipment or stored without being subject to import duties and relevant taxes. However, movement of these imported goods from FP to non-FZ or non-EPZ area in the country shall be subject to duties and taxes.

(d) “Service Center” (SC) - a center for supporting industrial and commercial activities within the EPZ, housing the EPZ management office, bank, post-office, training center, daily supermarket and other means.

(e) “Residential Center” (RC) - an area within the EPZ where employers, employees and workers reside.

#### **Article 8. Establishment of SEZ**

To ensure the viability and geographic dispersion of the first SEZ in Cambodia through a system of prioritization, the whole Sihanoukville municipality, except two national park and one forest management and water conservation areas, is initially identified as the SPZ, subject to the criteria specified in Article 9:

These areas shall be developed through any of the following schemes:

- (i) Private initiative;
- (ii) Local government initiative with the assistance of the national government;
- (iii) National government initiative; and
- (iv) The mixed scheme of the above

The meters and boundary of the SPZ are to be delineated and more particularly described in a Sub-Decree to be issued by the Prime Minister of the RGC, upon the recommendation of the Cambodian Economic Zones Authority (hereinafter referred to as “CEZA”), which shall be established under this Law, in coordination with the relevant governmental organizations.

#### **Article 9. Criteria for the Establishment of Other SEZ**

In addition to the SPZ identified in Article 8 of this Law, other areas or land may be established as an SPZ or an EPZ in a Sub-Decree to be issued by the Prime Minister of the RGC, subject to the evaluation and recommendation of the CEZA, based on a detailed feasibility and engineering study which must conform to the following criteria. These areas or land shall be developed in a same manner as described in Article 8:

- (a) The proposed area or land must have good accessibility to international gateways, such as a seaport, airport and/or an international border, and to the domestic market;
- (b) The proposed area or land must be identified as a regional growth center in the medium-term development plan authorized by the central government;
- (c) The existence of required infrastructure in the proposed SPZ or EPZ, such as roads, port, railways, communication network, etc., and the suitability and capacity of the proposed site to absorb such improvements;
- (d) The availability of water source and electric power supply for use of the SPZ or EPZ;
- (e) The existence of vacant lands available for industrial and commercial development and future expansion of the FZ of the SPZ or EPZ as well as of lands adjacent to the FZ of the SPZ or EPZ available for development of residential areas for the SPZ or EPZ workers;



- (f) *The availability of skilled, semi-skilled and non-skilled trainable labor force in and around the SPZ or EPZ;*
- (g) *The area or land must have a significant incremental advantage over other area or land in the Kingdom of Cambodia and its potential profitability can be established; and*
- (h) *The area or land shall be strategically located.*

*Other areas or lands, which do not meet the foregoing criteria, may be established as a SEZ: Provided, That the said area or land shall be developed only through local government and/or private sector initiative, and without any financial exposure on the part of the national government: Provided, further, That the area or land can be easily secured to curtail smuggling activities: Provided, finally, That after five (5) years the area or land must have attained a substantial degree of development, the indicators of which shall be formulated by the CEZA.*

#### **Article 10. SEZ to be a Decentralized Community**

*Within the framework of the Constitution, the interest of national sovereignty and territorial integrity of the Kingdom of Cambodia, the SEZ shall be developed, as much as possible, into a decentralized, self-reliant and self-sustaining industrial, servicing, commercial/trading, agro-industrial, tourism/recreational, financial and investment center in case of an SPZ and industrial, servicing and trading center in case of an EPZ with minimum government intervention. Each SEZ shall be provided with transportation, telecommunications, and other facilities needed to generate linkage with industries and employment opportunities for its own inhabitants and those of nearby towns and cities.*

*The SEZ shall administer itself on industrial, economic, tourism, financial and investment development, and such other matters within the exclusive competence of the national government.*

*The SEZ may establish mutually beneficial economic relations with other entities within the country, or, subject to the administrative guidance of the Council of the Ministers (hereinafter referred to as "COM"), the Ministry of Commerce (hereinafter referred to as "MOC"), the Ministry of Economy and Finance (hereinafter referred to as "MEF"), the Ministry of Industry, Mine and Energy (hereinafter referred to as "MIME"), the Ministry of Foreign Affairs (hereinafter referred to as "MFA"), the Ministry of Interior (hereinafter referred to as "MOI"), the Ministry of Social Affairs, Labor, Vocational Training and Youth Rehabilitation (hereinafter referred to as "MOL") and the Council for the Development of Cambodia (hereinafter referred to as "CDC"), with foreign entities or enterprises.*

*Foreign citizens and companies owned by non-Cambodian citizens in whatever proportion may set up enterprises in the SEZ, either by themselves or in joint venture with the Cambodian nationals in any sector of industry, international trade and commerce, services within the SEZ, except in the areas restricted in a negative list of industries that will be drawn up by the CEZA. Their assets, profits and other legitimate interests shall be protected: Provided, That the SEZ through the CEZA may require a minimum investment for any SEZ enterprise in freely convertible currencies: Provided, further, That the new investment shall fall under the priorities, thrusts and limits provided for in this Law.*

#### **Article 11. FZ and EPZ to be Operated and Managed as Separate Customs Territory**

*The FZ in an SPZ or EPZ shall be managed and operated by the CEZA as a separate customs territory.*

*The CEZA is hereby vested with the authority to issue certificates of origin for products manufactured or processed in each SEZ in accordance with the prevailing rules of origin, and the pertinent regulations of the MOC, the MIME and other relevant ministries, of which implementing procedures shall be modified by the CEZA.*

#### **Article 12. Eviction, Modification and Demolition**

*Legal private properties and other rights recognized by law which exist within the planned-site for the establishment or enlargement of FZ or EPZ and areas for infrastructure development linking to the SEZ shall be compensated, according to the stipulations of the Law on Land, with reasonable and fair prices in advance, before any license of the SEZ establishment and development is principally approved.*

*Owners of illegal immovable properties within the approved areas or lands for the SEZ shall be requested to remove such immovable properties at their own cost without any compensation in three (3) months after the Sub-Decree defining the areas or lands as the SEZ is adopted.*

*For completed or on-going construction, which is not permitted or does not comply with an urban land use master plan or in contradiction with the conditions set forth in the CEZA approvals, the CEZA shall issue the order to building owners to halt, modify or pull down the construction wholly or partially within sixty (60) days. In case the building owners fails to fulfill such orders of the CEZA within said period of time, the CEZA will reserve the right to modify or pull down the whole or partial construction at the cost of the building owners.*

### **Article 13. Defense and Security**

*The defense of the SEZ and the security of its perimeter area shall be the responsibility of the RGC in coordination with the CEZA. Military forces sent by the RGC for the purpose of defense shall not interfere in the internal affairs of any of the SEZ and expenditure for these military forces shall be borne by the RGC. The CEZA may provide and establish the SEZ's internal security and firefighting forces.*

### **Article 14. Immigration**

*Any investor within the SEZ whose initial investment shall not be less than two hundred fifty thousand dollars (\$250,000), his/her spouse and dependent children under eighteen (18) years of age shall be granted permanent resident status by the CEZA within the SEZ without any need of special authorization from the MOI.*

*The CEZA shall issue working visas renewable every two (2) years to foreign executives, engineers, technicians, workers and other aliens, possessing highly technical skills, which no Cambodian citizens within the SEZ possesses, as certified by the CEZA, or strong and appropriate workability to fill up the vacant positions in the SEZ enterprises, as approved by the CEZA. The names of aliens granted permanent resident status and working visas by the CEZA shall be reported to the MOI within thirty (30) days after issuance thereof.*

### **Article 15. Establishment of FZ or EPZ with private Initiative**

*Those who wish to develop FZ or EPZ, natural person (s) or legal entity (hereinafter referred to as "Zone Developer"), shall first submit the CEZA the application for privilege in principle for zone determination and necessary incentives for the establishment of FZ or EPZ. The CEZA shall issue in writing its decision on whether it shall grant the privilege or reject the application with justification of the reasons for rejection, if the case may be, within 60 days after the submission of such an application.*

*Upon receipt of privilege paper in principle, Zone Developer shall submit the CEZA a detailed plan of the FZ or EPZ including master plans, economic and technical feasibility study, basic financial status within the defined period from the day of obtaining the privilege. In the case that the detailed plan for the FZ or EPZ establishment has fulfilled the requirements, a Sub-Decree on the establishment of the FZ or EPZ shall be issued within 100 days from the date of submission of the detailed plan.*

*Zone Developers may request the RGC to grant 99-year concession of land where the FZ or EPZ will be established and will be approved to sublease subdivided land to the investors in the FZ or EPZ.*

## **CHAPTER II**

### **GOVERNING STRUCTURES**

#### **Article 16. The Cambodian Economic Zones Authority (CEZA)**

*There is hereby created a governing organization of the SEZ to be known as the Cambodian Economic Zones Authority (CEZA), a public corporation established pursuant to the stipulations of KRAM on The General Statute of Public Enterprises of 17 June 1996 and attached to the Council of the Ministers.*

*The CEZA shall have CEZA Council of Administration (hereinafter referred to as “CEZA Council”) for its policy making with full autonomy. The CEZA Council shall be composed of seven (7) members as follows: Minister of Cabinet as a Chairman, the General Manager of the CEZA as a Vice Chairman, the Secretaries of State of the MEF, the MOC, the MIME, Secretary General of Cambodian Investment Board (hereinafter referred to as “CIB”) of the Council for The Development of Cambodia (hereinafter referred to as “CDC”) and one representative of CEZA’s employees. One representative from Investors/Business Society in the SEZ will be invited to the CEZA Council meetings as an observer. In case of the unavailability of the Minister of Cabinet to attend a particular CEZA Council meeting, the General Manager of the CEZA shall act as a Chairman.*

*The CEZA shall have a General Manager, who shall act as a Chief Executive Officer (hereinafter referred to as “CEO”) of the CEZA in the CEZA Executive Office, with the rank of minister who shall be appointed by the Prime Minister. Such general manager shall be of proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least twenty (20) years relevant working experience preferably in the field of management or public administration. The general manager shall not be a government person or a member of the National Assembly, as stipulated in Article 10 of said KRAM, but a private person, regardless of nationality and sex, with respectful careers in private sector.*

*The general manager shall be assisted by three (3) Deputy General Managers each for policy and planning, administration and operation, who shall be appointed by the CEZA Council, upon the recommendation of the general manager. The deputy general managers shall be with proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least fifteen (15) years relevant working experiences in each assigned fields. The deputy general managers shall not be government persons or members of the National Assembly but private persons, regardless of their nationalities and sex, with respectful careers in private sector.*

*One (1) Senior Executive Advisor for strategic planning and supervision on the implementation of policy and planning, administration and operation for and of the SEZ, who shall be appointed by the CEZA Council upon the recommendation of the general manager, shall assist the general manager. The senior executive advisor shall be of proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least more than twenty (20) years working experience preferably in the field of planning and/or management of equivalent special economic zones.*

*There shall be one (1) Executive Auditor, who shall be appointed by the Prime Minister, to audit the CEZA as a whole. The executive auditor shall be of proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least more than fifteen (15) years working experience preferably in the field of auditing, planning and/or management. He shall be responsible and entitled to make direct and periodical reports to the Prime Minister of the RGC, regarding the management, policies and operations of the SEZ.*

Members of the CEZA Council, except the general manager, shall receive a per diem of not less than the amount equivalent to the representation and transportation allowances as the members of the CEZA Council and/or as may be determined by the MEF: Provided, however, That the per diem collected per month does not exceed the equivalent of four (4) meetings.

For the purpose of this Article, the Articles 26 to 29 of the said KRAM shall be superseded by this Law.

#### **Article 17. Functions and Powers of the CEZA Council of Administration**

The CEZA Council shall have the following functions and powers:

- (a) Set the general policies on the establishment and operations of the SEZ;
- (b) Review proposals for the establishment of the SEZ based on the set criteria under Article 9 and endorse to the Prime Minister the establishment of the SEZ. Thereafter, it shall facilitate and assist in the organization of said entities;
- (c) Regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in the SEZ, such as heat, light and power; water supply, telecommunications, transport, toll road and bridges, post services, etc., and to fix reasonable and competitive rates, charges and fees thereof;
- (d) Fix and collect the reasonable and competitive land leasing rates, service charges or other necessary charges or fees from the investment enterprises in case they may locate at the premises developed and operated by the CEZA or from the developer in case they are in charge of developing land, buildings or other necessary facilities basing on sub-leasing rights from the CEZA;
- (e) Approve the annual budget of the CEZA and the SEZ development plan;
- (f) Issue rules and regulations to implement the provisions of this Law in so far as its power and functions are concerned;
- (g) Exercise its powers and functions as provided for in this Law; and
- (h) Render annual reports to the COM, the MEF and the responsible authority.

#### **Article 18. General Powers and Functions of the CEZA Executive Office**

The CEZA Executive Office has the following powers and functions:

- (a) To operate, administer, manage and develop the SEZ according to the principles and provisions set forth in this Law;
- (b) To accept the investment projects proposals, check the coverage of the information required and provide the investment licenses in the SEZ
- (c) To register, regulate and supervise the enterprises in the SEZ in an efficient and decentralized manner;
- (d) To coordinate with local government units and exercise general supervision over the development plans, activities and operations of the SEZ and the like;
- (e) In coordination with local government units concerned and appropriate agencies, to construct, acquire, own, lease, operate and maintain on its own or through contract, franchise, license, bulk purchase from the private sector and build-operate-transfer scheme or joint venture, adequate facilities and infrastructure, such as light and power systems, water supply and distribution systems, telecommunication and transportation, buildings, structures, warehouses, roads, bridges and other facilities for the operation and development of the SEZ;
- (f) To create, operate and/or contract to operate such agencies and functional units or offices of the CEZA as it may deem necessary;
- (g) To adopt, alter and use a corporate seal; make contracts, lease, own or otherwise dispose of personal or real property; sue and be sued; and otherwise carry out its duties and functions as provided for in this Law;
- (h) To coordinate the formulation and preparation of the development plans of the different entities

mentioned above;

- (i) To coordinate with the COM, the MEF, the MOC, the MIME, the MOI, the MOL, the CDC and other relevant ministries and the local government units for policy and program formulation and implementation; and
- (j) To monitor and evaluate the development and requirements of entities in subsection (a) and recommend to the appropriate authorities the location, incentives, basic services, utilities and infrastructure required or to be made available for said entities.

The CEZA Executive Office shall create and operate such functional units as One-stop Shop Center, Customs Clearance Unit, Trade Inspection Unit, Taxation Unit, Labor Relation Unit, SME Promotion Unit, Telecommunication Unit, Infrastructure Unit, Environment Control Unit, Security and Firefighting Unit and other functional units as deemed necessary to be created from time to time.

### **Article 19. Powers and Functions of the General Manager**

The general manager shall be the overall coordinator of the policies, plans and programs of the SEZ, being a CEO of the CEZA. As such, he shall provide overall supervision over and general direction to the development and operations of the SEZ. He shall determine the structure and the staffing pattern and personnel complement of the CEZA and establish regional offices, when necessary, subject to the approval of the CEZA Council.

In addition, he shall have the following specific powers and responsibilities:

- (a) To safeguard all the lands, buildings, records, monies, credits and other properties and rights of the SEZ;
- (b) To ensure that all revenues of the SEZ are collected and applied in accordance with its budgets;
- (c) To ensure that the investors/enterprises and employees of the SEZ are properly discharging their respective duties;
- (d) To give such information and recommend such measures to the CEZA Council, as he shall deem advantageous to the SEZ;
- (e) To submit to the CEZA Council, the ongoing and proposed projects, work and financial program, annual budget of receipts, and expenditures of the SEZ;
- (f) To represent the SEZ in all its business matters and signs on its behalf after approval of the CEZA Council, all its bonds, borrowings, contracts, agreements and obligations made in accordance with this Law;
- (g) To acquire jurisdiction, as he may deem proper, over the protests, complains, and claims of the residents and enterprises in the SEZ concerning administrative matters;
- (h) To recommend to the CEZA Council the grant, approval, refusal, amendment or termination of the SEZ franchises, licenses, permits, contracts, and agreements in accordance with the policies set by the CEZA Council;
- (i) To require owners of houses, buildings or other structures constructed in the SEZ without the necessary permit whether constructed on public or private lands, to remove or demolish such houses, buildings, structures within sixty (60) days after notice and upon failure of such owner to remove or demolish such house, building or structure within said period, the general manager or his authorized representative may summarily cause its removal or demolition at the expense of the owner; any existing law, decree, executive order and other issuances or part thereof to the contrary notwithstanding;
- (j) To take such emergency measures as may be necessary to avoid fires, floods and mitigate the effects of storms and other natural or public calamities;
- (k) To prepare and make out plans for the physical and economic development of the SEZ, including zoning and land subdivision, and issue such rules and regulations which shall be submitted to the CEZA Council for its approval; and
- (l) To perform such other duties and exercises such powers as may be prescribed by the CEZA Council, and to implement the policies, rules and regulations set by the CEZA Council.

**Article 20. Administration of Each SEZ**

Except for privately-owned, managed or operated SEZ, each SEZ shall be organized, administered, managed and operated by the SEZ Administrative Unit composed of the following:

- (a) The administrator who shall be appointed by the CEZA Council upon recommendation of the general manager of the CEZA Executive Office; and
- (b) One (1) deputy administrator to be appointed by the CEZA Council upon recommendation of the general manager of the CEZA Executive Office.

An SEZ advisory body shall be created with the following members:

- (1) The governor of the province where the SEZ is located;
- (2) The presidents of the association of investors/enterprises in the FZ and PZ of the SPZ or in the EPZ
- (3) The president of an accredited labor union in the SEZ; and
- (4) The representatives of the CEZA, Customs, Tax Department, Labor Office, MOC, MIME and other relevant organizations.

A SEZ advisory body, except for executing routine powers and functions of CEZA under a guidance of the CEZA Executive Office, shall have the following functions:

- (i) Advise the SEZ Administrative Unit on matters pertaining to policy initiatives; and
- (ii) Assist the SEZ Administrative Unit in setting problems arising between labor and any enterprise in the SEZ.

Privately owned, managed or operated FZ or EPZ shall retain autonomy and independence but shall be monitored by the CEZA for the implementation of incentives and operations for adherence to the law.

**Article 21. Personnel**

The remunerations and other emoluments of the general manager and deputy general managers of the CEZA shall be determined separately from the manner and procedures as for the ministers and secretaries of state of the central government, including the performance bonus which shall be paid according to the profit records and upon the agreement of the members of the CEZA Council. The remunerations and other emoluments of senior executive advisor shall be separately fixed by the CEZA Council upon recommendation of the general manager with the approval of the COM.

The CEZA Council shall provide for an organization and staff of officers and employees of the CEZA, and upon recommendation of the general manager with the approval of the COM, appoint and fix the remunerations and other emoluments: Provided, That the CEZA Council shall have exclusive and final authority to promote, transfer, assign and reassign officers of the CEZA, any provision of existing law to the contrary notwithstanding: Provided, further, That the general manager may carry out removal of such officers and employees.

All positions in the CEZA shall be governed by compensation, position classification system and qualification standards approved by the general manager with the concurrence of the CEZA Council based on a comprehensive job analysis and audit of actual duties and responsibilities. The compensation plan shall be comparable or better with the prevailing compensation plans for the central government officers and shall be subject periodic review by the CEZA Council no more than one (1) time in every year without prejudice to yearly merit reviews or increases based on productivity and regulations on compensation, position classification and qualification standards.

The CEZA officers and employees including all members of the CEZA Council shall not engage directly or indirectly in partisan activities or take part in any action, except to vote.

**Article 22. Investigation and Inquiries**

*Upon a written formal complaint made under oath, which on its face provides reasonable basis to believe that some anomaly or irregularity might have been committed, the CEZA or the administration unit of the SEZ concerned, shall have the power to inquire into the conduct of enterprises or employees of the SEZ and to conduct investigations, and for that purpose may subpoena witnesses, administer oaths, and compel the production of books, papers and other evidences: Provided, That to arrive at the truth, the investigator(s) may grant immunity from prosecution to any person whose testimony or whose possessions of documents or other evidence is necessary or convenient to determine the truth in any investigation conducted by him or under the authority of the CEZA or the administrator of the SEZ concerned.*

**Article 23. Prohibition Against Holding Any Other Office**

*The general manager, deputy general managers, administrators, officials and staff or assistants of the CEZA shall not hold any other office or employment within or outside the CEZA during their tenure. They shall not, during their tenure, directly or indirectly, practice any profession, participate in any business, or be financially interested in any contract with, or in any franchise, or special privilege granted by the CEZA or the RGC, or any subdivision, agency, or instrumentally thereof, including any government-owned-controlled corporation, or its subsidiary.*

**Article 24. Disbursement of Funds**

*No money shall be paid out of the funds of any SEZ except in pursuance of the budget as formulated and approved by the CEZA.*

**Article 25. Full Disclosure of Financial and Business Interest**

*Every member of the CEZA Council, the general manager, the deputy general manager, and their staff shall, upon assumption of office, make full disclosure of their financial and business interests.*

**CHAPTER III  
OPERATIONS WITHIN THE SEZ****Article 26. Development Strategy of the SEZ**

*The strategy and priority of development of each SEZ established pursuant to this Law shall be formulated by the CEZA, in coordination with the MEF, the MOC, the MIME, the CDC and other appropriate authorities: Provided, That such development strategy is consistent with the priorities of the RGC as may be outlined in the medium-term development plan of the government.*

*It shall be the policy of the government and the CEZA to encourage and provide incentives and facilitate private sector participation in the construction and operation of public utilities and infrastructure in the SEZ.*

**Article 27. Survey of Resources**

*The CEZA shall, in coordination with appropriate authorities and neighboring provinces, immediately conduct a survey of the physical, natural assets and potentialities of the SEZ areas under its jurisdiction.*

**Article 28. Provision of Fiscal Incentives**

*The CEZA approved investment projects operating within the SEZ, both of foreign and domestic, shall be entitled to the fiscal incentives as provided for under this Law and the Sub-Decree regarding the*

rules and regulations to implement this Law. The investment projects that will have been approved under the Law on Investment of Cambodia before and will move into the SEZ after the date of effectuation of this Law shall not be entitled to such fiscal incentives.

**Article 29. Applicable Fiscal Incentives to the CEZA Approved Investment Projects in FZ of the SPZ and the EPZ**

The approved investment projects located in FZ of the SPZ or the EPZ and persons working thereof shall be entitled to the following fiscal incentives.

- (a) Tax on profit: 10% except for the exploration and exploitation of natural resources, timber, oil, mines, gold and precious stones which shall be set in separate laws. 5% for the FZ and EPZ development projects. Such preferential tax rate shall be applied, limited to three consecutive profitable years after the tax holiday period.
- (b) Tax holiday: Trigger period + 3 years + Priority Period, where the Priority period shall be determined by the Financial Management Law. Period of tax holiday for the FZ or EPZ development projects shall be equal to the period of profit tax exemption for Qualified Investment Projects in the field of infrastructure and long time crop plantation under the Amended Law on the Law on Investment of 2003.
- (c) Special depreciation: 40% on the production equipment in the first year of operation
- (d) Corporate tax on reinvestment of profits: Not applicable
- (e) Duty free import: Production equipment, construction materials and production input materials (On the part of production input materials, which will have been used for the products to be sold to the domestic market, import duty shall be levied at a time of delivery to the outside of FZ or the EPZ.). The FZ or EPZ development projects shall be granted the same privilege.
- (f) Minimum tax: Not applicable
- (g) Prepayment of Tax on Profit: Not applicable during the tax holiday period
- (h) Loss carry-forward: 5 years
- (i) Withholding tax on salary for expatriates: 10%
- (j) Tax on house and land rent: Exempt
- (k) Value Added Tax: 0% for exports and transaction within FZ and the EPZ
- (l) Training allowance: Half a training expenses borne by FZ and EPZ enterprises for Cambodian citizens can be deducted from the Tax on Profit
- (m) Export duty: Exempt

**Article 30. Applicable Fiscal Incentives to the CEZA Approved Investment Projects in PZ of the SPZ**

The approved investment projects located in PZ of the SPZ and persons working thereof shall be entitled to the following fiscal incentives.

- (a) Tax on profit: 15% except for the exploration and exploitation of natural resources, timber, oil, mines, gold and precious stones which shall be set in separate laws. Such preferential tax rate shall be applied, limited to three consecutive profitable years after the tax holiday period.
- (b) Tax holiday: Trigger period + 3 years + Priority Period, where the Priority period shall be determined by the Financial Management Law.
- (c) Special depreciation: 40% on the production equipment in the first year of operation
- (d) Corporate tax on reinvestment of profits: Not applicable
- (e) Duty free import: Production equipment and construction materials. One time only in the first year of operation. On the part of production input materials, which will have been used for the exported-products, import duty shall be refunded at a time of exports.
- (f) Minimum tax: Not applicable
- (g) Prepayment of Tax on Profit: Not applicable during the tax holiday period
- (h) Loss carry-forward: 5 years
- (i) Withholding tax on salary for expatriates: 10%
- (j) Tax on house and land rent: 5%
- (k) Value Added Tax: 0% for direct exports and indirect exports. 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.

- (l) *Training allowance: Half a training expenses borne by PZ enterprises for Cambodian citizens can be deducted from the Tax on Profit*
- (m) *Export duty: Exempt*

*Capital Gain Tax on Land shall be introduced and levied on the profits derived from the transaction of lands in the PZ at the rates as shown below.*

- (1) *50% for the ownership of 5 years or less*
- (2) *25% for the ownership of 10 years or less*
- (3) *10% for the ownership of 10 years or more*

### **Article 31. Domestic Sales**

*Goods manufactured by an FZ or EPZ enterprise shall be made available for immediate wholesale or retail sales in the domestic market, subject to payment of import duties and corresponding taxes on the raw materials and other regulations that may be adopted by the CEZA Council.*

*However, in order to protect the domestic industry, there shall be a negative list of industries that will be drawn up by the CEZA. Enterprises engaged in the industries included in the negative list shall not be allowed to sell their products locally. Said negative list shall be regularly updated by the CEZA.*

*The CEZA, in coordination with the Customs Department of the MEF, the MOC and the MIME shall jointly issue the necessary implementing rules and guidelines for the effective implementation of this section.*

### **Article 32. Applicability of Banking Laws and Regulation**

*Existing Law on Banking and Financial Institutions shall apply to banks and financial institutions to be established in the SEZ and to other SEZ enterprises. Among other pertinent regulations, these include those governing foreign exchange and other current account transactions (trade and non-trade), local and foreign borrowings, foreign investments, establishment and operation of local and foreign banks, foreign currency deposit units, offshore banking units and other financial institutions under the supervision of the National Bank of Cambodia.*

### **Article 33. After Tax Profits**

*Without prior approval of the National Bank of Cambodia, after tax profits and other earnings of foreign investments in the SEZ enterprises may be remitted outward in the equivalent foreign exchange through any of the banks licensed by the National Bank of Cambodia in the SEZ: Provided, however, That such foreign investments in said enterprises have been previously registered with the National Bank of Cambodia.*

### **Article 34. Eminent Domain**

*The areas comprising an SPZ, FZ, PZ or EPZ may be expanded or reduced when necessary. For this purpose, the government shall have the power to acquire, either by purchase, negotiation or condemnation proceedings, any private lands within or adjacent to the SEZ for:*

- (a) *Consolidation of lands for zone development purposes;*
- (b) *Acquisition of right of way to the SPZ, FZ, PZ or EPZ; and*
- (c) *The protection of watershed area and natural assets valuable to the prosperity of the SEZ.*

*If in the establishment of a publicly-owned FZ or EPZ, any person or group of persons who has been occupying a parcel of land within the FZ or EPZ has to be evicted, the CEZA shall provide the person or group of persons concerned with proper disturbance compensation, a home lot in the relocation site and preferential employment in the project being undertaken.*

**Article 35. Leases of Lands and Buildings**

*Lands and buildings in each FZ or EPZ may be leased to foreign and domestic investors from the CEZA with approval of the CEZA Council for a period of fifteen (15) years or more as a long-term lease, further renewable on case by case, as provided for under Article 106 of 2001 Law on Land. According to the provision of Article 106 of the 2001 Law on Land, the CEZA shall approve the acquisition and determine the period of such leasehold to foreign investors. The leasehold right acquired under long-term contacts may be sold, transferred or assigned, subject to the conditions set forth by and with approval of the CEZA.*

*Foreign investors in PZ of the SPZ shall freely make land leasehold contract for indefinite or definite period and short or long in case of definite period. Domestic investors in PZ shall also freely purchase or make land leasehold contracts.*

**Article 36. Inspection**

*Competent officials of the CEZA who are entrusted the duties to conduct inspection shall reserve the right to enter the production site or any other premises in the SEZ during working hours to seek information or other relevant purposes by issuing the notice of the general manager of the CEZA at least 24 hours in advance, except for necessary and urgent cases when the administrator of the SEZ Administration Unit shall be entitled to issue such notice in the same manner.*

**Article 37. Land conversion**

*Any of agricultural lands, forest lands, construction lands, industrial lands and/or communication lands in the SEZ may be converted for industrial, commercial, residential, and other purposes different from their original classifications, subjects to the conditions and procedures set forth by the CEZA and according to the relevant laws and regulations.*

**Article 38. Transport and Transport Register**

*Private transport and related business including private container dry ports and track terminals may operate freely in the SEZ, subject only to such minimum reasonable regulations of local application, which the CEZA may prescribe.*

*The CEZA shall, in coordination with the Ministry of Public Works and Transport, maintain a transport register for each SEZ as a business register of convenience for internationally transporting tracks and issue related certification.*

*Tracks of all sizes, descriptions and nationalities shall enjoy access to the dry ports or terminal facilities of the SEZ, subject only to such reasonable requirement as may be prescribed by the CEZA in coordination with the appropriate agencies of the RGC.*

**Article 39. Protection of Environment**

*The CEZA, in coordination with the appropriate agencies, shall take concrete and appropriate steps and enact the proper measure for the protection of the local environment. For this purpose, CEZA shall create and operate its own Environment Control Unit.*

**Article 40. Termination of Business**

*Investors in the SEZ who desire to terminate business or operations shall comply with such requirements and procedures, which the CEZA shall set, particularly those relating to the clearing of debts. The assets of the closed enterprises can be transferred and the funds can be remitted, as in the same form of currencies as invested, out of the SEZ subject to the rules, guidelines and procedures*

prescribed jointly by the National Bank of Cambodia and the CEZA.

#### **Article 41. Approval of Investment and Registration of Business Enterprises**

*Business enterprises or persons, which wish to make investments within a designated SEZ, shall receive the investment approval on each investment project from CEZA and register a company, which will be organized for the purpose of implementing approved project and thereafter be referred to as an SEZ enterprise, with the CEZA to avail of all incentives and benefits provided for in this Law. Such investment approval procedures shall be made in conformity with the rules and regulations provided for under the Law on Investment but handled by the CEZA.*

*The investment projects that will have been approved under the Law on Investment of Cambodia before and wish to move into the SEZ after the date of effectuation of this Law shall apply for the CEZA approval. Such projects will be entitled to all the regulatory services rendered by the CEZA.*

#### **Article 42. One Stop Shop Center**

*The CEZA shall establish a one-stop shop center for the purpose of facilitating the approval on the intended investments, registration of new enterprises, the acquisition of import/export license and other license and/or permits necessary for the business activities in the SEZ. Thus, all appropriate government agencies that are involved in registering, licensing or issuing permits to investment projects shall assign their representatives to the SEZ to attend to investors' requirements. Such representatives of appropriate government agencies will be under direct control of the CEZA.*

#### **Article 43. Trade Inspection and Customs Clearance**

*The CEZA shall establish and operate Trade Inspection Unit and Customs Clearance Unit for facilitating the smoother flow of the exported and imported products from and into the SEZ. The trade inspection and/or customs clearance procedures shall be carried out only at the places and/or gates especially designated by the CEZA.*

### **CHAPTER IV INDUSTRIAL HARMONY IN THE SEZ**

#### **Article 44. Labor and Management Relations**

*Except as otherwise provided in this Law, labor and management relations in the SEZ shall be governed by the existing Law on Labor. Employees and personnel in the SEZ enterprises shall receive salaries and benefits and shall enjoy working conditions not less than those provided under the Law on Labor and other relevant laws, issuances, rules and regulations of the RGC.*

#### **Article 45. Promotion of Industrial Peace**

*In the pursuit of industrial harmony in the SEZ, a tripartite body composed of one (1) representative each from the MOL, labor sector and business and industry sectors shall be created in order to formulate a mechanism under a social pact for the enhancement and preservation of industrial peace in the SEZ within thirty (30) days after the effectuation of this Law.*

#### **Article 46. Master Employment Contracts**

*The CEZA, in coordination with the MOL, shall prepare a master employment contract in Khmer language for all SEZ enterprises staff members and workers. The terms of which provide salaries and benefits not less than those provided under this Law, the Law on Labor, as amended, other relevant issuances of the national government. Such a master employment contract can be arranged and made into a format with which detailed terms and conditions of employment of each staff member or worker can be clearly described.*

**Article 47. Percentage of Foreign Nationals**

*Employment of foreign nationals hired by the SEZ enterprises in a supervisory, advisory, technical capacity or those who fill up the job vacancies in order to operate the facilities to the full extent shall not exceed ten percent (10%) of its workforce without the express authorization of the MOL.*

**Article 48. Migrant Worker**

*The CEZA, in coordination with the MOL, shall promulgate appropriate measures and programs leading to the expansion of the services of the SEZ to help the local governments of nearby areas meet the needs of the migrant workers.*

**Article 49. Incentive Scheme for Training Expenses**

*An additional deduction equivalent to one-half (1/2) of the value of training expenses incurred in developing skilled or unskilled labor or for managerial or other management development programs incurred by the SEZ enterprises and offered to Cambodian citizens in the SEZ can be deducted from the Tax on Profit.*

*The CEZA, the MOL and the MEF shall jointly make a review of the incentive scheme provided in this section every two (2) years or when circumstances so warrant.*

**CHAPTER V  
NATIONAL GOVERNMENT AND OTHER ENTITIES****Article 50. Relationship with the CIB**

*The CEZA shall determine the development goals for the SEZ within the framework of national development plans, policies and goals, and the general manager of the CEZA shall, upon approval by the CEZA Council, submit the SEZ plans, programs and projects to the CIB for inclusion in and as inputs to the overall private sector investment development priority plan.*

**Article 51. Relationship with the Local Government Units**

*Except as herein provided, the local government units comprising the SEZ shall retain their basic autonomy and identity. The provinces, municipalities, districts and villages shall operate and function in accordance with the Constitution of the Kingdom of Cambodia.*

**Article 52. Relationship of CEZA to Privately Owned FZ and EPZ**

*Privately owned FZ and EPZ shall retain their autonomy and independence and shall be monitored by the CEZA for the implementation of rules, regulations and incentives.*

**Article 53. Transfer of Resources**

*The relevant functions of the CIB over the licensing of private investments, foreign and domestic, into the SEZ, provision of incentives to and monitoring the activities of the SEZ enterprises shall be transferred to the CEZA.*

**CHAPTER VI  
MISCELLANEOUS PROVISIONS****Article 54. Funding**

*The funding of the CEZA shall come from the following:*

- (a) *The annual subsidies and/or appropriations of the national government;*
- (b) *The proceeds from the rent of lands, buildings, and other properties of the SEZ concerned;*
- (c) *The proceeds from fees, charges and other revenue-generating instruments which the CEZA is authorized to impose and collect under this Law;*
- (d) *The proceeds from bonds which the CEZA authorized to float both domestic and abroad; and*
- (e) *The advance rentals, license fees, and other charges which the CEZA is authorized to impose under this Law and which an investor is willing to advance payment for.*

**Article 55. Applicability of National Law**

*National laws shall prevail vis-à-vis the SEZ rules, regulations and standards, unless there is a clear intent in this Law, other laws of the National Assembly or Sub-Decree to vest the SEZ specific power and privileges not otherwise allowed under existing laws.*

**Article 56. Authority of the Prime Minister to Advance Initial Funding**

*Subject to existing laws, the Prime Minister of the Kingdom of Cambodia is hereby authorized to advance out of the savings of the Prime Minister's Office such funds as may be necessary to effect the organization of the SEZ which shall be reimbursed by the CEZA at reasonable term and condition.*

**Article 57. Non-Applicability on Areas Covered by Other Special Laws**

*This Law shall not be applicable to areas to be created under other special laws, and governed by authorities constituted pursuant thereto.*

**Article 58. Ipso-Facto Clause**

*All privileges, benefits, advantages of exemptions granted to an SEZ under this Law, shall ipso-facto be accorded to the SEZs to be created under this Law.*

**Article 59. Separability Clause**

*The provisions of this Law are hereby declared separable, and in the event one or more of such provisions or part thereof are declared unconstitutional, such declaration of unconstitutionality shall not affect the validity of the other provisions thereof.*

**Article 60. Interpretation/Construction**

*The powers, authorities and functions that are vested in the CEZA and the SEZ concerned are intended to establish decentralization of government functions and authority as well as efficient and effective working relationship between the SEZ, the central government and the local government units.*

**Article 61. Repealing Clause**

*All laws, sub-decrees, orders, decisions, circulars and provincial orders and/or administrative regulations which are inconsistent with the provisions of this Law, are hereby amended, modified, superseded or repealed accordingly.*

**Article 62. Implementing Rules and Regulations**

*The MOC; MEF; CDC; MIME; MOL; MOI; Ministry of Planning; Ministry of Environment; Ministry of Public Works and Transport; Ministry of Land Management, Urban Planning and Construction; Ministry of Tourism; Ministry of Rural Development; Ministry of Agriculture, Forestry and Fishery; Municipality of Sihanoukville; Port Authority of Sihanoukville; the CEZA and the Ministry of Justice shall formulate the implementing rules and regulations of this Law within ninety (90) days after its*

*promulgation. Such rules and regulations shall be proclaimed as Sub-Decree on the day of formulation and take effect within fifteen (15) days after its proclamation.*

**Article 63. Effectuation**

*This Law shall take effect on 10<sup>th</sup> day in Phnom Penh and 20<sup>th</sup> day throughout the country from the issuance date of Royal Decree, which proclaim the promulgation of this Law.*

This law is adopted by the National Assembly of  
The Kingdom of Cambodia  
on .....  
during its ....plenary session of the Assembly.

**National Assembly President**

Norodom Ranaridh