

Part 2

Investment Promotion

Chapter 10

Analysis of Basis for FDI Promotion in Cambodia

10.1 Legal Framework and Enforcement of Investment Related Regulations

10.1.1 Current Legal and Judicial Situation in Cambodia

The Cambodian law system currently lacks a series of comprehensive and fundamental codes and heavily relies on the general law system which comprises individual special laws. Although the drafting works have proceeded with assistance of various donors for a long time, the significant codes such as Civil Code and Criminal Code have not been adopted by the National Assembly. Such slow progress in the legislation process is one of the major obstacles to making the Cambodian legal system more reliable and efficient.

Reasons for the delay in the legislation process are explained as follows.

- Lack of drafting ability in line ministries
- Lack of ability of Office of Jurist in coordinating relevant ministries and checking conformity with other laws and regulations, and lack of ability of the National Assembly and the Senate to review, adjust and modify drafts

Because of delays in legislation process, necessary regulations tend to be issued in the form of Decrees or Sub-Decrees, which concentrates power in a limited number of persons and makes the legislation process less transparent, less accountable and less effective. In this way, it may be difficult to prevent legislation from serving the interests of limited persons or groups.

Incomplete, weak, wrong or incorrect enforcement of laws and regulations is another vulnerability of the Cambodian legal system. This is often blamed for the sabotage or ignorance of provisions of laws and regulations by the police, government officials or judges.

Bribing judges and court employees is another frequently reported problem. This undermines the people's confidence in the dignity of laws and the principle of the rule of law. Judgments by courts are often accused of being biased and inconsistent. One reason is explained by the existence of unqualified judges and prosecutors. "Cambodian Legal and Judicial Sector Assessment" (published in November 2003 by the World Bank) said that only 23 persons in judicial circles hold a law degree as shown in Table 10-1-1.

Consequently, the rule of law is deemed to be incomplete in Cambodia because, as the said "Assessment" points out, "the rule of law prevails where:

- The government itself is bound by the law,
- Every person in society is treated equally under the law,
- The human dignity of each individual is recognized and protected by law; and

- Justice is accessible to all”

Table 10-1-1 Educational profile of the judiciary as of 1999

Level of Education	Provincial/ Municipal Judges ⁵³	Appeal Court Judges	Supreme Court Judges	Prosecutors	Total
Bachelor Degree in Law (4 years)	11	6	1	5	23
Bachelor Degree in Law (incomplete-3 years)	1	0	0	0	1
Diploma in law (2 years)	11	0	0	6	17
1998 Appointees (Bachelor’s Degree or Diploma in law)	11	0	0	4	15
Diploma in law (incomplete)	3	0	2	1	6
Bachelor’s Degree (non-law)	3	1	1	1	6
High School	36	1	2	14	53
Secondary School	7	0	1	10	18
Primary School	7	1	0	6	14
Teacher’s certificate	0	0	1	1	2
Bachelor’s Degree (incomplete)	2	0	0	4	6
Buddhist Education	5	0	0	2	7
Ecole Royale d’Administration (ERA)	0	0	1	0	1
Education Unknown	2	0	0	0	2
Total	99	9	9	54	171

Source: “Cambodian Legal and Judicial Sector Assessment”, November 2003, The World Bank

10.1.2 Laws and Regulations relating to Investment and Business in Cambodia

(1) The situation of laws and regulations relating to investment and business in Cambodia until 2005

To improve the investment climate, keep its promises made upon the accession to WTO and comply with WTO regulations, the RGC had been putting emphases on updating laws and regulations and/or the introduction of new laws and regulations in the field of investment, trade and business.

Nevertheless, there were still some vital laws which had not been enacted in the field of business law. They include (but are not limited to) the following:

- Civil Code
- Commercial Code
- Law on Commercial Contract
- Law on Secured Transaction
- Law on Civil Administration
- Law on Insolvency (Bankruptcy)
- Law on Anti-dumping, Countervailing Duty and Safeguard

⁵³ Includes 8 judges in MOJ – Source: MOJ

- Law on Commercial Arbitration of Cambodia
- Customs Code
- Law on Factory
- Law on the Industrial Standards
- Law on Anti-Corruption

Among them, a comprehensive Civil Code must first be enacted. Commercial transactions would be difficult to carry out safely without having a comprehensive Civil Code, because it regulates the basic concepts and rules of transactions such as the rights to tangible and intangible assets, the rights with respect to acts, ownership or transfer of such rights, relations among creditors and debtors, etc.

Corrupt government officials are very often cited as major obstacles to business transactions in Cambodia. Following the first dispatch of an anti-corruption consultant in December 2004, UNDP invited him again for a second visit to Cambodia, in February 2005, in order to provide the RGC with technical assistance for updating the original draft Law on Anti-Corruption. Although the draft Law on Anti-Corruption had not been enacted, Deputy Prime Minister Sok An said on 21 February 2006 he anticipated that the draft Law would be soon be passed by the National Assembly.

The complicated and duplicated export procedures have also been modified to some extent. On March 15, 2005, the MIME sent a Memo (#487 URT, BTU) to the GMAC saying that it eliminated the requirements for (pre-packing) inspection and issuance of Certificate of Processing.

The Customs also decided to adopt a Single Export/Import Declaration Form to simplify procedures and reduce the opportunities for corruption. It was said to be in use from March 2006. The physical inspection was also planned to be reduced from 100% to 50% by the end of 2006 and to 25% by the end of 2007. In order to make concrete the trend toward liberation and simplification, a comprehensive Customs Code and subsidiary legislation were urgently called for.

In September 2005, two and half years after the enactment of Law on the Amendment to the Law on Investment, the Sub-Decree (#111 ANK/BK) on the Implementation of the Amendment to the Law on Investment” was issued for providing definitions of terms and explaining the investment approval procedures, although such rules and regulations shall essentially be issued upon promulgation of the Law.

On December 29, 2005, “Sub-Decree (#148 ANK/BK) on the Establishment and Management of the Special Economic Zone” was signed by Prime Minister Hun Sen, together with “Sub-Decree (#147 ANK/BK) on the Organization and Functioning of the CDC”, by which the Cambodian Special Economic Zone Board (CSEZB) was established, but again without rules and regulations. When a law or alternative legislation is not accompanied by detailed rules and regulations, its implementation and enforcement may become arbitrary. This is also one of the major problems the Cambodian legal system faces.

(2) Development in 2006 of Laws and Regulations Framework Relating to Investment and Business in Cambodia

In 2006, three important laws were enacted, namely, “Law on Commercial Arbitration”, “Law on Management of Factories and Handicrafts” and “Civil Procedure Code”. In addition, various Sub-Decrees which have meaningful impact on business and investment activities have also been issued. Such development is summarized in Table 10-1-2 below.

Table 10-1-2 Recent Development in Cambodian Business Laws and Regulations

Laws and Regulations	Effective Date
Ministerial Order #607 (MEF) on Establishment and Putting into Operation the Office of Risk Management and Audit of Customs and Excise	August 2006
Sub-Decree #84 on Creation of an Anti-Corruption Entity	August 2006
Sub-Decree #64 (RGC) on the Implementation of the Law Concerning Marks, Trade Names and Acts of Unfair Competition	July 2006
Civil Procedure Code	June 2006
Sub-Decree #57 on the Establishment of Poipet “O Neang” Special Economic Zone	June 2006
Sub-Decree # 707 on Procedures of Registration of Industrial Designs	June 2006
Law on Management of Factories and Handicrafts	June 2006
Law on Commercial Arbitration	May 2006
Royal Decree #NS/RKT/0206/097 on Creation of National Authority for Addressing Land Dispute	February 2006

Source: DFDL Weekly Law Update and JICA Study Team

“Law on Commercial Arbitration” is to fulfill Cambodia’s commitments to the WTO and will play a key role in dispute resolution, which for a long time has not had a concrete legal base in Cambodia. Under this Law, a national commercial arbitration center will be established. The Law defines the procedures for referral of disputes to arbitration and the appointment of arbitration panels, the procedures for conduct of arbitration, the relationship between arbitration proceedings and competent courts, the procedures for recognition and enforcement of arbitral awards, etc. With enactment of this Law, businesses can expect reliable and transparent dispute settlement.

The “Law on Management of Factories and Handicrafts” governs all factories and handicrafts in Cambodia and stipulates that a permit has to be obtained from the MIME for the establishment of factories. The MIME shall deliver its decision to the applicant for the factory establishment within 7 (seven) business days at the latest from the day of the receipt of the application. Under this Law, the factory owner is required to be responsible for all activities of the factory and the quality of products. Before starting the operation, the factory owner shall inform the MIME at least 15 days in advance. For expansion or relocation, the permit from the MIME has to be obtained as well.

The “Civil Procedure Code” regulates procedures for lawsuits relating to civil rights. Although the “Civil Code” has not been enacted, its adoption will represent considerable progress towards the establishment of the basic legal frame in Cambodia.

Under the circumstances that the long-awaited “Law on Anti-Corruption” has not been enacted yet, the issuance of “Sub-Decree # 84 on the Creation of an Anti-Corruption Entity” is a minimum step forward to improve the investment climate in Cambodia by supplementing the lack of the law. This Sub-Decree stipulates that The Anti-Corruption Entity shall have the following role and duties:

- (i) to collect all documents and information in relation to corruption and keep the information sources confidential with respect to instances of corruption
- (ii) to review and prepare documents relating to anti-corruption
- (iii) to develop action plans for anticorruption
- (iv) to receive and review all complaints regarding corruption
- (v) to follow up, investigate, inspect, research and submit measures concerning corruption offenses, as well as to proceed in accordance with applicable procedures; and
- (vi) to implement measures of the Government through education, propaganda, publication, precaution, prevention, law enforcement and and suppression of corruption.

“Ministerial Order # 607 (MEF) on Establishment and Putting into Operation the Office of Risk Management and Audit of Customs and Excise” is also thought to be a vital step for the Government in implementing the Sub-Decree on Trade Facilitation through Risk Management.

(3) Recommendation for Improvements in the Investment and Business Related Legal Framework

One of the vulnerabilities of the Cambodian legal framework is the lack of enough laws and regulations. Although the Cambodian Government has been trying to expedite the enactment of investment- and business-related regulations, many vital laws have not been adopted yet. They include (but are not limited to) the following:

- (i) *Civil Code;*
- (ii) *Law on Anti-Corruption;*
- (iii) *Law on Commercial Contract;*
- (iv) *Law on Secured Transaction;*
- (v) *Law on Insolvency (Bankruptcy);*
- (vi) *Law on Anti-dumping, Countervailing Duty and Safeguard;*
- (vii) *Law on the Industrial Standards;*
- (viii) *Customs Code; and*
- (ix) *Law on Civil Administration.*

It has been more than three years since the first draft of the Civil Code was sent to the Council of Ministers in July 2003 and the draft has not yet been finalized. The Civil Code is the most basic regulatory frame for defining and protecting the fundamental rights of persons, both natural and

legal, and their relations. It is eagerly required for the Government to enact the Code at the earliest possible occasion.

Although “Sub-Decree # 84 on Creation of an Anti-Corruption Entity” provides a base for fighting corruption, it is not yet strong enough as a law. “Sub -Decree # 96 ANKr.BK on Creation of Entity for Anti-Corruption Activities” was once issued in 1999 but a similar Sub-Decree has to be issued again this time. The Law on Anti-corruption, which shall have the strongest enforcement power with clearly-stated penalties for corrupting activities, has to be enacted in the very near future.

The above-mentioned four business-related drafts are also vital for securing sound business activities. The drafts have been ready for a long time and it is hoped the Government will expedite the legislation process.

Although there is serious lack of necessary laws, it is inadvisable to frequently issue Sub-Decrees as substitutes for laws. While the law has to be adopted by the National Assembly and ratified by the Senate, a Sub-Decree can be issued only with the consent of the Cabinet Meeting. Thus, the Sub-Decree does not have a firm base among the nationals and lacks strong legal norms as law. In order to improve this situation, establishment of a more realistic process of legislation is strongly recommended.

The other typical vulnerability of the Cambodian legal framework is in the implementation and enforcement of laws and regulations.

One example is that, as the wording of some of the provisions of the Law on Labor are not decisive or clear, the interpretation sometimes tends to be arbitrary or at discretion according to the requests from the private sectors. Although in general it is not blameworthy to try to meet investors’ requests, it is not advisable to make flexible interpretation, being apart from the true meaning of the provisions, because such interpretation shall undermine the legal base in the long term.

For ensuring the enforcement of laws and regulations, more systematic publicity would be required. At least, the investment and/or business-related laws and regulations should be translated into an international language, preferably English, within the shortest possible period, and kept in CIB in a place open for viewing by investors or business persons.

(4) Major laws and regulations relating to investment and business in Cambodia

Major and significant laws and regulations relating to investment, trade and business transactions are listed in Table 10-1-3 below. The texts of more than 80 laws and regulations or draft texts have been collected by the Study Team.

Table 10-1-3 Laws and Regulations Relating to Investment and Business in Cambodia

Laws and Regulations	Year of Adoption/ Present Status
Constitution, The National Assembly	
Law on the Amendment to Article 28 of the Constitution	1994
The Constitution of the Kingdom of Cambodia	1993
Government	
Sub-Decree on Procedures for Imposing Disciplinary Sanctions on Civil Servants	1997
Judiciary	
Law on the Organization and Functioning of the Supreme Council of Magistracy	1994
General	
Civil Code	Draft
Law on Anti-Corruption	Draft
Civil Procedure Code	June 2006
Sub-Decree # 84 on Creation of Anti-Corruption Entity	August 2006
Investment	
Sub-Decree # 27 and # 92 on the Amendment to the Sub-Decree No. 147 on the Organization and Functioning of the Council for the Development of Cambodia	2006
Memorandum of Understanding on Investment Cooperation between the Kingdom of Cambodia and the Government of Australia	2006
Sub-Decree # 111 on the Implementation of The Amendment to the Law on Investment	2005
Sub-Decree # 147 on the Organization and Functioning of the Council for the Development of Cambodia	2005
Sub-Decree # 17 on the Establishment of the Sub-committee on Investment of the Provinces-Municipalities	2005
Law on the Adoption of the Agreement between the Government of the Kingdom of Cambodia and the Kingdom of the Netherlands on the Promotion and Protection of Investments	2005
Ditto (Socialist Republic of Vietnam)	2005
Law on the Amendment to the Law on Investment	2003
Law on the Adoption of the Agreement between the Government of the Kingdom of Cambodia and the Republic of Cuba on the Promotion and Protection of Investments	2002
Ditto (The Republic of Croatia)	2002
Sub-Decree # 33 on Creation of Development Zones	2001
Law on the Adoption of the Convention on the Settlement of Investment Disputes between States and Nationals of other States	2001
Law on the Adoption of the Agreement between the Government of the Kingdom of Cambodia and the OPEC and Fund International Development on the Promotion and Protection of Investments	2001
Ditto (Republic of the Philippines)	2001
Ditto (France Republic)	2001
Ditto (F.R. Germany)	2001
Sub-Decree on the Development of Sihanoukville Autonomous Port	2000
Law on the Adoption of the Agreement between the Government of the Kingdom of Cambodia and the Republic of Indonesia on the Promotion and Protection of Investments	2000
Ditto (Republic of Korea)	2000
Law on the Adoption of the Agreement between the Government of the Kingdom of Cambodia and the Republics of Singapore on the Promotion and Protection of Investments	1999
Ditto (Swiss Federation)	1999
Ditto (People's Republic of China)	1999
Ditto (The Kingdom of Thailand)	1997
Ditto (Malaysia)	1996
Memorandum of Understanding on Economic and Technical Cooperation between the Kingdom of Cambodia and the Republic of India	1996
Sub-Decree on the Establishment of the Sihanoukville Industrial Zone	1995
Investment Incentive Agreement between the Royal Cambodian Government and the Government of the United States of America	1995
Sub-Decree # 51 on the Organization and Functioning of the Council for the Development of Cambodia	1995
Law on the Investment in the Kingdom of Cambodia	1994

Laws and Regulations	Year of Adoption/ Present Status
<i>SEZ/Industrial Land</i>	
Sub-Decree # on the Establishment of Poipet “O Neang” Special Economic Zone	June 2006
Sub-Decree # 148 on the Establishment and Management of the Special Economic Zone	2005
Sub-Decree # 147 on the Organization and Functioning of the CDC	2005
Sub-Decree # 10 on the Creation of the Nearng Kok Industrial Zone, Koh Kong Province	2002
Sub-Decree # 33 on Creation of Development Zone	2001
Sub-Decree on the Establishment of the Sihanoukville Industrial Zone	1995
<i>Business & Industry</i>	
Law on Establishing Commercial Court	In preparation
Law on Anti-dumping, Countervailing Duty and Safeguard	In preparation
Regulations on Sanitary and Phyto-sanitary Measures (SPS)	In preparation
Law on the Industrial Standards	In preparation
Law on Business Association, Cooperatives	In preparation
Law on Commercial Contract	Draft
Law on Commercial Leasing	Draft
Law on Personal Property Leasing	Draft
Law on Commercial Agency	Draft
Law on Insolvency (Bankruptcy)	Draft
Law on Secured Transaction	Draft
Law on Cambodian National Standards Institute	Draft
Law on Management of Factories and Handicrafts	June 2006
Law on Commercial Arbitration	May 2006
Law on Commercial Enterprises	2005
Law on Negotiable Instruments and Payment Transactions	2005
Ministerial Order on Liability of Directors, Managers or Owners of an Enterprise for Tax Due, Additional Tax and Interest	2005
Ministerial Order on Determination of the Cost of Company Registration at the Ministry of Commerce	2004
Ministerial Order on Arbitration Council	2004
Sub-Decree on the Establishment of the Provincial Chamber of Commerce	2004
Law on the Adoption and Implementation of United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards	2001
Ministerial Order on Cambodian Industrial Standards	2001
Law on the Management of Quality and Safety of Products and Services	2000
Ministerial Order on Trading Activities of Commercial Companies	2000
Law on the Amendments of the Law on the Commercial Regulations and Commercial Register	1999
Ministerial Order on Measures Against Food Products Devoid of Appropriate Packing Labels	1999
Sub-Decree on the Material Standard	1998
General Statute on Public Company	1996
Law on Foreign Exchange	1997
Law on the Chamber of Commerce	1995
Sub-Decree on the Establishment of the Phnom Penh’s Chamber of Commerce	1995
Law Bearing on the Commercial Regulations and Commercial Register	1995
Circular # 63 on the Adoption of the Market Economy	1994
Declaration #38 referring to Contract and Other Liabilities	1988
<i>Taxation & Accounting</i>	
Ministerial Order on Implementation of VAT for Supplying Industries or Contractor for serving Garment, Textile and Footwear	2005
Ministerial Order on the Organization and Functioning of Tax Department	2005
Ministerial Order on Liability of Directors, Managers or Owners of an Enterprise for Tax Due, Additional Tax and Interest to be paid	2005
Ministerial Order on the Tax on Profit (Amended)	2003
Ministerial Order on the Implementation of Cambodian Accounting Standards (CAS)	2003
Ministerial Order on the Tax on Profit	2003
Law on the Amendment to the Law on Taxation	2003
Sub-Decree on the Kampuchea Institute of Certified Public Accountants and Auditors	2003
Sub-Decree on the functioning of the National Accounting Council	2003
Ministerial Order on Salary Tax	2003.

Laws and Regulations	Year of Adoption/ Present Status
Law on Corporate Accounting, Audit and Accounting Profession	2002
Law on Audit of Government Entities	2000
Sub-Decree on Value Added Tax	N.A.
Ministerial Order on Turnover Tax	N.A.
Law on Taxation	1997
Circular # 635 on the Certification of the Business Accounts	1994
Ministerial Order # 18 on the Identification of Business subject to Profit and Income Tax	1994
Law on Accounting	1992
Banking & Finance	
Law on Government Securities	2007
Law on Securities and Exchange	In preparation
Law on Insurance	2000
Ministerial Order on the Licensing of Banks	2000
Ministerial Order restructuring the Foreign Trade Bank of Cambodia (FTRC)	1999
Law on Banking and Financial Institutions	1999
Law on the Organization and Functioning of the National Bank of Cambodia	1996
Trade	
Law on Rules of Origin	In preparation
Law on Customs	Draft
Ministerial Order # 607 (MEF) on Establishment and Putting into Operation the Office of Risk Management and Audit of Customs and Excise	August 2006
Sub-Decree on Risk Management	March 2006
Memo of The Ministry of Industry, Mines and Energy to GMAC (Elimination of Certificate of Processing)	2005
Law on WTO Accession	2004
Ministerial Order on the Implementation of the Pre-Shipment Inspection Service	2000
Regulation on the Implementation of the Pre-Shipment Inspection Service (Attachment to the above Ministerial Order)	2000
Ministerial Order on Trading Activities of Commercial Companies	2000
Ministerial Order Amending and Supplementing the Issuance of the Certificate of Origin, Commercial Invoice and Expo	1999
Ministerial Order on the Issuance of the Certificate of Origin, Commercial Invoice and Export License for Garments	1999
Decision # 112 on the Creation of an Inter-Ministerial Commission for the Preparation and Organization of Import and Export Procedures and Regulations	1994
Law regulating the Duties on Imported and Exported Goods	1989
Labor	
Law on Amendment to the Law on Labor	Draft
Law on Labor (Amendment)	1997
Sub-Decree on the Export of Khmer Labor to Work Overseas	1995
Law on Labor	1993
Intellectual Rights	
Law on the Protection of Layout Design of IC	In preparation
Law on Undisclosed Information	In preparation
Sub-Decree # 64 (RGC) on the Implementation of the Law Concerning Marks, Trade Names and Acts of Unfair Competition	July 2006
Law on the Copyright and Related Rights	2003
Law on the Patents, Utility Model Certificates and Industrial Design	2003
Law on Marks, Trade Names and Acts of Unfair Competition	2002
Ministerial Order on Procedures of the Intellectual Property Department	1997
Infrastructure, Transport & Land	
Law on Merchant Shipping	In preparation
Law on Water Supply	In preparation
Law on Geographical Indication	In preparation
Law on Concessions	Draft
Sub-Decree on Implementation of the Law on Concessions	Draft
Law on the Civil Aviation	Draft
Highway Code	Draft
Law on the Telecommunications	Draft
Sub-Decree on the State Land Management	2005
Instruction on Hearing Procedure of the National Cadastral Commission	2005

Laws and Regulations	Year of Adoption/ Present Status
Ministerial Order on the Guidelines and Procedures of the Cadastral Commission	2002
Sub-Decree # 48 on Sporadic Land Registration	2002
Sub-Decree # 47 on Organization and Functioning of the Cadastral Commission	2002
Sub-Decree # 46 on Procedures of Establishing Cadastral Index Map and Land register	2002
Sub-Decree # 131 on the Determination of Maximum License Fee for Electric Power Service Providers in Cambodia	2001
Law on Land	2001
Law on Electricity	2001
Sub-Decree on Management of Forest Concession	2000
Sub-Decree # 11 on Build-Operate-Transfer (BOT) Contract	1998
Law on Land Use Planning, Urbanization and Construction	1994
Decision # 34 on the Creation of a National Committee for Land Planning and Urbanization of Areas surrounding Phnom Penh, Towns and Provinces	1993
Tourism	
Law on the Suppression of Gambling	1996
Law on the Protection of Cultural Heritage	1996
Agriculture, Environment	
Law on the Water Resources Management	In preparation
Law on the Amendment to the Law on Forest	Draft
Law on Fisheries	Draft
Law on Forestry	2002
Sub-Decree on The Control of Air Pollution and Noise Disturbance	2000
Sub-Decree on the Water Pollution Control	1999
Sub-Decree on Management of Solid Waste	1999
Law on Environment Protection and Natural Resource Management (LEPNRM)	1997
Sub-Decree on Conferring the Right to Sell and Export Rubber Products to the Ministry of Agriculture, forestry and Fisheries	1994
Sub-Decree on the Creation of a National Permanent Commission for Coordinating the Privatization and the Promotion of Rubber Plantations	1994
Decision # 65 on the Annulment of the Existing Procedure for Timber Export	1994
Royal Decree on the Protection of Natural Areas	1993
Social	
Law on Nationality	1996
Law on the Suppression of Kidnapping, Trafficking and Exploitation (For protecting vulnerable groups)	1996
Law on the Press	1995
Law on Immigration	1994
Criminal Procedure Law	1993
Judiciary and Criminal Law and Procedure Applicable in Cambodia (Enacted by the SNC)	1992

Note 1: "In preparation": Being drafted at the Ministerial level

Note 2: "Draft": Either submitted to the National Assembly for adoption or to the Cabinet Meeting for finalization as Draft Law before being sent to the National Assembly

Source: JICA Study Team

10.1.3 Law on Investment

(1) Current situation of Law on Investment in Cambodia

(i) *Open investment climate*

Currently, there is no investment law or regulation to applying only to the FDI. The investment climate in Cambodia is so open that if an investor does not seek incentives provided under the Law on Investment (LOI), he/she can simply register corporate papers with the MOC, form companies and apply for operational licenses. On the other hand, if an investor seeks the incentives provided under the LOI, he/she has to receive the license (Investment Registration Certificate) for eligible project from the CDC.

(ii) *The LOI of 1994*

The LOI of 1994 covers all private sector investment projects, domestic and foreign, which request the investment incentive. The investment incentives provided under the LOI of 1994 were very generous but the ICS Report, prepared under the Integrated Framework by WTO, World Bank, ITC, UNCTAD, IMF and UNDP, pointed out that the “vast majority of LOI-approved firms failed to be granted tax holidays, domestically oriented LOI-approved firms failed to get the CDC approval for import duty exemption in the first year of operation, decision-making on investment approval and granting incentives tends to be discretionary and contributes to ‘hidden’ transaction costs, and the government alters the ‘rules of the game’ and imposes additional costs on business through issuing Prakas (Ministerial Order)”.

(iii) *Amendment to the LOI of 1994*

In such circumstances, the LOI of 1994 was amended on February 3, 2003. The amendment was made with the aim of applying simpler, more predictable and non-discretionary principles for investment approval and incentive provision process because a predictable, non-discretionary and transparent system is expected to work to limit the bureaucratic interference by the government officials and to reduce the chances creating the so-called unofficial costs.

(iv) *The outline of the Law on the Amendment to the Law on Investment*

“The Law on the Amendment to the Law on Investment” of February 3, 2003, was made to adopt an automatic approval system for investment projects, which must be completed within 31 working days after the receipt by the CDC of the investment application forms, unless they are among the fields prohibited or limited to private capital. The CDC is expected to act as one-stop shop and obtain all the necessary licenses required for investment on behalf of the investment applicant. An investment license or approval will be issued not to an investor or investing enterprise but to an investment project.

“Sub-Decree No.111 on the Implementation of the Amendment to the LOI” was also issued on September 27, 2005.

The outline of the Law on the Amendment to the Law on Investment is as follows.

- (a) The application of the Law: To govern all Qualified Investment Projects (or “QIP”) to define the procedures by which any person establishes a QIP
- (b) An investment project less than two million US dollars: To be required to register the investment proposal with the Sub-Committee on Investment of the Provinces – Municipalities (or “PMIS), according to the “Sub-Decree (#17 ANK/BK) on the Sub-Committee on the Investment of the Provinces-Municipalities” signed on February 9, 2005.
- (c) QIP: QIP is an investment project which has received a Final Registration Certificate (or “FRC”)
- (d) Investment application process: Process and time frame from submitting the investment proposal to obtaining FRC is shown in Table 10-1-4.

Table 10-1-4 Process and Time Frame from Submitting the Investment Proposal to Obtaining FRC

Process	Condition/Requirement	Time Frame
Submitting the investment proposal to the CDC or PMIS	Payment of application fee of 7 million Riels	n.a.
Obtaining a Conditional Registration Certificate (or “CRC”) from the CDC or PMIS	The proposal contains all the required information. The proposal is not made in respect of an activity which is included in the Negative List, or which previously has been, or is currently, carried out by the investor or any other person and which has received incentives.	Within 3 working days after submitting the investment proposal to the CDC or PMIS
Obtaining by the CDC all the approvals, authorizations, clearances, licenses, permits or registrations from the relevant ministries/authorities	Meet the conditions/ requirements for approvals, authorizations, clearances, licenses, permits or registration	Within 28 working days from the date of the CRC
Obtaining an FRC from the CDC or PMIS	Obtaining all the approvals, authorizations, clearances, licenses, permits or registrations from the relevant ministries/ authorities	Within 28 working days from the date of the CRC

Source: “Cambodia Legal & Investment Guide 2006 Edition” by Mekong Law Group & “Laws & Regulations on Investment in the Kingdom of Cambodia” published in December 2005 by the CDC

- (e) Investment Incentives: QIPs are entitled to the following investment incentives.
 - QIPs may elect to receive a profit tax exemption or use special depreciation.
 - Profit tax exemption (Selective): A tax holiday period composed of “Trigger period” + 3 years + Priority Period

- Maximum trigger Period: To be the first year of profit or 3 years after the QIP earns its first revenue, whichever is sooner
 - Priority Period: To be determined by the Financial Management Law
 - An annual Certificate of Obligation Satisfaction has to be obtained by the QIP to be entitled “Profit Tax Exemption”.
 - Special depreciation (Selective): 40% special depreciation allowance of the value of the new or used tangible properties used in production or processing.
 - Duty free import of production equipment and construction materials: Domestically oriented QIPs, Export oriented QIPs and Supporting Industry QIPs
 - Duty free import of raw materials, intermediate goods and production input accessories: Export oriented QIPs and Supporting Industry QIPs
 - A QIP located in a designated SPZ or EPZ: To be entitled to the same incentives and privileges as other QIPs stipulated in the Amendment to the LOI.
 - Investment guarantee.
 - Eligibility for investment incentive: The investment projects listed in Annex 1 of the Sub-Decree No.111 are not eligible for investment incentives.
- (f) Acquisition and merger: The rights, privileges and entitlements of a QIP can be transferred or assigned to a person who has acquired or merged a QIP subject to the approval of the CDC or PMIS.
- (g) Land use: Unlimited tenancy of land is approved and the investor is admitted to have the right to own and pledge as security the real and personal property on the land.
- (h) Dispute settlement: The CDC’s role as a mediator is clearly stated and the resolution by arbitration in or outside of Cambodia under international rules is introduced as a final settlement measure.

(2) Issues to be addressed relating to Law on Investment in Cambodia

The main purposes of the amendment of the LOI of 1994 were the reassessment of the fiscal incentives in view of increasing governmental revenue, the introduction of a transparent, predictable and non-discretionary approval process for investment and incentives. Therefore, while the incentive scheme was generally squeezed, the time frame was set for each step of the investment approval process as shown in Table 10-1-4 and the automatic incentive calculation method was introduced. Contrary to its aims, there exist some problems, regarding the implementation of the Law, as shown below.

(i) Final Registration Certificates

According to the Law on Investment, the Final Registration Certificates for the Investment Proposal have to be issued within 28 working days after the issuance of Conditional Registration Certificates. But in reality, the Government used to fail sometime to do so or to admit the automatic registration of investment proposal even if the 28-day period passed, as determined by the Law. The main reason for this delay in issuing the Final Registration

Certificates was that only the Chairman of the CDC was authorized to sign for admitting such Registration and, as the Chairman is also the Prime Minister of the RGC and has many duties and routine work, he sometimes failed to meet such time requirement. Nowadays, the Vice Chairman of the CDC is also authorized to sign and the most of the Final Registration Certificates for routine investment projects are said to be issued within 28 working days (in many case, within 15 to 20 days). Nevertheless, some investment projects, as defined under the Article 6.1 (d) of the “Sub-Decree (#111 ANK/BK) on the Implementation of the Amendment to the Law on Investment”, are excluded from the 3-day clause for the issuance of the Conditional Registration Certificates and also from 28-days clause for the issuance of the Final Registration Certificates. As Article 7 of the Law on Amendment to the Law on Investment does not mention the existence of such exclusion, it is recommendable to modify the relevant provision of the Law on Investment to make clearer the approval conditions for the final investment registration.

(ii) *Duty free import of raw materials, intermediate goods and production input accessories*

Taking into account that the Cambodian domestic market is small and there is not much significant industry possibly affected by the imported goods, the control method over the approval of duty free import of raw materials, intermediate goods and production input accessories can be simplified. Leastways a master list need not be used when the ASYCUDA is put in operation.

(iii) *Incentives for the zones*

The Amendment says that a QIP located in a designated SPZ or EPZ is entitled to the same incentives and privileges as other QIP stipulated in the Amendment to the LOI. If there are no special or additional incentives provided to the Special Promotion Zone (SPZ) or EPZ, there would not be much significance for FDI projects to locate in the SPZ or EPZ.

(iv) *General incentives*

Upon the amendment of the LOI of 1994, some argued that the international investors put more emphasis on the non-fiscal aspects of total investment climate and incentives than on fiscal incentives when they choose investment locations. Even so, such non-fiscal incentives as the simple, predictable and non-discretionary process of investment approval and incentive provision, and the transparent practice of various licensing, taxation or customs clearance would not be enough to encourage FDI to help the country’s industrialization. To utilize FDI for the purpose of industrialization of the country, some other incentives relating to the SME development, SME financing, vocational training, trade promotion, upgrading management skill, etc. could be sought and introduced to the Amendment to the LOI.

(v) *Relations between the LOI and relevant regulations*

“Sub-Decree on the Establishment of the Sub-Committee on Investment of the Provinces-Municipalities of the Kingdom of Cambodia (PMIS Sub-Decree)” was issued on February 9, 2005, to establish the Sub-Committee on Investment of the Provinces-Municipalities, which shall deal with the registration of investment proposal of new companies as a QIP with an investment capital of less than 2,000,000 (two million) United States Dollars. On the other hand Article 6 of the LOI stipulates that all persons wishing to establish a QIP shall submit an Investment Proposal to the Council for the Development of Cambodia in the form and according to the procedures provided in this Law and the Sub-Decree. As the PMIS is not a part of the CDC, the relevant provision of the LOI has to be modified in order to authorize the power of the PMIS.

“Sub-Decree on the Establishment and Management of the Special Economic Zone (SEZ Sub-Decree)” was also issued on December 29, 2005 for establishing the SEZ in Cambodia and managing the SEZ scheme. Under this SEZ Sub-Decree, the Cambodian SEZ Board (CSEZB) was established as the third wing of the CDC. As the CSEZB is admitted to deal with the investment registration application and issuance of the registration certificates in the SEZ through its subsidiary “the SEZ Administration”, the relevant provisions of the LOI are to be modified.

(3) Recommendation for improvement of the Law on Amendment to the Law on Investment

In relation with the issuance of PMIS Sub-Decree, “Sub-Decree on the Implementation of the Law on the Amendment to the Law on Investment (LOI Implementation Sub-Decree)” of September 27, 2005, and SEZ Sub-Decree, the Amended LOI requires such amendments as described below.

- *Article 2 “Export QIP”:* Correct English translation of “Export QIP means a Qualified Investment Project whose production is exported to be determined by Sub-Decree.”
- *Article 4:* Add the “**3 - The Cambodian Special Economic Zone Board (CSEZB)**” and modify as “The Council for the Development of Cambodia comprises the following **three** operational boards”.
- *Article 6:* Modify the provision as “All persons wishing to establish a QIP shall submit an Investment Proposal to the Council for the Development of Cambodia **or its designated organization** in the form and according to the procedures provided in this Law and the Sub-Decree.”
- *Article 7:* Create Clause 2 as “The Council or the PMIS has the right to postpone the registration in the case as separately stipulated in the Sub-Decree and, in such case, the Council or the PMIS shall notify the specific ground to the applicant within three working days of the submission of the Investment Proposal.”
- *Article 14.9:* Delete “SPZ or EPZ” and add the word “Special Economic Zone (SEZ)” to and modify the stipulation as “A QIP which is located in a designated **SEZ**, listed in a

development priority list issued by the Council and approved under the relevant law and regulations of the Kingdom of Cambodia, shall be entitled to the same fiscal incentives and privileges as other QIPs stipulated in this law. The other non-fiscal incentives and privileges for the SEZ shall be defined in the Law or Sub-Decree regulating the SEZ ”

- *Article 14: Create Paragraph 12 as “Investment activities not eligible for above incentives shall be defined in the Sub-Decree”.*

For trying to accumulate the FDI in the SEZ and establish the base for the country’s industrialization, it is desirable to provide more favorable conditions for attracting the FDI into the SEZ. The non-fiscal incentives possibly granted to the investment projects in the SEZ are summarized in the following Chapter.

Article 4.3.3 of the SEZ Sub-Decree stipulates that “all relevant ministries/institutions shall delegate to their representative (in the Administration of the SEZ) sufficient power to make decision on behalf of the ministry/institution in accordance with their respective authority in the zone.” And the same Sub-Decree defines under Article 4.3.5.c that one of the duties of the Administration of the SEZ is to examine the Investment Proposals for registration, examine incentives, the issuance of permit, license, and certificates of origin of products requested by Zone Investors in order that the decision can be made in the zone for the Zone Investors. According to these provisions, only the Administration of the SEZ shall receive and examine the Investment Proposal for asking the QIP status and issue the Final Registration Certificate in the SEZ. If this is admitted, the Amended Law on Investment shall be modified to enable such delegation of powers. In any case, the Sub-Decree is not able to alter, modify or amend a law.

10.1.4 SEZ-Related Regulations

(1) Current situation of SEZ-related regulations in Cambodia

The examination of introducing the concept of economically promoted zone/area into Cambodia was originally started back in 1960’s. In the past ten years, under such names as the Special Promotion Zones, Export Promotion Zones, Industrial Zones and Special Economic Zones, the various types of the economically promoted zones have been considered and each draft of law has also been drawn up accordingly. Finally, the “Sub-Decree (#148 ANKr/BK) on the Establishment and Management of the Special Economic Zone” (hereinafter called as “Sub-Decree on the SEZ”) was signed by the Prime Minister and issued on December 29, 2005, together with the “Sub-Decree (#147 ANK/BK) on the Organization and Functioning of the CDC” under which the CSEZ was set up. The Sub-Decree on the SEZ aims to provide investors with adequate infrastructure and supportive facilities and to mobilize resources such as telecommunications, water supply and electricity, as well as other ancillary facilities and social and legal infrastructure for boosting economic activities in these areas. The main rationale of establishing the SEZ is to effectively respond to the challenge of diversifying the Cambodian economy and to promote demand-driven development such as export promotion.

The outline of “Sub-Decree (#148 ANKr/BK) on the Establishment and Management of the Special Economic Zone (SEZ Sub-Decree)” is summarized in the following Table 10-1-5.

Table 10-1-5 The Outline of Sub-Decree (#148) on the Establishment and Management of the Special Economic Zone

Items	Description
1. Basic conditions of the SEZ	<p>50 hectares or more land</p> <p>Having a surrounding fence (for Export Processing Zone and Free Trade Area in each zone)</p> <p>Management and Zone Administration offices, all necessary infrastructures must be provided. Sewage system, liquid waste recycling system, solid waste storage and management space, environment protection measures must be installed.</p>
2. Procedure for Establishing the SEZ	<p>Zone Developer submits a request for approval for the development to the CSEZ and applies for the QIP (Qualified Investment Project). Application fee: 7 million Riels.</p> <p>The Cambodian Special Economic Zones Board shall respond, with either its approval or denial of the request, within 28 (twenty eight) working days to the Zone Developer.</p> <p>The Zone Developer prepares the detailed economic feasibility study, infrastructure master plan and other certified documents as stipulated in the Conditional Registration Certificate within 180 working days.</p> <p>Within 100 working days after it receives the above project materials, the CSEZB obtains all necessary approvals, authorization from the government and issues the Final Registration Certificate.</p>
3. Declaration of the establishment of the SEZ	<p>Upon issuance of the Final Registration Certificate by the CSEZB, the Sub-Decree declares the establishment of the SEZ and defines the boundaries.</p>
4. Management Structure of the SEZ	<p>There shall be established a Special Economic Zones Trouble Shooting Committee to settle technical or legal matters beyond the authority of the Administration of the SEZ and to receive and find a solution to any complaint filed by the Zone Developer or Zone Investor. The Chairman of the Committee is the Chairman of the CDC.</p> <p>The CSEZB under the CDC is the “One-Stop Service” organization in charge of the development, management and supervision of the SEZ.</p> <p>The Administration of the SEZ is the “One-Stop Service” mechanism organized and located in each SEZ.</p>
5. Zone Developer’s Duties	<p>Having sufficient capital and means to develop the infrastructures in the zone, including the human resources to manage the activities of the zone</p> <p>Having the legal rights to possess the land for establishing the SEZ</p> <p>Constructing the infrastructure</p> <p>Leasing the land and providing services to the Zone Investor</p> <p>Arranging security personnel and ensuring the good public order, etc.</p>
6. Procedure for Providing Incentives	<p>The CSEZB examines and provides incentives to all the SEZ.</p> <p>All the incentives shall be specified in the Final Registration Certificate.</p>
7. Incentives on Taxation	<p>For the Zone Developer: The tax exemption period on profit shall be provided for a maximum period of 9 years. The import tax and other tax shall be under the responsibility of the State for imported equipment and construction equipment to be used in the infrastructure construction.</p> <p>For the Zone Investor: The same incentives on customs duty and tax as other QIP shall be</p>

Items	Description
	entitled under the Amendment to the Law on Investment. The incentives on Tax on Value Added with the rate of 0% shall be obtainable unless the Output Materials of Production is imported to the domestic market.
8. Other Incentives	Zone Developers, Investors or foreign employees can transfer all the income from investment and salaries received from the zone. Non-discriminatory treatment as foreigners, non-nationalization and no-fixing price as stipulated in the Articles in the Amendment to the Law on Investment
9. Rules for the Export Processing Zone (EPZ)	Having to have the specific entrances/exits Nobody can stay after working hour except for the persons authorized by the SEZ Administration Regular time for entry and exit shall be determined by the internal rules. Import/Export of goods to/from the EPZ shall be considered as Import/Export to/from Cambodia. The goods shall be properly sealed by the customs officers before Import/Export. No retail business can locate in the EPZ. Zone Investors can not use Output Materials of Production produced in the EPZ without permission of the SEZ Administration. Zone Investor in the EPZ can propose to the SEZ Administration the purchase of goods from the domestic market. Such purchase shall be checked by the customs officers.
10. Workforce	Foreigners can be employed up to ten (10) % of the total number of employees.
11. Vocational Training	Zone Developer has a duty to cooperate with the Ministry of Labor and Vocational Training to facilitate the training of Cambodian workers and to promote new knowledge and skills.
12. Amendment of the Sub-Decree	This Sub-Decree shall be revised according to the changing circumstances and needs of the prevailing situations during its implementation upon the request of the Cambodian Special Economic Zones Board and approval by the Special Economic Zones Trouble Shooting Committee.

Source: Compiled by the JICA Study Team basing on the English translation of Sub-Decree (#148) on the Establishment and Management of the Special Economic Zone

(2) Issues to be addressed relating to SEZ-related regulations

The SEZ Sub-Decree contains some issues, which are recommended to be addressed, improved and/or modified in the course of expected legislation of the Law on the SEZ in near future. Among them, the major issues are as follows.

(i) Needs for unifying the names of the economically promoted zone in Cambodia

In the course of examining the introduction of the economically promoted zone into Cambodia, the several names had been used for such zone in the past. There are “SPZ” and “EPZ” which are used in the Article 14.9 of the “Law on the Amendment to the Law on Investment”. “Industrial Zone” is being used in the “Sub-Decree on the Establishment of the Sihanoukville Industrial Zone” of 1995. Although the name of such economically promoted zone in Cambodia is understood to have been decided as “SEZ” upon the issuance of the SEZ Sub-Decree on December 29, 2005, the Sub-Decree does not include the provision declaring such unification of the zone name

and making other naming such as “SPZ” or “Industrial Zone” null and void. It is very vital to give the investors the clear understanding that there is only one economically promoted zone scheme in Cambodia, which is the “SEZ”.

(ii) Incentives and preferential treatment

While the fiscal incentives provided to Zone Investors in the SEZ Sub-Decree are same as those provided to QIPs under the Amendment to the LOI, the non-fiscal incentives are also common outside of the zones. The incentives provided under the SEZ Sub-Decree as a whole seem not to be sufficient to differentiate the promotional zones from outside. To overcome this vulnerability, it is recommended that clearer and more accountable non-fiscal incentives shall be introduced. These non-fiscal incentives may be introduced in the fields of the customs control, production conditions, various inspections, taxation method, employment and labor management, etc. To associate promotional measures of SMEs with the activity of the zones would also be beneficial for both industry promotion in the country and the business operation of the Zone Investors.

(iii) Restrictions placed in the different customs territory

The SEZ Sub-Decree stipulates that nobody shall not remain in the EPZ after regular time for entry and exit unless the Administration of the SEZ approves. In addition, the SEZ Sub-Decree stipulates that the Zone Developer has a duty to cooperate with the Ministry of Labor and Vocational Training to facilitate the training of Cambodian workers and to promote new knowledge and skills. In general, the EPZs or SEZs in other countries are geared to provide freer operational conditions, less administrative control and easier and faster procedural process than outside of the zones. The key attitude toward the successful installation and management of the zones seems not to be “to restrict or regulate the investors” but to be “to serve the investors”. In the coming law, there should be introduced more detailed preferential measures relating to the administrative and procedural matters.

(3) Legislation of Law on the SEZ

After the Government issued the “Sub-Decree on the Establishment and Management of the Special Economic Zone (SEZ Sub-Decree)” on December 29, 2005, it is now working on the enactment of new law regulating the SEZ. This movement is very favorable to the FDIs, as a law has a firmer base among the nationals and strong legal norms than Sub-Decree. Examining the SEZ Sub-Decree, there are some vital aspects to be considered upon the legislation of the Law on the Special Economic Zones (LSEZ), which include the following.

(i) *Define clearer concept of the SEZ:*

The SEZ Sub-Decree does not clearly state whether the SEZ must have a different customs territory such as Export Processing Zone (EPZ) and/or Free Trade Zone (FTZ). It only says that the SEZ shall have a Production Area, which consists of General Industrial Zones (GIZ) and/or EPZ. It has to make it clear if the SEZ with only GIZ is also encouraged. In addition, the provision that declares “SEZ” scheme is one and only economically promoted zone scheme in Cambodia has to be introduced.

(ii) *Prescribe clearly the relations among the Cambodian Special Economic Zone Board (CSEZB) and the Cambodian Investment Board (CIB) or the Sub-Committee on Investment of the Provinces-Municipalities (PMIS) in terms of the investment application and licensing process for QIPs:*

It shall be clearly stated that an investor to the SEZ is required to submit the investment proposal only to the SEZ Administration and the submission of such proposal to CIB or PMIS is not required. This kind of confusion may occur as no explanation is given on the relation between the Amended Law on Investment and the SEZ Sub-Decree.

(iii) *Provide more explanations on the terms relating to investors in the zone and correct wrong expressions:*

Article 3.3 of the SEZ Sub-Decree says “The Zone Investor who starts the activity of production or services in the fields permitted by related Laws and Sub-Decrees in any Special Economic Zone shall complete the formalities based on the procedure”. It is recommendable to describe exactly when and what kind of formalities in which fields have to be completed. This vague and unclear description may cause unnecessary confusion among investors.

The same Article of the SEZ Sub-Decree also says “any incentive provided to the Zone Investor **shall be decided by the Special Economic Zone Administration** through the “One-Stop Service” mechanism located on the site and in accordance with the relevant laws and regulations”. According to the stipulations of the Amended Law on Investment, the investment incentives for the QIPs shall be granted automatically when the Final Registration Certificate is issued. If the above description means that the SEZ Administration is authorized to issue Final Registration Certificate, it is recommendable to state so correctly. In addition, if the planned Law on the SEZ shall contain similar provisions, the division of powers between the CSEZB and the CIB/PMIS shall be clearly stated both in the Amended Law on Investment and the Law on the SEZ.

(iv) *Set and state clearly more favorable investment licensing terms, if any, than in the Amended LOI:*

In the SEZ, the Final Registration Certificates are said to be issued in much shorter time than stipulated in the Amended Law on Investment, and the CSEZB says it is the one of the

advantages for investors to locate in the SEZ. Nevertheless, there is no provision describing such intention of the CSEZB in the SEZ Sub-Decree, which is not transparent or predictable. It is strongly recommended to set and state clearly in the planned Law on the SEZ the maximum duration of time required for registering the investment project and issuing the Final Registration Certificates.

(v) *Introduce more flexible control measures in order to provide freer business climate:*

Flexible entry control method at the EPZ, especially for workers, has to be introduced for securing the freer factory operation. Regarding the zone developers' obligation to facilitate the training of Cambodia workers, some fiscal incentives, as an exceptional case, may be provided with zone developers to lessen their financial burden.

(vi) *Modification of the provisions of the SEZ Sub-Decree and relevant regulation*

In English version of Article 3.1.3 (b) of the SEZ Sub-Decree, it is described that it (SEZ) must have a surrounding fence (for Export Processing Zone, the Free Trade Area and for the premises of each investor in each zone). According to the explanation given by the CDC, it is required to have fence only at around the premise of the EPZ and FTA. There seems to be some mistakes in English translation and, if so, the mistranslation shall be corrected in Law on the SEZ.

Article 7.3 stipulates that all imports by the Zone Developer and the Zone Investor shall comply with the relevant regulations on the Pre-Shipment Inspection (PSI). According to the explanation given by the CSEZB, it recently reached an agreement with the MEF (Customs and Excise Department) that the PSI obligation shall not be applied to the investors located in the different customs territory. This change has to be introduced into the Law on the SEZ and, at the same time, "Ministerial Order on the Implementation of the Pre-Shipment Inspection Service" has to be modified.

(4) Additional Incentives or Privileges Possibly Granted to the Investment Projects in the SEZ

The incentives and privileges granted under the SEZ Sub-Decree are summarized in Table 10-1-6 below.

Table 10-1-6 Incentives in the SEZ

Beneficiary	Incentives
Zone developers	<ul style="list-style-type: none"> • The tax exemption period on profit shall be provided for a maximum period of 9 years. • The import duty and other tax shall be exempted for imported facilities, construction equipment and materials to be used for the infrastructure and road construction. • The Zone Developer may request, under the form of a temporary admission (AT), the import of means of transport and machineries used for the construction of the infrastructures in accordance with the laws and regulations in force • The Zone Developer may obtain a land concession from the State for establishing the SEZ at the area close to the border or isolated region.
Zone investors	<ul style="list-style-type: none"> • The same incentives on customs duty and tax as other QIP shall be entitled. • The incentives on Tax on Value Added with the rate of 0% shall be obtainable unless the Output Materials of Production is exported to the domestic market.

Beneficiary	Incentives
Common	<ul style="list-style-type: none"> • Zone developers, investors or foreign employees can transfer all the income from investment and salaries received in the zone. • Non-discriminatory treatment of foreigners, non-nationalization and no-fixing price

Source: Compiled by the JICA Study Team basing on the English translation of Sub-Decree (#148) on the Establishment and Management of the Special Economic Zone

Upon the enactment of the planned Law on the SEZ, it is recommended the following additional incentives or privileges to be granted.

(i) *For all the investors in the SEZ*

- All the fees or charges shall be clearly shown on the board installed in the office of the SEZ Administration. It shall be prohibited to charge any other fee or charge.
- The SEZ Administration shall establish an employment center, which introduces qualified workers and employees to the investors free of charge or only with nominal charges.
- The SEZ Administration shall prepare and provide the unified contract of employment written in the Khmer language, which shall be used by all the investors in the zone.
- The cost of vocational training, which is provided by the employer to the Cambodian workers or employees, shall be deducted from the net earning of the investment project.
- The investors in the SEZ shall be exempted from pre-payment of Tax on Profit or be allowed semi-annual payment of Pre-payment of Tax on Profit.

(ii) *For investors in the EPZ and the FTA (a different customs territory)*

- The control by a master list on the duty-free import of production inputs shall not be applied for the projects in the EPZ or FTA of the SEZ. The investors located in such zones shall be able to freely import them by submitting the import declaration documents only.
- Exports-Imports control by “Single Window” method shall be applied at the earliest possible occasion.
- Post Clearance Audit (PCA) or Risk Management method shall be applied to all the imports to such zones.
- No on-site inspection in factories shall be executed before packing.
- Labor strikes shall be restricted to inside such zones. (Labor strikes which will be carried outside of the fences shall be allowed.)

(iii) *For investors in the GIZ*

- The provision of “One-Stop Service” to the investors in the GIZ shall be guaranteed.
- The CDC shall arrange, in cooperation with the Ministry of Economy and Finance, Two-Step Loan (TSL), which will be utilized solely by the domestic SME investors in the GIZ.
- The CSEZB shall arrange, in cooperation with the zone developer, to establish the incubation center in the GIZ to provide Cambodian SME enterprisers, employees and

- workers with vocational training such as technical, accounting and/or marketing skill.
- The CSEZB shall arrange, in cooperation with the private sectors including foreign companies, to establish the marketing center to assist the marketing activities of the SMEs located in the GIZ.
 - The CSEZB shall assist with the establishment of the web-site of the SMEs located in the GIZs and arrange the exhibition of their products and technologies.

10.1.5 Revised Kyoto Convention

(1) Background and current situation of revised Kyoto Convention

(i) *World Customs Organization (WCO) and Cambodia*

The formal name of the WCO is the “Customs Co-operation Council (CCC)”, of which headquarters is located at Brussels, Belgium. The WCO was established on November 4, 1952, when the “Convention Establishing the Customs Co-operation Council” came into effect. The WCO aims to promote the harmonization and simplification of customs system in member countries and international co-operation in customs administration.

The number of member countries/regions is 164 as of January 2005 and Cambodia joined the Convention on April 3, 2001, as the 155th member.

(ii) *“The International Convention on the Simplification and Harmonization of Customs Procedures” (Kyoto Convention)*

“The International Convention on the Simplification and Harmonization of Customs Procedures” (Kyoto Convention) was adopted by the Customs Cooperation Council (CCC, presently WCO) at Kyoto, Japan, in 1973 and went into force in 1974. It defined the duty-free allowances for traveling passengers, the installment of green-lane and red-lane at the customs, etc. but did not provide the enough provisions to cover the movement of cargo such as imports/exports using containers.

(iii) *“Protocol of Amendment” (Revised Kyoto Convention)*

“Protocol of Amendment” (Revised Kyoto Convention) was adopted in Brussels in June 1999, approved upon the accession of India as the 40th member to the Convention in December 2005 and went into force on 3 February 2006. With this Amendment, the WCO aims to provide “the blueprint for modern and efficient Customs procedures in the 21st century”. The WCO says that once the revised Kyoto Convention is implemented widely, it will provide international commerce with the predictability and efficiency that modern trade requires. Chief among the new governing principles of the revised Kyoto Convention is the commitment by Customs administrations to provide transparency and predictability for all those involved in aspects of international trade. The revised Kyoto Convention promotes trade facilitation and effective controls through legal provisions that detail the application of simple yet efficient procedures. The revised Kyoto Convention also contains

new and obligatory rules for its application which all Contracting Parties must accept without reservation.

(2) The Contents of the revised Kyoto Convention

(i) Customs control

The revised Kyoto Convention consists of Body, General Annex and Specific Annexes. In case of Kyoto Convention, any provision could be selectively used by the member country but, in the revised Kyoto Convention, the Body and General Annex have to be implemented within 3 years and 5 years respectively after ratification in the member country concerned.

The core of the revised Kyoto Convention is Chapter 6 “Customs Control” of General Annex. The principles of Chapter 6 are as follows.

- Apply minimum controls necessary to ensure compliance: Customs control shall be limited to that necessary to ensure compliance with the Customs law
- Use risk management in the application of Customs control
 - The Customs shall use risk analysis to determine which persons and which goods, including means of transport, should be examined and the extent of the examination.
 - The Customs shall adopt a compliance measurement strategy to support risk management
 - Customs control systems shall include audit-based controls
- Make available accurate, up-to-date, easily available information: The Customs shall seek to co-operate with other Customs administrations and seek to conclude mutual administrative assistance agreements to enhance Customs control. The Customs shall seek to co-operate with the trade and seek to conclude Memoranda of Understanding to enhance Customs control.
- Maximum use of information technology: The Customs shall use information technology and electronic commerce to the greatest possible extent to enhance Customs control (Transitional Standard)

The risk management is a kind of customs control method to be carried out based on the analysis of the profile data of traders, the commodity, the country of origin, by utilizing a computer system. Among them, the most advanced and therefore difficult manner is the risk management based on the traders’ profile data.

It consists of four cycles: Identification, Analysis, Assessment and Monitoring. By using risk management, the frequency and extent of physical examination of cargo would be expected to be lessened and the reliance on the post-clearance-audit would be realized.

The other core of the WCO framework is to use non-intrusive detection equipment to effect examinations.

(ii) *Free zones*

In Chapter 2 of Specific Annex D, the revised Kyoto Convention prescribes that “Free Zone” means a part of the territory of a Contracting Party where any goods introduced are generally regarded, insofar as import duties and taxes are concerned, as being outside the Customs territory.

It stipulates in detail the standards and transitional standards for the admission of goods into the zone, authorized operation in the zone, goods consumed within the zone, transfer of ownership, removal of goods, assessment of duties and taxes and closure of the zone.

(3) The RGC’s current measures to conform with the Revised Kyoto Convention

There is no ASEAN country which ratified the revised Kyoto Convention so far, including Cambodia. But in some countries preparatory works are underway. Thailand and Malaysia already started procedures for accession and Thailand plans to ratify the Convention by the end of June 2006. Vietnam is also preparing amendment of the laws and regulations to meet the requirement of the Convention.

Regarding the implementation of risk management, Thailand is at the most advanced stage. It already installed the computer system, which is now being used to collect the traders’ profile data. The number of such profile data is said to have reached 10,000 by October 2006. In Indonesia, the customs clearance system which includes the risk management system has also already been installed but they have had some difficulty in collecting the traders’ profile data. Malaysia is very ambitious to realize risk management within 2006.

In Cambodia, 100% of inbound and outbound cargo is currently examined and the RGC plans to reduce the ratio to 50% by the end of 2006, to 25% by the end of 2007 and 5% by the end of 2010. To realize these targets, the risk management system basing on the traders’ profile data must be introduced.

For simplification of the customs procedures, the RGC decided to start from the introduction of “Single Window Customs System”, which utilizes a computerized system called “ASYCUDA” through which trading companies submit a single import/export format to the CED and then on to the relevant government sections. “ASYCUDA”, which is a comprehensive customs clearance system and does include the risk management system, is planned for installation at CED Headquarters by the end of 2006 and terminal computers will be in use around the middle of 2007 at major trade spots such as Phnom Penh International Airport and Sihanoukville Autonomous Port. “ASYCUDA” will be used for simplifying the export/import procedures at the beginning and is planned to be utilized for the purpose of Risk Management. By introduction of this system, the RGC expects to reduce the bureaucratic burden on trading activities and opportunities for corruption.

The RGC already announced that a Single Import/Export Form, “Single Administrative Document (SAD)”, was approved and was to be in use from March 2006, which will be the first step to realizing “Single Window Customs System”. Regarding the introduction of a non-intrusive examination method, X-ray detecting equipment has been installed at the customs in Sihanoukville Port.

In Clause 6.2 of Chapter 6 in General Annex, the revised Kyoto Convention sets the standard as “Customs control shall be limited to that necessary to ensure compliance with the Customs law”. In case of Cambodia, the comprehensive customs code has not been enacted, although the draft was made for a long time ago. It is necessary to examine the conformity of the draft provisions with the requirements of the revised Kyoto Convention and expedite the enactment.

(4) Recent Development of Single Window and Implementation of Revised Kyoto Convention

In order to provide the legal base for implementing the risk management method, the Sub-Decree on the Facilitation of Trade through Risk Management has already been issued in June 2006, followed by “Prakas # 607 (MEF) on Establishment and Putting into Operation the Office of Risk Management and Audit of Customs and Excise” of August 07, 2006 and “Prakas # 1015 (MEF) on Creation of An Inter-Agency Coordination Group of the Facilitation of Trade through Risk Management” of October 24, 2006.

The purchasing contract of ASYCUDA was concluded in June 2006 and the training of the Customs and Excise Department (CED) staffs on the risk management was already implemented in Malaysia. In addition, “Ministerial Order # 607 (MEF) on Establishment and Putting into Operation the Office of Risk Management and Audit of Customs and Excise” was issued in August 2006 and the risk management office was opened in the CED Headquarters. MEF has also issued “Prakas # 1146 (MEF) on Establishment of Customs Automated Project Steering Committee” of November 14, 2006, in order to implement the project. The Government is now in preparation to commence the use of ASYCUDA at Sihanoukville Port from the end of 2007.

10.2 Industrial Infrastructure

10.2.1 SEZ

By January 2007, the Cambodian government has officially approved seven SEZs (Stung Hao SEZ, Phnom Penh SEZ, Chhay Chhay O’Neang SEZ, Sihanoukville SEZ, Manhattan SEZ, DOUNG CHHIV PHNOM DEN SEZ and Kampot SEZ) by the Sub-Decree and seven other SEZs have also already received the license from the CSEZB. The currently authorized SEZs in Cambodia are shown in Table 10-20-1.

Among them, the Phnom Penh SEZ began the project implementation on July 6, 2006, and expects the completion of the first phase project by the end of 2007, and the Manhattan SEZ already has three investors operating in the zone.

Table 10-2-1 Cambodia's Approved SEZs as of January 1, 2007

Name of the SEZ	Description
1. Koh Kong SEZ	
Location	Neang Kok Village, Pakkhlong Commune, Mundul Seyma District, Koh Kong Province
Area	336.24 ha.
Project Implementation	Fences have already been built.
2. Suoy Chheng SEZ	
Location	Neang Kok Village, Pakkhlong Commune, Mundul Seyma District, Koh Kong Province
Area	100 ha.
Project Implementation	n.a.
3. S.N.C SEZ	
Location	Sangkat Bet Trang, Prey Nob District, Sihanoukville City
Space	150 ha.
Project Implementation	Not yet implemented
4. Stung Hao SEZ	
Location	Sangkat O Tres, Stung Hav District, Sihanoukville
Area	192 ha.
Project Implementation	n.a.
5. N.L.C. SEZ	
Location	Prey Phdao and Thhlok Village, Chrok Mates Commune, Sray Teals District, Sray Rieng Province
Area	105 ha.
Project Implementation	The company has built a road 20m long and 8m wide.
6. Manhattan SEZ	
Location	Bavit and Bati Commune, Chantrea District, Sray Rieng Province
Area	157 ha.
Project Implementation	<p>1) The company has already built infrastructure: connecting power grid from Vietnam and fencing of the first phase of 70 ha.</p> <p>2) To date, there are three investment companies.</p> <ul style="list-style-type: none"> - Best Way Industry Co., Ltd.(Taiwan): Bicycle production with 350 workers with a plan to increase to 1,000 workers - S.Y.G. Steel International Co., Ltd. (Taiwan): Screw production with 108 workers. - Kingmaker, shoes factory, was inaugurated in late July 2006 and is under construction. <p>3) 14 governmental officials from the CSEZB, the Customs and Excise Department, Ministry of Commerce, CAMCONTROL, and the Labor and Vocational Training Department providing one-stop service for paperwork are stationed at the SEZ Administration Office.</p>
7. Chhay Chhay O'Neang SEZ	
Location	Poipet Commune and Nimit Commune, O Chhrov District, Banteay Meanchey Province
Area	467 ha.
Project Implementation	<p>1) Has built sub-base for highway, 18km long & 50m wide, from Kon Damrey village, NR No.5 through Industrial Zone to Dry Port and business zone and to Thai border. The company plans to pave the road to a width of 20m.</p> <p>2) Reclaiming the whole site and port, and building infrastructure</p> <p>3) Has been building fences and administrative buildings</p> <p>4) Has negotiated with H.E. Kok An of Amco Company to buy electricity for supplying the industrial zone.</p>
8. Doung Chhiv Phnom Den SEZ	
Location	Kiri Vong District, Takeo Province
Area	79 ha.
Project Implementation	By the end of 2006
9. Phnom Penh SEZ	
Location	Khan Dangkao, Phnom Penh and Ang Snuol District, Kandal Province (8 km from Phnom Penh International Airport on NR 4)
Area	353 ha.
Project Implementation	The first phase to be completed by the end of 2007

Name of the SEZ	Description
10. Kampot SEZ	
Location	Koh Toch commune, Kampot district, Kampot Province
Area	145 ha.
Project Implementation	4 phases from May 2005 to October 2010
11. Sihanoukville SEZ	
Location	Stung Hav District, Sihanoukville City
Area	178 ha.
Project Implementation	First phase construction: reclaiming the land and fencing, from 2006 – May 2007
12. Tai Seng Bavet SEZ	
Location	Bavet District, Svay Rieng Province
Area	99 ha.
Project Implementation	n.a.
13. Oknha Mong SEZ	
Location	Srea Ambel District, Koh Kong Province
Area	100 ha.
Project Implementation	n.a.
14. Goldfame Pak Shun SEZ	
Location	Sa Ang District, Kandal Province
Area	80 ha.
Project Implementation	n.a.

Source: Compiled by the JICA Study Team basing on the Project Implementation Sheets prepared by the CDC

10.2.2 Electricity

(1) Present Status of Electricity Infrastructure in Cambodia

In Cambodia, the Electricity Law was promulgated in February 2001 followed by issuance of several sub-decrees with a view to regulating its power sector, and the Electricity Authority of Cambodia (EAC) was established as a legal public entity to act as the Regulator and the arbitrator of power sector business activities.

The Cambodian Power Sector Strategy is to construct transmission lines to connect the main town centers of the two regions (the southern region consisting of Phnom Penh city, Kandal, Kampong Speu, Takeo and Kampot provinces and Sihanoukville, and the western region consisting of Banteay Mean Chey, Battambang and Siem Reap provinces), to import electric power from neighboring countries during such construction and to construct large-scaled power plants with low-cost energy generation.

Electricity, in Cambodia, is generated and/or distributed by the following entities:

- (i) Electricite Du Cambodge (EDC), a government enterprise;
- (ii) Private entities including Independent Power Producers (IPP) in the provincial towns;
- (iii) Licensees in smaller towns; and
- (iv) Rural Electricity Enterprises (REE) in the rural areas.

EDC has a consolidated license (generation and distribution) for electricity supply in Phnom Penh, Sihanoukville, Siem Reap, Kampong Cham, Takeo and Battambang. For the southern region, a Power Purchase Agreement (PPA) has been signed to import power from Vietnam. Another agreement for credit from World Bank (WB) and Asian Development Bank (ADB) has also been signed for construction of transmission lines from Phnom Penh to Takeo and to Vietnam including development of rural electrification in this region. The huge quantity of electricity import from

Vietnam is expected to start by the end of 2007. Cambodia is expected to import 80MW of power from Vietnam for the first two years and increasing up to 200MW from third year.

For the northern region, a PPA for the import of power from Thailand has been signed. Investment Agreements also have been signed with ASK Co. for the construction of transmission lines from Thai-border to the three provincial towns. The huge quantity of electricity can be imported from Thailand by 2007. Additional construction of transmission lines from the provincial town of Battambang to the surrounding region within 40km will be constructed with a loan from World Bank. The present power system in Cambodia consists of many isolated systems provided by different licensees. Licenses in small towns close to border areas are to purchase electricity from neighboring countries for supply to consumers in Cambodia, whereas licensees in other areas are their own generation facilities among which Phnom Penh power system, supplied by a state-owned enterprise, namely, EDC, is the biggest. EDC alone supplied electricity accounting for 26.5% of total electricity supply as of 2005, of which 71.1% of electricity supply is provided by independent power producers (IPP) and 2.4% is supplied by 100 numbers of consolidated licensees as of 2005. Of total electricity generation by EDC, 94.6% or 233 mil kWh were dispatched, with auxiliary use made of 5.4% or 13 mil kWh.

The system in Cambodia is that IPP generating electricity in Phnom Penh area sell electricity at various prices depending on fuel costs to the government (i.e. EDC), which in turn supplies it to the end users around the Phnom Penh area. However, IPP generating in provincial areas and IPP distributing the imported electricity from neighboring countries sell electricity directly to the end users.

Table 10-2-2 Independent Power Producers (IPP) in Cambodia

Individual Power Producers (IPP)	Source of Investment	Supply Area
CETIC International Hydropower Development Co., Ltd.	China	Phnom Penh and Kampong Speu
Cambodia Utilities Pte. Ltd. (CUPL)	Malaysia	Phnom Penh
Jupiter Power (Cambodia) Co., Ltd. (no more)	US	Phnom Penh, Kampong Chhnang, Pursat, Battambang)
Khmer Electric Power Ltd. (KEP)	Cambodia	Phnom Penh
Cambodia Electricity Private (CEP)	Cambodia	Phnom Penh
City power	Cambodia	Phnom Penh
Colben System Pte Ltd (Colben)	Singapore	Phnom Penh, Sihanoukville
New IPP under the umbrella of City power	Cambodia	Pursat

Note: The extension of business license of Jupiter's operations in Cambodia will cease in 2006.

Source: JICA Study Team

Table 10-2-3 Electricity Importers in Cambodia

Electricity Importers	Import from	Supply Area
Franasie Import Export Co., Ltd.	Thailand	Kamrieng, Phnom Preuk, Sampeou Loun
MSP Development Co., Ltd.	Thailand	Phum Phsar Prum
Anco Brothers Co., Ltd.	Thailand	Poipet
Duty Free Shop Co., Ltd. (DFS)	Thailand	Koh Kong, Osmarch Town
Electricite du Cambodge (EDC)	Vietnam	Ponhea Krek District, Memot, Bavit, Kampong Trach

Source: JICA Study Team

As of 2005, electricity in Cambodia by source was supplied by 2 hydropower plants (one at Kirirom connected to Phnom Penh via Kampong Speu power system and the other at Ratanakiri connected to Ratanakiri power of EDC) and several diesel power plants using HFO or LDO. The electricity supply of 43.542 mil kWh accounting for 5.0% out of total electricity supply in Cambodia is provided by two hydropower plants, 28.385 mil kWh accounting for 3.2% of total supply is provided by HFO-burnt steam power and 807.325 mil kWh accounting for 91.8% is by Diesel/HFO generators as of 2005.

Electricity tariffs charged by independent power producers are quite expensive compared with international standards. The average tariff in the whole year of 2005 charged by them is around US\$0.17 per kWh. Some suppliers that include Jupiter in Kampong Chhnang area even charged over US\$0.20 per kWh. As per comparison of electricity tariff among other countries below, it is found that tariffs in Cambodia are at the highest level with low level of reliability.

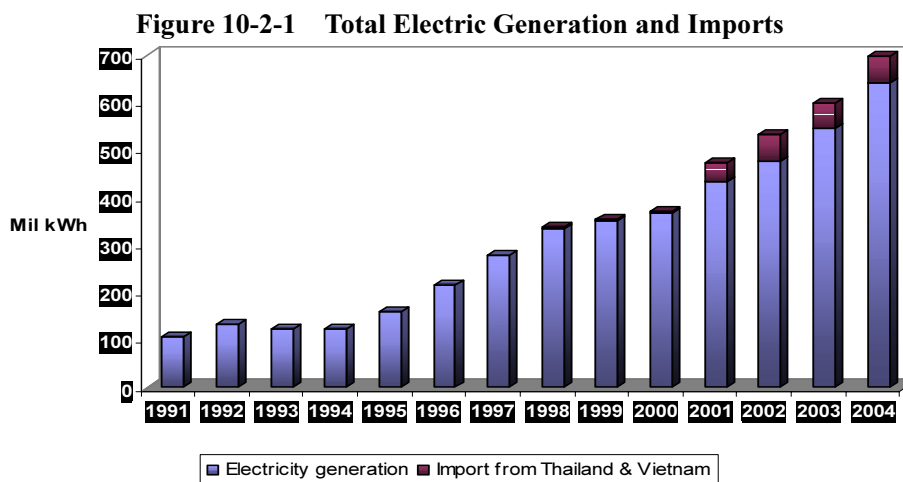
Table 10-2-4 Power Tariffs for Industry (kWh)

City	Hanoi	Bangkok	Kuala Lumpur	Jakarta	Singapore	Phnom Penh	Sihanoukville
Tariff	US\$0.07	US\$0.04	US\$0.05	US\$0.04	US\$0.07	US\$0.12 ~0.15	US\$0.135~ 0.175

Note: as of 2005

Source: JICA Study Team

In addition to the above-mentioned three sources of electricity supply generated within the country, Cambodia also imports electricity supply from the neighboring countries of Thailand and Vietnam. As of 2005, Cambodia imports 56.838 mil kWh of electricity from Thailand and over 25.407 mil kWh from Vietnam. As of 2005, the costs of imported electricity from Thailand vary, ranging from US\$0.060 to 0.077 per kWh, whereas the cost of imported electricity from Vietnam is quite stable at US\$0.069 per kWh. Although the electricity supply in Cambodia which constitutes 642 mil kWh of generation and 57 mil kWh of import from neighboring countries has been increasing, it still does not meet the basic demand for electricity especially in rural areas.



In several out-of-city areas, 24-hour supply of electricity is still not assured. And the electricity during the supply time is also not reliable. With the current level of supply and quality, it is not adequate to supply to meet the demand of electricity required by the Special Economic Zones (SEZ). Reliable supply of electricity will be assured when all the planned constructions of transmission infrastructure and the biggest Kamchay hydropower plants having the capacity of 193.2MW are complete. However, Cambodia will still be relying on electricity supply from its neighboring countries mainly from Thailand, Vietnam and later from Laos to meet its increasing demand in the future.

(2) Electricity Infrastructure and Supply Around SEZ in Cambodia

Out of the SEZs, Sihanoukville SEZ, Phnom Penh SEZ and Manhattan (Svay Rieng) SEZ etc., are being developed and found to be more promising at the moment. Hence this paper focuses on these SEZ in Cambodia. Regarding the electricity supply to these SEZs, there are three ways they can have access to electricity supply depending on the area in which they are located:

- (i) Electricity being supplied either by EDC or IPP (through EDC in Phnom Penh area);
- (ii) Electricity supplied either by Thailand or Vietnam depending on the location of SEZ; and
- (iii) Electricity generated by separately built power plant in each SEZ

It is noted that electricity supply of EDC currently happens to become cheaper compared with the electricity generated by owned generators because electricity generators owned by most industries are run by high-speed diesel oil whose price has been increasing. It will be much more economical using owned generators run by Heavy Fuel Oil that will cost around only US\$0.13 per kWh although their installation is more capital intensive. Currently, most SEZ in Cambodia have access to limited electricity supply leading to the situation where more reliable power generation is necessary for the supply to industries in their respective zones since it will take many years to have direct access to

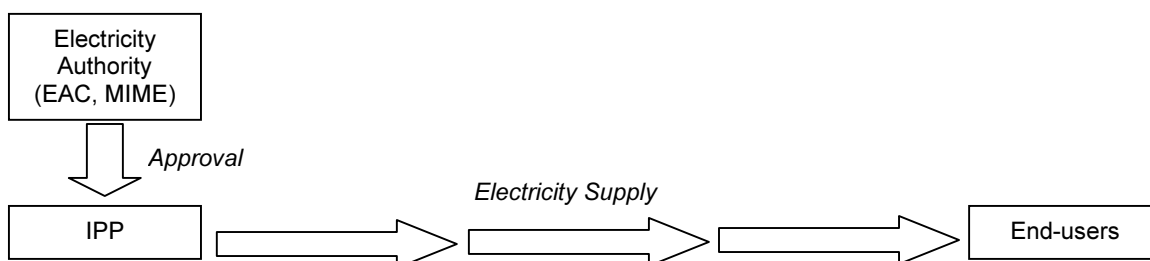
adequate electricity supply from EDC. Hence it is a “must” for each SEZ to establish its own IPP to cater to industries in the zone. It may not be commercially viable initially to supply only a small number of industries in the zone. However, this problem can be solved by supplying electricity both to industries in the zone and EDC (when it is accessible) or to the end-users. The existing system of distribution and the possible distribution system of IPP in the SEZ can be depicted in Figure 10-2-2.

Figure 10-2-2 Existing System of Distribution and the Possible Distribution System of IPPs in the SEZs

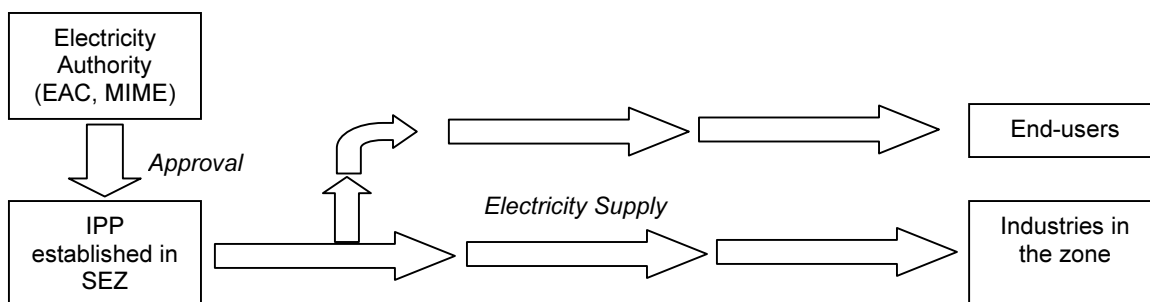
(A) Existing distribution system in Phnom Penh area



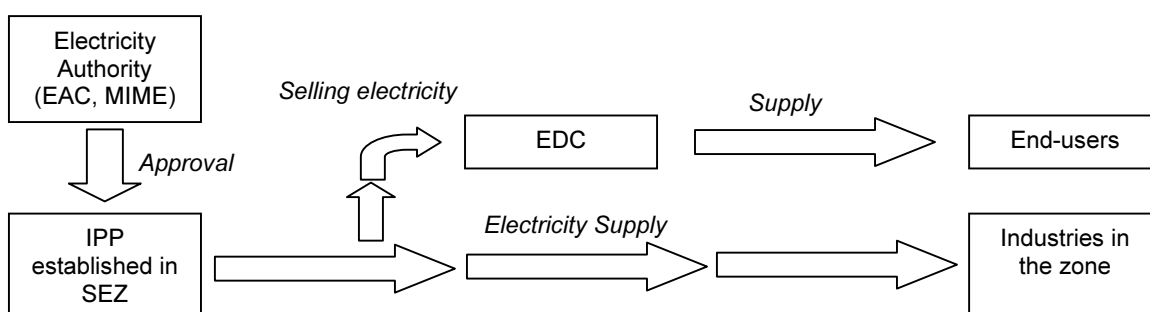
(B) Existing distribution system in other areas where EDC network is not available



(C) Possible system at SEZ where EDC network is not available



(D) Possible system at SEZ where EDC network is available



Source: JICA Study Team

It is noted that IPP established in the SEZ can sell its surplus electricity to EDC where it is available and to the end-users outside the zone. However, it is more economical for SEZ around the Cambodia-Thailand and Cambodia-Vietnam border areas to import electricity directly from the neighboring countries and to adopt the distribution system depicted in the above figure (10-2.-2).

In case of the Cambodia-Thailand border areas, it is simpler that the provincial electricity authority from the Cambodia side negotiates with the provincial authority of Thailand and the IPP can start importing the required amount of electricity once it has signed the PPA with the EDC. However, since EDC itself is importing electricity from Vietnam, there are more steps involved in importing electricity from Vietnam which could be depicted as follows;

(3) Electricity Supply to Phnom Penh SEZ

Since it is located around Phnom Penh and Kandal province, electricity supply is not a big issue. However, electricity transmission to this specific area should be sorted out. Electricity to the Phnom Penh area is mainly supplied by EDC. Several districts such as Phum Bakeng and Phum Ktor, SangKat prek Leap, and Khan Rusey Keo are supplied by 2 other small consolidated licensees, whereas electricity to the Kandal area is mainly supplied by EDC. Electricity to several other districts is supplied by 17 consolidated licensees as of 2005. EDC has been supplying 701 industrial customers in the Phnom Penh area as of 2004 at a tariff that varies from 480 to 600 Riels (US\$ 12-15) per kWh depending on the size of consumption. Most IPPs are in the Phnom Penh area, and they sell electricity to EDC which in turn supplies to the end users. However, IPPs outside of the Phnom Penh area supply direct to the end users. Recently, Asiatic Group (Holdings) Limited announced that its wholly-owned subsidiary, Colben System Pte Ltd (Colben), has signed a memorandum of understanding (MOU) to supply power exclusively to Japan Cambodia Development Corporation (JCDC) for the latter's development of the Phnom Penh SEZ. Under the terms of MOU, Colben will develop on a Build-Own-Operate (BOO) basis a power plant with an initial capacity of at least 10MW to cater for the first phase development of 140 hectares of the 365-hectare SEZ. In turn, JCDC will purchase the power generated from the power plant for distribution to the SEZ. The initial project and investment cost for the proposed power plant is expected to be less than US\$ 8 mil after considering the costs of development, financing, design, engineering and construction.

Currently, the Phnom Penh SEZ does not have access to the electricity supply from EDC due to the lack of a transmission line to this specific SEZ area. However, Phnom Penh SEZ will be able to have access to the Colben's power plant which will be newly built on a Build-Own-Operate (BOO) basis. Hence the supply of the required amount of electricity to this SEZ is more or less assured. It is noted that Colben plans to construct second-hand power machines so that there may be a question regarding the reliability of electricity supply to this SEZ in the future unless the Phnom Penh SEZ has access to the EDC line after the transmission line is in place⁵⁴. This SEZ has contracted with

⁵⁴ Source: Mr. Pierre Yves Catry, Managing Director, Comin Khmere

EDC on selling excess electricity to its grid in the early stage with few investors. EDC is planning to supply big new load centers with 115KV transmission lines connecting to the new west Phnom Penh substation.

(4) Electricity Supply to the Sihanoukville SEZ

The Cambodian government signed ODA Loan Agreement with JBIC in March 2006 totaling up to 318 mil Yen to finance the Sihanoukville Port SEZ Development project. Under this project, an SEZ with an area of about 70 hectares will be developed adjacent to Sihanoukville port which was also developed by ODA loans. JBIC also has supported the rehabilitation and expansion projects of the Sihanoukville port and a telecommunication backbone network project and has also provided the government with policy proposals on investment promotion and facilitation for improving the investment climate.

The Sihanoukville city area can have access to the electricity currently supplied by EDC. Three other smaller consolidated licensees also supply electricity to Phsar Veal Reinh Town, Khan Preynob, Sangkat Tomnbrolok and the Kompenh, Khun Stung Hav, Phsar Smachdeng, SangKat Ream, Khan Preynop areas in this province. EDC has been supplying electricity to 100 industrial customers in Sihanoukville city as of 2005 at a tariff that varies from US\$ 0.135-0.175 per kWh depending on the size of consumption. Sihanoukville city is one of the areas in Cambodia where 24-hour supply of electricity is possible as in the Phnom Penh city area and is not like other areas where electricity is supplied only during scheduled hours. However, EDC is currently supplying more or less only 10 MW of electricity to this whole city (out of which 5 MW is supplied to EDC by Colben). It is also noted that both EDC and Colben power plants in this city are old second-hand machines so that electricity supply to the full-fledged SEZ in this area in future is still a question mark. Currently, the Sihanoukville SEZ can have access to limited electricity supplied by EDC and Colben (through EDC). However, since Sihanoukville city, which will be develop also as off-shore oil base, does not have access to the electricity supply from the neighboring countries at the moment without connecting transmission lines, its own power plant should be set up to have access to a more reliable power source. By 2008, transmission lines from Vietnam to Phnom Penh area through Takeo will be in place, and 80 MW of electricity supply from Vietnam will be imported. By 2009, transmission lines from Takeo to Kampot and Sihanoukville area are expected to be in place through which electricity imports from Vietnam will flow to these area through Takeo. By 2010, the new Kamchay hydropower plant with a capacity of 193.2 MW will be in place not very far from the Sihanoukville city. By 2010, construction of a coal-fired power plant at Sihanoukville city is scheduled for completion and an additional 200 MW coa-fired power plant will be installed in the same area by 2011.

(5) Electricity Supply to Manhattan (Svay Rieng) SEZ

The Manhattan (Svay Rieng) SEZ is located in Bavit and Bati Commune of Svay Rieng province, which is at the Cambodia-Vietnam border. It is developed by Manhattan Company and is in

operation. This SEZ began functioning early in 2006. So far, as of August 2006, it employs about 400 local workers at two export-oriented factories producing bicycles and screws, and a new shoe factory was inaugurated in late July 2006. Goods are being exported to the European market through Vietnam's Ho Chi Minh City port. The SEZ has about 14 governmental officials from the Customs and Excise Department, Council for the Development of Cambodia, and the Labor and Vocational Training Department providing a one-stop service for paperwork⁵⁵. Bavit Commune of Svay Rieng province, where the SEZ is located, can access electricity provided by EDC. The supply of electricity to this area is imported from Vietnam by EDC. Cambodia has imported the electricity of 4.928 mil kWh for the supply to this area since 2004. It is one of the areas in Cambodia where 24-hour supply of electricity is possible as in the Phnom Penh city area. It is noted that Manhattan Company, the Svay Rieng SEZ developer, plans to import electricity direct from Vietnam without going through EDC for supply to the industries in its zone⁵⁶. Hence, if it actually happens, electricity supply to this SEZ will be more or less assured in the future. Due to expected higher consumption of electricity in this area, existing 22KV transmission from Vietnam to the Svay Rieng area will be replaced by a 115KV transmission line by 2007.

(6) Issues Being Faced by Cambodian Industries Related to Electricity Supply

This section mainly analyses the electricity-related issues being faced by most industries in Cambodia through interview surveys with industries in Cambodia. Since the majority of industries in Cambodia are in the garment sector and their exports account for over 80% of Cambodian total exports, the analysis focuses more on industries in garment sector. Since the majority of them are concentrated in the Phnom Penh area, sample factories in the same area are selected for the survey. Based on the interview surveys with labor-intensive garment industries in the Phnom Penh area in September 2006, it is noted that electricity currently supplied by EDC has become better than before (about 6-9 months ago). Most garment industries in Phnom Penh area have two sources of electricity supply that are EDC. These are the electricity supply of the government and their own diesel-run electricity generation. Previously, usage of EDC supply by an industry was about 30% only because most industries had to rely more on their own diesel-run generators to acquire reliable power for their operation.

The cost of EDC-supplied electricity to most industries in the Phnom Penh area is around US\$0.15-0.17 per kWh, whereas it costs about US\$0.18-0.23 per kWh by using their own diesel-run electricity generator due to increased cost of fuel these days. However, garment industries out of the Phnom Penh city area have to rely only on their own electricity generators due to securing stable supply. The cost of electricity from generators run with Heavy Fuel Oil is much cheaper at about US\$0.13 per kWh compared with that of electricity generated by high-speed diesel oil, though depreciation cost of generator is high. As of 2006, The portion of electricity cost in the total FOB

⁵⁵ Statement of Mr. Lary Kao, the owner of Svay Rieng SEZ, in Cambodia World Bank News Letter, August 2006

⁵⁶ Source: Mr. Larry Kao, General Manager, Manhattan Company

price of a general garment item is around 6% depending on type of garment made due to higher cost of electricity from own source of generator resulting from increased fuel cost. It used to be just around 4% in 2004. Unless the air-conditioning is turned off, it occupies only 3% of FOB price as sewing machines operate, though being apt to go to extremes. Therefore, there is little movement from a self-owned generator to EDC. Taking a future possibility of FDI in electricity-consuming manufacturers into account, it is essential to develop hydro-power stations in Cambodia and build an integrated power exchange network among GMS countries.

Table 10-2-5 Cost Structure in Cambodian Garment Sector (2006)

Component of Cost	Percentage
FOB Sales price	100
Cost of imported raw materials	59
Cost of workers	12
Cost of overhead persons (management, admin. under-table money)	8
Cost of energy	6
Cost of depreciation & land lease	9
Profit before Tax	6

Source: JICA Study Team

10.2.3 Telecommunications

(1) Current situation of telecommunication in Cambodia

(i) Planning and regulatory bodies for telecommunication policies

Ministry of Posts and Telecommunications (the MPTC) is a policy-maker and regulator in the field of telecommunications in Cambodia. The MPTC was also an operator of the fixed line network but, in January 2006, separated its telecom operation arm and established a new public enterprise called “Telecom Cambodia”, by having provided own assets equal to USD 40.3 million and 700 staff members, to provide fixed line service with 023 prefix. Telecom Cambodia will reportedly privatize by 2008.

In 2000, the Government established National Information Communications Technology Development Authority (NiDA) to formulate the IT promotion and development policy for the short, medium and long term to implement IT policy for maximum economic growth and to monitor and audit all IT-related projects.

(ii) Telephone services

Although the Cambodian telephone-density has more than tripled in the last five year as shown in Table 10-2-6, the fixed-line subscribers have been slow to grow. The Cambodian telephone-density at the end of 2005 was 6.24 of which 5.94 was occupied by mobile phone subscribers. In other words, more than 95% of all the telephone subscribers use mobile phone. Cambodia was the first country in the world where the usage of mobile phone exceeded the fixed line. This was simply because there had been a continuous shortage of the fixed-line telephone service. One private international telecommunication

research institute estimates that there were over 1.1 million mobile telephone subscribers and less than 40,000 fixed-line subscribers at the end of 2005.

Table 10-2-6 Telephone subscribers and Coverage

	2001	2002	2003	2004	2005	
Population (Persons)	13,000,000	13,433,000	13,770,000	14,111,000	14,145,000	
Subscribers (Persons)	Fixed Line	33,494	35,419	37,194	39,865	41,104
	Mobile	223,458	321,621	489,504	659,324	840,916
	Sub-total	256,952	357,040	526,698	699,189	882,020
Coverage (%)	Fixed Line	0.25	0.26	0.27	0.28	0.30
	Mobile	1.72	2.39	3.55	4.67	5.94
	Sub-total	1.97	2.65	3.82	4.95	6.24

Source: The MPTC

Comparing with other ASEAN countries, Cambodian telephone-density remains low as shown in Table 10-2-7. The 2005 figure of 6.24% in Cambodia is still much lower than Indonesia's telephone density in 2002.

Table 10-2-7 Telephone density of ASEAN Countries

Country	Fixed line	Mobile	Total
Cambodia (2002)	0.26%	2.40%	2.66%
Myanmar (2002)	0.61%	0.03%	0.64%
Laos (2002)	1.12%	1.00%	2.12%
Indonesia (2002)	3.60%	5.52%	9.12%
Vietnam (2002)	6.58%	2.34%	9.19%
The Philippines (2002)	4.17%	17.77%	21.94%
Thailand (2001)	9.87%	26.04%	35.91%
Malaysia (2001)	19.79%	34.99%	54.67%
Brunei (2001)	28.94%	43.72%	72.66%
Singapore (2002)	46.35%	79.13%	125.48%
China (2001)	13.81%	11.17%	24.98%
Japan (2001)	58.58%	62.11%	120.69%

Source: Word ICT Visual Data Book 2004

In Cambodia, there are three providers for fixed-line telephone service, three providers for international service and four providers for mobile phone service. The names of those companies and their service range are summarized in Table 10-2-8.

Table 10-2-8 Telecommunication Service Providers

Company	Fixed line	Mobile	International	Internet
Telecom Cambodia	X(023)		X	X (CamNet)
CaminTel	X			X
Camshin (Cambodia Shinawatra)	X	X (011)		X
CamGSM (Mobitel)		X (012)	X (Tele2)	X (Telesurf)
CASACOM (Cambodia Samart Communication)		X (015 / 016)		X
CamTel		X (018)		
3tel Cafe (008)			X (PC/Phone)	
Cogetel				X (Online)

Source: JICA Study Team

Among the mobile telephone service providers, Mobitel occupies about a half share and Camshin and CASACOM have a quarter of shares, while Telecom Cambodia has over 60% of market share in fixed-line service.

In the international telephone service field, there are two international gateways in Cambodia; one run by the MPTC and the other by Tele2. The MPTC used to earn, until recently, 85 percent of its revenue from international services and, thus, the international gateways still remain a major source of revenue for the Government. Although the cost of international calls had been reduced to one-quarter to one-third in the last 5 years, the tariffs still remained high. For this reason, the users were turning to such methods for communicating abroad as described below and the fixed line's monopoly on international calls has begun eroding.

- Relying on incoming calls
- Using more affordable cellular services
- Growing use of Voice over Internet Protocol (VoIP) despite its illegality

Use of VoIP was once prohibited by the government regulations (Declaration on Prohibition of Use of Voice over Internet, MPTC, 30 December 1998) but "3tel Café", which is operated under a Business Cooperation Contract between MPTC and AZ Communications, has recently started the PC-to-Phone service and their international call service sometimes costs only one-fifth of the international call rates using fixed-line telephone.

(iii) *Internet services*

Internet was introduced to Cambodia in 1997 by MPTC with support from the International Development Research Center (IDRC) of Canada and it is now run fully by the MPTC under the name of CamNet. There are now 7 ISPs in Cambodia, namely, CamNet, Online (CogeTel), Open Forum, CaminTel, Telesurf, Camshin and Casacom. It was estimated in 2003 that there were 13,000 Internet subscribers and 40,000 Internet users in Cambodia. Most of the subscribers and users are around Phnom Penh, Siem Reap, Battambang and Sihanoukville. Broadband Internet services are now being provided through ADSL (sometimes wireless) or optic fiber in Phnom Penh.

International Internet Exchange (IIX) or IP Gateway is run by CamNet with total bandwidth capacity of 22Mbps. IP gateway is connected with THAICOM Gateway or JCSAT via satellite and then with internet backbone in Hong Kong. With assistance of German KfW Optic fiber was installed in 1999 from Thailand to Vietnam through the route of Poipet – Battambang – Phnom Penh – Bavet. In addition, a loan agreement for "Greater Mekong Telecommunication Backbone Network Project (Cambodia Growth Corridor)" was signed in March 2005 between the Cambodian Government and JBIC and a project to

install the total length of 400 km of optic fiber connecting Kompomg Cham, Phnom Penh and Sihanoukville has already started.

(iv) Postal service

There is no domestic postal service available in Cambodia, and it is vital to reconstruct the postal service network especially for the sake of economic and social development of the provincial areas.

(2) Recommendation for improvement of telecommunication and services

Besides the reconstruction of postal service network in the country, there are such improvements required in the telecommunications service as described below for encouraging the investment in Cambodia, especially in the provinces.

- Reduce telephone tariff (both domestic and international, fixed-line and mobile) and Internet tariff
- Increase the mobile telephone capacity to meet peak-time demands in urban areas
- Increase the capacity of international call gateways
- Expand telephone capacity in rural areas
- Expand national backbone network of Internet to all the provinces
- Improve international Internet link to make available high-speed internet connection with other countries
- Expand broadband access for Internet (increase optic-fiber connection)

The international call charge of \$0.9/minute on weekdays is much higher than the charge of one Japanese private telephone service company for a call from Japan to Cambodia, which is ¥7.9/6 seconds from fixed line and ¥8.5/6 seconds from mobile. Broadband internet monthly charge of \$199 for 256Kbps (2000MB: Free, 2001MB – 5000 MB: \$0.09/MB, Over 5001MB: \$0.08/MB) is also very high comparing with rates in Japan. At the same time, it is very difficult to get through to China by mobile phone during the early evening in Phnom Penh. Since telecommunications are lifelines for modern business, those circumstances are certainly discouraging factors for foreign investors. The Government should encourage competition among the telecommunication service providers, in order to reduce the rates and increase the call capacity.

10.2.4 Roads

(1) Current situation of Cambodian road network

The road network in Cambodia started to develop in the early 1900's and the total coverage was approximately 39,310km, consisting of 4,695km of national roads (1-digit National Roads: 2,052km and 2-digit National Roads: 2,643km), 6,615km of provincial roads and about 28,000km of rural roads. Currently, no divided expressway exists in Cambodia.

There are two major corridors in Cambodia, serving traffic movements: the East-West corridor and the North-South corridor. The East-West corridors connect, through Cambodia, Thailand and Vietnam via NR1, NR5, NR6 and NR7. On the other hand, North-South corridors connect Laos with the Gulf of Siam and Vietnam via NR7, NR3, NR4 and NR2.

Regarding the administrative works for the roads, the MPWT is responsible for the national roads, international roads and provincial roads. MRD is in charge of rural and tertiary roads.

According to the Progress Report of “The Study on the Road Network Development in Cambodia”, prepared by the JICA Study Team in August 2005, the Road Density (km/km²) of Cambodia is comparable to other countries of ASEAN but very inferior as to the paved road density as shown in Table 10-2-9.

Table 10-2-9 Road Density of ASEAN Countries and Japan

	Road density (All Roads)	Road Density (Paved Roads)
Cambodia	0.217	0.011
Malaysia	0.210	0.152
Indonesia	0.188	0.087
Philippines	0.598	0.055
Thailand	0.379	0.084
Vietnam	0.283	0.071
Japan	3.103	0.164

Source: Progress Report of “The Study on Road Network Development in Cambodia”, prepared by JICA Study Team in August 2005

In the same report, the transportation volume ratio by mode in Cambodia is analyzed as shown in Table 10-2-10, through which the importance of the roads in economic activities in Cambodia can be observed.

Table 10-2-10 Passenger and Cargo Transportation Volume Ratio by Mode (2003)

Mode of Transport	Passenger	Cargo
Roadway	65%	69%
Railway	20%	10%
Inland Waterway	15%	20%

Source: Progress Report of “The Study on the Road Network Development in Cambodia”, prepared by JICA Study Team in August 2005

(2) International highway plans

There are three international highway plans for Cambodia: The Asian Highway, ASEAN Highway and Great Mekong Sub-region Roads. As shown in Table 10-2-11, some of them overlap each other. 20% of the total length of these three highways in Cambodia will be asphalt or cement paved two-lane roads, about half of the length will be double bituminous paved narrow two-lane roads and the remaining 30% will be below them in quality.

Table 10-2-11 International Highway Routes

Route	GMS Road	Asian Highway	ASEAN Highway	Cambodian NR	Total Length (km)
Poipet – Sisophon – Phnom Penh – Bavet	Central	AH1	AH1	NR1, NR5	572.4
Sihanoukville – Phnom Penh – Kampong Cham – Stung Treng – Trapengkreal	Inter-Corridor or Link	AH11	AH11	NR4, NR6, NR7	755.0
Cham Yeam – Koh Kong – Phum Daung Bridge – Sre Ambel – Chamkar Luong	Southern Coastal	-	AH123	NR48, NR3, NR33	163.3
Siem Reap – Preah Vihear – Stung Treng – Rattanak Kiri – O Yadav Border	Northern	-	-	NR66, NR78	464.9
Total Length (km)					1,955.6

Source: Progress Report of “The Study on Road Network Development in Cambodia”, prepared by JICA Study Team in August 2005

(3) Roads improvement projects

In 2000, there was huge flood in Cambodia that gave serious damage to the road network. 2,600km of roads and 3,000m of bridges are said to have damaged. With many international donors’ assistance, the rehabilitation of the road network is still underway.

Completion of approximately 98% of the rehabilitation and improvement works of NR1 to NR7 is expected by 2008 and the improvement works for the remaining section of NR1 is scheduled for completion by 2010. Grant money from Japan and various loans from ADB, WB, Korea and China are underwriting these projects.

10.2.5 Aviation

Due to the Open Air Policy of the RGC, the number of airlines flying into Cambodia has increased steadily in recent years. Non-stop international flights to 7 countries/regions are currently being operated from Phnom Penh International Airport, going to 9 destinations as shown below in Table 10-2-12. Besides, some flights depart from and arrive at Siem Reap.

**Table 10-2-12 Winter Departure Flights from Phnom Penh International Airport
(October 31, 2005 – March 26, 2006)**

Country/Region	Destination	Flight Frequency
China	Guangzhou (Beijing)	1 daily x 1 airline company
	Shanghai	2 flights/week x 1 airline company
Thailand	Bangkok	6 daily by 4 airline companies 4 flights/week x 1 airline company
Singapore	Singapore	2 daily x 1 airline company 4 flights/week x 1 airline company
Vietnam	Ho Chi Minh	3 daily x 2 airline companies
Taiwan	Taipei	1 daily x 1 airline company 3 flights/week x 1 airline company 5 flights/week x 1 airline company
Malaysia	Kuala Lumpur	2 daily x 2 airline companies
	Siem Reap - Kuala Lumpur	3 flights/week x 1 airline company
	Penang	3 cargo flights/week x 1 airline company
Hong Kong	Hong Kong	4 flights/week 1 airline company

Source: Official Website of Phnom Penh International Airport

Kang Keng (Sihanoukville) Airport reopened for domestic flights on January 15, 2007, and is planning to start international flight service in the future. Kampong Chhnang Airport, located north of Phnom Penh and near NR #5, is also being said that it plans to resume operations in the future. Connecting road construction is underway and installment of railway siding is being planned. On the other hand, operations are currently suspended at Kaoh Kong Airport.

Two major airports, Phnom Penh International Airport and Siem Reap Airport, and Kang Keng (Sihanoukville) Airport have been contracted out to a Malaysian-French joint venture for operation, management and development.

10.2.6 Railways

In Cambodia, there are two railway lines in operation, namely, the Northern Line (386km) and the Southern Line (264km), which start from Phnom Penh. On the Northern Line, the last leg of 48km to Poipet (Sisophon – Poipet) is missing due to mal-maintenance and robbery during the chaotic era of Khmer Rouge. Currently, there are many illegal residents around the section of missing railway.

On Southern Line, there is one service per week for passengers and about 10 services per month for cargo. Trains leave Phnom Penh at around 6:30 a.m. and are supposed to arrive at Sihanoukville at 5:30 p.m. The average speed is said to be less than 30km/hour. At many places rails lack bolts and there are no traffic signals. Trains mainly carry heavy oils for generators, cement and rice on inbound service to Phnom Penh and wood and stones on outbound service to Sihanoukville. Table 10-2-13 shows the transportation performance of railways by line and items in 2003.

Table 10-2-13 Transportation performance of railway by line and item (2003)

	Northern Line	Southern Line
Petroleum products	18,900 tons (15.5%)	114,900 (38.2)
Cement	43,700 (35.7)	175,700 (58.4)
Rice	9,500 (7.7)	2,000 (0.7)
Others	5,000 (4.1)	200 (0.07)
Internal operation	45,400 (37.1)	8,000 (2.7)
Total	122,500 (100.0)	300,700 (100.0)

Source: Page A-3-1of Progress Report of “The JICA Study on Road Network Development”

ADB is now implementing the project called “the Study for the Rehabilitation of the Railway in Cambodia,” and the study report and rehabilitation plan are expected to come out at around the end of August 2006. ADB is targeting to upgrade the railway with 20 million US dollars in three years’ time so that the maximum service speed will be increased up to 50km/hour.

The RGC plans to move Phnom Penh Station closer to the International Airport and use the ex-railway as a road to ease traffic congestion on the way to the Airport. Sihanoukville Port Authority wishes to install the siding to its container yards, cement manufacturing companies in Kampong Chhnang also request the siding to their factories and the RGC asks to design long siding to the airport in Kampong Chhnang. If the maximum train speed reaches 50km/hour, then a new signal system has to be introduced for the safety of pedestrians.

10.2.7 Sea Port

In Cambodia, there is only one deep seawater port, at Sihanoukville. It has completed phase-one expansion of a container yard of 240m and is now implementing the phase-2 expansion of 160m berth. But, due to the Open Sea Policy of the RGC, a small port was opened near Sihanoukville Port and it has been absorbing considerable volume of the cargo delivered by smaller vessels. This small port reportedly offers lower port charges, easier customs clearance and cheaper duties because sometimes the duties are subsidized by unofficial fees.

10.2.8 Inland Water Transportation

The Cambodian inland water network mainly consists of the Mekong River, Tonle Sap River and Barzac River, of which the total length is approximately 1,750km in the rainy season. In the dry season, only 580 km of this water network may be navigable. There are 7 major river ports in Cambodia as follows.

- Phnom Penh Port
- Kampong Chham Port: 100km upper from Phnom Penh on the mainstream of the Mekong
- Kratie Port: 115km up from Kampong Chham Port on the mainstream of the Mekong
- Stung Treng Port: 150km up from Kratie Port on the mainstream of the Mekong
- Neak Loeang Port: 60km down from Phnom Penh Port on the mainstream of the Mekong
- Kampong Chunang Port: 90km up from Phnom Penh on the Tole Sap River

- Chong Khneas (Siem Reap) Port: 190km up from Kampong Chunang Port on Tole Sap River

Container freight is available only for the rubber plantations between Phnom Penh and Kampong Chham. During the dry season, the upper stream of the Mekong from Kampong Chham and Tonle Sap is not navigable because of the low level of water. The water level difference between the dry and rainy seasons sometimes reaches 10m. Thus, inland water transportation in Cambodia has inherent limitations.

10.2.9 Water Resources

(1) Urban water supply

In Phnom Penh, Phnom Penh Water Supply Authority (PPWSA), a public enterprise, has been providing water since 1996. Its network encompasses some 320km but, although many donors have been helping, it still needs rehabilitation work.

In other parts of the country, the MIME is responsible for urban water supply and, in many cases, it provides private companies with licenses granting the right for supplying water on a commercial basis. Sihanoukville is the only exception as Sihanoukville Water Supply Authority is supplying water to the city.

(2) Rural area water supply

In rural areas, people mostly depend on groundwater, river water and/or rainwater. Although the annual average precipitation is around 4,000mm in Cambodia, the difference between the rainy season and dry season is big and, on top of it, the irrigation system is incomplete so that there is difficulty securing a stable water supply for agriculture.

(3) Industrial water

If there are many industrial zones to be developed in the Sihanoukville area, to secure enough industrial water would be the most difficult problem. Though the groundwater can be counted as a stable supply source, the water quality may not meet requirements for some industries because of salt content. One of the ways to encounter this problem is to get water from the Kubar Chhay River and send it by pumps through pipes to in the Sihanoukville area. Although it is costly, it would be the only way to get enough industrial water in the area if large-scale industrial zones are to be developed. One Chinese IPP is now planning to construct a dam for power generation at Kampot Kamchay and the industrial water can be drawn downstream of the dam. Both Pailin and Koh Kong are in better condition because they have surface water supply.

The Mekong River can also be a reliable source of water but there are two problems. The first problem is that it is not allowed for anybody to draw water freely from the Mekong because it is an international river where many countries have interests. The second is that arsenic gets into the river from the ground at some point downstream and so precautions are necessary.

Chapter 11

Recommendations for Enhancement of Investment Promotion Capacity in CDC/CIB

11.1 Introduction

In this chapter, investment promotion capacity development in CDC/CIB will be proposed. CDC/CIB has been focusing on the improvement of the legal environment in Cambodia, and subsequently all staff in CDC/CIB possess much legal knowledge. In contrast, it hardly requires mentioning that CDC/CIB has an organizational system based on practical business matters, including the identification of investor needs. Subsequently, staff in CDC/CIB would benefit from increased practical business knowledge. The aim of this chapter is to propose investment promotion policies for offshore markets, particularly Japan, from the perspective of a business network. Firstly, institutional analysis for CDC/CIB will be examined. Secondly, institutional development in CDC/CIB will be proposed, followed by suggested measures for investment promotion. Fourthly, business networking with Japan, followed by other countries in Asia, will be proposed. Finally, the implementation of a schedule for proposed recommendations will be addressed.

11.2 Institutional Analysis for CDC/CIB

11.2.1 Overviews of CDC/CIB

The Cambodian government undertook a program of reform to promote private sector development in 1994. As a part of this reform, the Law on Investment in the Kingdom of Cambodia of 1994 established the Council for the Development of Cambodia (CDC), which became the highest decision-making government body for private and public sector investment. The Cambodian Investment Board (CIB) is the CDC's operational arm for private sector investment. The CIB reviews investment applications and grants concessions to investors and investment projects that meet requirements as laid out in the 1994 Investment Law, which streamlined the foreign investment regime and provided generous and competitive concessions for direct private investment. CDC/CIB is chaired by Prime Minister Samedech Hun Sen and is composed of senior ministers from related government agencies (see Figure 11-2-1). The CDC Secretary General oversees the administrative aspects of the operation. Another of CDC's organizations, the Cambodian Rehabilitation and Development Board (CRDB), was established in order to coordinate official development assistance (ODA) from international donor organizations in 1994. The most recent addition, the Cambodian Special Economic Zone Board (CSEZB), is a spin off from CDC/CIB as the result of the declaration of the Sub-Decree No.148 ANKr.BK on the Establishment and Management of the Special Economic Zone (SEZ) in December 2005. It is intended to establish and manage the SEZs and to ensure that the investment climate is conducive to the enhancement of productivity, competitiveness, national economic growth, export promotion, and employment generation. CIB and CSEZB provide a one-stop service, giving a decision regarding investment approval and investment incentives in less than 28 days after the issuance of Conditional Registration Certificate. Within SEZs, investors shall be granted tax exemptions on the import of production equipment, construction materials and

production inputs.

11.2.2 The Departments in CIB

In CIB, there are eight departments under the Secretary General and Deputy Secretary General, with over 50 staff employed within the organization. The majority of the staff members in CIB are dispatched from line ministries, such as the Ministry of Economy and Finance, Ministry of Commerce, and the Ministry of Environment, among others. The main duties of each department in CIB are summarized as below.

(1) The Public Relations and Promotion Department:

- Promotes foreign direct investment in Cambodia;
- Assists CIB on the matters related to Cambodian accession to the WTO;
- Arranges and manages all documentation of investing companies by putting it into a database;
- Arranges programs such as conferences, workshops, and forums;
- Publicizes the strategy of private investment relating to the government;
- Facilitates investors by putting them in contact with relevant ministries and;
- Coordinates tasks with the ASEAN regarding investment matters, ASEAN-Japan Centre and international organizations.

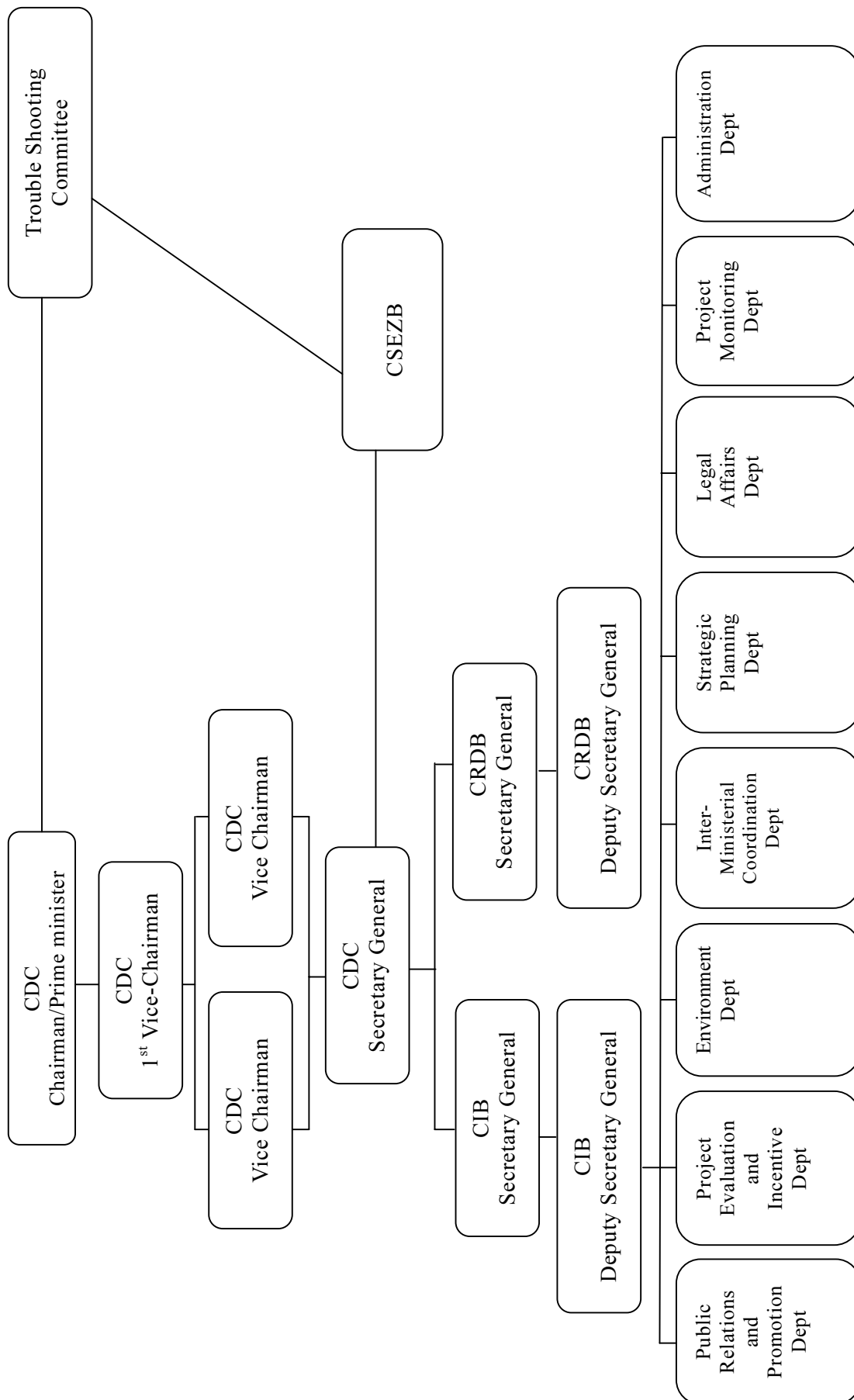
(2) The Project Evaluation and Incentive Department:

- Examines investment proposals;
- Studies and evaluates feasibility studies for projects;
- Advises the applicant to correct mistakes in forms and documents;
- Arranges and submits documents related to investment proposals to the one-stop service meetings; and
- Conducts monitoring of all investments.

(3) The Environment Department:

- Conducts coordination arrangements with the Ministry of Environment.

Figure 11-2-1 Organizational Chart of CDC/CIB



Source: CDC/CIB

(4) The Inter-Ministerial Coordination Department:

- Prepares the minutes of government forums for the private sector;
- Writes the minutes of the one-stop service meetings;
- Reviews proposals for the customs duty exemption of garment companies and other garment expansion projects from the second year, submitted to the Inter-Ministerial meeting;
- Prepares the agendas and reports of the Inter-Ministerial Meetings on customs duty exemption; and
- Assists CIB on matters related to Cambodian accession to the WTO

(5) The Strategic Planning Department:

- Initializes present and long-term strategies.

(6) The Legal Affairs Department:

- Provides CIB's legal advise;
- Coordinates conciliation for all investment company disputes;
- Studies and draws up laws and regulations related to investment matters;
- Checks up and gives approbation on the company's memorandum and articles of association; and
- Assists CIB on matters related to the bilateral agreement on the promotion and protection of investment between the government of the Kingdom of Cambodia and the governments of other countries; and
- Assists CIB on matters related to a company's request for such things as transferring shareholders, changing its name, changing factory location, mergers, acquisitions and so on.

(7) The Project Monitoring Department:

- Monitors and follows up on investments and implemented projects;
- Collects data on investment activities;
- Inspects, and reports on investment locations requested by companies before giving approval for review and decided by One-Stop-Service or CDC's board of directors;
- Inspects, reports and calculates import-export based on duty-free tax exemption imports requested by companies and enterprises;
- Inspects and reports on, location changes, license, tax profit length, and expansion of the project, requested by invested companies; and
- Inspects and reports on cash deposits and withdrawals of invested companies.

(8) The Administration Department:

- Provides general administrative services;
- Manages the staff, records all letters in registered books, and receives all proposals; and

- Writes and sends official letters within CIB as well as to clients.

11.2.3 Current Challenges in CDC/CIB

First of all, common challenges can be identified in all departments in CDC/CIB. These challenges include (i) lack of computers, software, and other IT equipment which are necessary for work, (ii) lack of IT staff and (iii) employees' lack of foreign language skill, particularly English.

Table 11-2-1 Challenges within the Departments of CDC/CIB

Department	Challenges
Public Relations and Promotion	Lack of promotion skill, customer-oriented services, and multi-language skill
Project Evaluation and Incentive	Not particular (n.p)
Environment	n.p
Inter-Ministerial Co-ordination	Lack of information sharing with other departments
Strategic Planning	n.p
Legal Affairs	n.p
Project Monitoring	Lack of monitoring, information collection, and customer relation skills.
Administration	Old office equipment
CSEZB	Due to a newly established organization, there is a lack of various skills, including project evaluation and information collection, among others.

Source: JICA Study Team

In regard to computers, the administration department has a serious problem. One of the department's main duties is to write and send official letters to other ministries as well as various organizations abroad. Due to old computers, printers, and photocopying machines, it will be difficult to provide such services in the appropriate manner. In relation to software, the introduction of a database system seems to be necessary for the departments within CDC/CIB in order to share information. Secondly, one of the biggest challenges in CDC/CIB is related to financial issues. For instance, due to the budget limitation (US\$ 2,000-10,000 per year) in the Public Relations and Promotion department, it is difficult to produce promotional materials. The wage of the staff in CDC/CIB is, in general, much lower than that of the private sector, thus it seems to be difficult for staff to maintain high motivation in the office. Furthermore, CDC/CIB is facing difficulty in recruiting new staff. The challenges which each department is facing are summarized in Table 11-2-1.

11.3 Organizational Development in CDC/CIB

11.3.1 The Establishment of Document Library

As mentioned above, one of the current issues for CDC/CIB is related to customer services. The establishment of a document library is proposed as a short-term improvement for customer services. Services in the provision of information are expected to be effective due to difficulties in collecting investment information on Cambodia. All investment-related information should be stored in the

library, and the customers are entitled to use the library during office hours. The information should include firms and products, technologies, sectors, and laws in Cambodia. In particular, CDC/CIB needs to tightly manage information relating to laws, regulations, and sub-decrees in English within a digital format, and provide this information to customers. CDC/CIB also needs to prepare a photocopy service. It is important for CDC/CIB to establish a document library as an information centre for customers, which will lead to the improvement of customer services.

11.3.2 Cross-Department Cooperation and Information Sharing

It is pointed out that an organizational challenge for CDC/CIB is the weak cross-department cooperation and lack of information sharing. Particularly, monitoring operations within CDC/CIB involve three departments: the Project Evaluation and Incentive Department is in charge of all industries, excluding the garment industry's exemption from the second year (except for its expansion), while the Project Monitoring Department, in association with the Inter-Ministerial Coordination Department, is in charge of the garment industry's application for duty exemption from the second year except for its expansion. All investment applications for incentives in CDC/CIB (except for SEZs) are made and evaluated in the Project Evaluation and Incentive Department, thus the department holds the information of both domestic and foreign investments on an approval basis. In addition, the Project Evaluation and Incentive Department has current firm information on all industries, excluding from the second year of the garment industry, as a result of monitoring operations, while the Project Monitoring Department and the Inter-Ministerial Coordination Department have current firm information on the garment industry from the second year of duty exemption, except for its expansion. However, there are few information links between the Project Evaluation and Incentive Departments, and the Project Monitoring Department, in association with the Inter-Ministerial Coordination Department. As result of this sectionalism, the information is partially held by three departments and thus it is difficult to obtain all together. In addition, after the monitoring of operations by the three departments, the Legal Affairs Department in association with the Project Evaluation and Incentive Department, revise the status, shareholder and location of registered firms in case any changes occur. Thus, all departments in CDC/CIB need to cooperate and share information.

In order to achieve information sharing among the departments, the introduction of a database will be essential in CDC/CIB. In fact, a local area network (LAN) was installed in order to share information in several departments, including the Public Relations and Promotion Department and the Project Monitoring Department. However, it is no longer used, partly due to a lack of cross-department cooperation, IT knowledge and high maintenance costs. Consequently, the Public Relations and Promotion Department and Project Monitoring Department input project data into two similar systems separately.

11.3.3 The Introduction of a Performance-based System

In relation to the wage system in CDC/CIB, a performance-based wage system can be introduced in order to motivate employees and revitalize the whole organization. It can provide special allowances

to individual employees. However, any performance-based system should be carefully introduced, because it might stir feelings of unfairness among the employees. Thus, it is necessary to set quantitative standards such as the number of business meetings conducted, the number of formulations of investment plans, and the number of agreements on investment in Cambodia. It would be necessary to inform all employees of the standards by which they will be evaluated, so as to gain their support.

11.4 Investment Promotion

11.4.1 Investment Promotion List (Firm & Product Information List)

One of the challenges for CDC/CIB officers is that they do not have extensive knowledge of the varieties of products, firms and industries in Cambodia. Therefore, investment promotion officers have difficulties in matching between domestic producer's needs and overseas investor's demands effectively. In this regard, investment promotion officers need to inform prospective investors not only of the importance of the investment climate, but also detailed business information. Information collection, in general, requires a lot of time-consuming work. However, it is very important to identify the needs of the domestic market to enhance business opportunities within Cambodia. The investment promotion list will assist officers in CDC/CIB to promote products or firms in Cambodia to foreign investors. In this study, we identified five potential sectors (textile and garment industry, footwear industry, agro-processing industry, machinery industry, and electronics industry) to attract foreign direct investment, particularly from Japan. However, these sectors tend to provide different opportunities for investment (see Table 11-4-1). Thus, in regards to making investment promotion lists, the characteristics in each industry should be taken into consideration.

Table 11-4-1 Investment Opportunities in Five Targeted Sectors for Japanese Firms

Industry	Expected Investment Opportunities in Cambodia
Textile and Garment	Majority subcontracting (sewing-on-commission), and partly foreign direct investment
Footwear	Majority subcontracting, and partly foreign direct investment
Agro-processing	Technical assistance and foreign direct investment
Machinery	Foreign direct investment
Electronics	Foreign direct investment

Source: JICA Study Team

As our study shows, in the textile and garment as well as footwear industries, Japanese corporations tend to diversify their contracting networks with firms in Cambodia, instead of using FDI (in the textile and garment industry, Japanese firms tend to shift from production-on-commission to foreign investment). In addition, leading firms in these sectors in Cambodia are not indigenous firms, but foreign nationals including Chinese, Taiwanese, and Korean. Thus, investment promotion lists should cover comprehensive information for subcontracting purposes of Japanese potential investors.

Officers in CDC/CIB will be required to find investment opportunities from local (as well as foreign) firms in Cambodia. In regards to information on investment promotion lists, a firm's general

business information as well as what types of cooperation the firm needs, such as technology, finance or markets, should be addressed. An example of an investment promotion list for the garment industry is shown in Table 11-4-2. The firm in this example aims to utilize their production lines for export to the Japanese market.

Table 11-4-2 Investment Promotion List (Example of Garment Industry)

Company Name	Taiwan Garment (Cambodia) Co.
Country or Region	Taiwan
Establishment Year	2000
Address	Nri Road, Khan Russey Keo, Phnon Penh
Tel	023-30-5899
Fax	023-30-5900
Contact Person	Mr. Jack Lee
e-mail	tgc@hotmail.com
Business	Garment
Top 5 products	Casual shirts, underwear, socks etc
Main Customers	A Corp., B Corp., C Corp
Exporting to Japan	Yes
Main Exporting Countries	EU 40%, USA 30%, Taiwan 20%, Japan 10%
Annual Turnover	US\$ 500,000
Capital	US\$ 100,000
Parent Company's Information	
Company Name	Taiwan Garment
Address	123 King St, Taiwan
Tel	77-123-5867
Fax	77-123-5889
e-mail	tg@hotmail.com
Proposed Investment / Project Information	
Detail of Project Proposal	The expansion of production capacity of shocks for the Japanese market, the introduction of new machinery.
Estimated Investment Cost	US\$ 100,000
Proposed Source of Finance	Long-term loans
Cooperation Method	Subcontracting
Additional Information	Utilization of production line

Source: JICA Study Team

(1) Information Collection

The biggest concern for CDC/CIB might be which department is in charge of making an investment promotion list. The JICA Study Team proposes a joint operation between the Project Monitoring Department, in association with the Inter-Ministerial Coordination Department, the Project Evaluation and Incentive Department, and the Public Relations and Promotion Department. In other words, cross-department cooperation and information sharing are important.

(i) Effective Use of the Existing Networks in CDC/CIB

Officers in the Project Monitoring Department, in association with the Inter-Ministerial Coordination Department, and the Project Evaluation and Incentive Department visit various firms for monitoring. Particularly, the Project Monitoring Department also will

launch survey questionnaires to firms in Cambodia. Thus, the information can be effectively collected through these departments. However, it is not enough to collect all necessary information from the departments, because they normally deal with domestic and foreign capital companies which are registered at CIB under the law on investment of Cambodia.

(ii) *Cooperation with Trade Associations*

Another means of effective information collection can be achieved in association with trade associations in Cambodia (see Table 11-4-3). Trade associations, in general, hold valuable information on companies in a particular industry or area. The Public Relations and Promotion Department seems to be the appropriate department to establish networks with trade associations. One of the weaknesses of the department is pointed out as a lack of knowledge of Cambodian firms and industries. Thus it seems to be difficult for them to coordinate businesses with local industries in Cambodia. Information networks with trade association will enhance officers' knowledge on local industries and business opportunities in the Public Relations and Promotion Department. However, in the agro-industry, it seems to be difficult to obtain information from agricultural associations, due to the poor organizational structure. Information on the agro-industry includes agricultural products and where the products are produced. The website of the Ministry of Agriculture, Forestry and Fishery provides various information on large land concession agricultural projects in Cambodia. It includes information on products such as tapioca and cashew nuts, producers' names and locations (see Table A-4-1). Furthermore, the submission of this investment promotion list will be requested for the "*delegate programme*", organized by the United Nations Industrial Development Organization (UNIDO), which will be proposed in the later section.

Table 11-4-3 List of Trade Associations in Cambodia

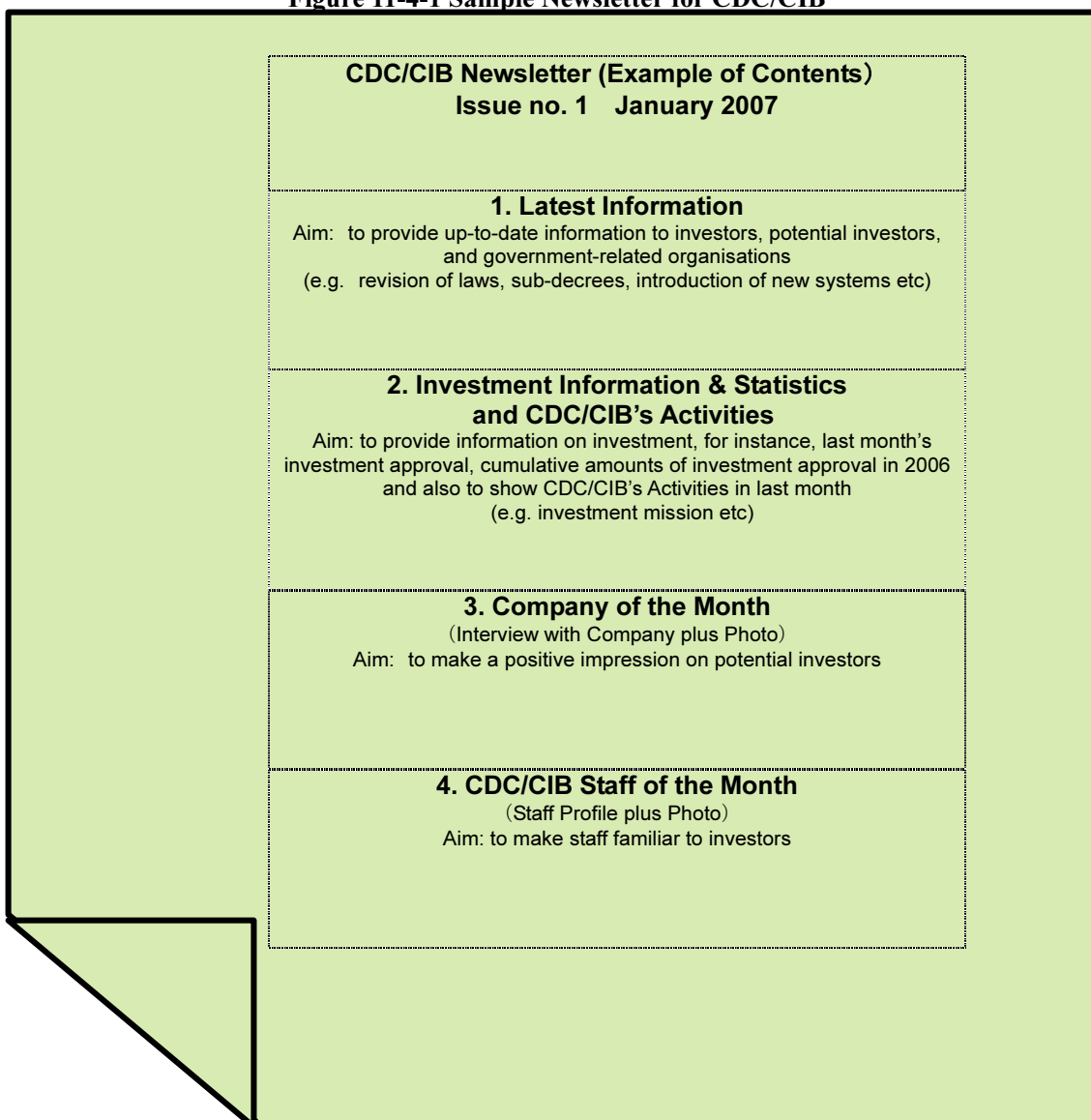
Industry	Association Name	Contact Address
Industry General	Phnom Penh Chamber of Commerce	Building No 7B, The Corner of Road 81&109, Sangkai Boeung Raing, Khan Daun Penh, Phnom Penh, Cambodia Tel: 855-23-212-265 Fax: 855-23-212-270 www.ppcc.org.kh E-mail: ppcc@online.com.ph Contact: Mr Tan Boroth Marketing Manager / Deputy Director Assistance
Small- and Medium-Sized Industry	Phnom Penh Small and Medium Industry Association (PSMIA)	No. 06, Street 288, Beung Keng Kang 1, 12302 Phnom Penh, Cambodia Tel: 855-23-983 476/ 218 652 Fax: 855-23-218 652 Mobile:855-12-858 180/899 960/834 197 E-mail: smecambodia@sme.forum.org.kh Web site : www.smecambodia.org www.sme.biznet.com
Garment Industry	The Garment Manufactures Association in Cambodia (GMAC)	Nr. 175 Jawaharlal Nehru Blvd, Phnom Penh Cambodia Tel: 855-23-301-181 Fax: 855-23-369-398 www.gmac-cambodia.org
Agro-industry	The Ministry of Agriculture, Forestry and Fishery	Economic and Land Concession Section http://www.maff.gov.kh/elc/index.html

Source: JICA Study Team

11.4.2 Issuing Monthly Newsletters

In order to deliver up-to-date information on Cambodian investment information to investors and potential investors, issuing a monthly newsletter is recommended. The contents of the newsletter should include the latest news, investment information & statistics, the introduction of foreign companies in Cambodia, and the introduction of staff members in CDC/CIB. The newsletter can be published in either a print or e-mail format. An e-mail based newsletter can be produced at lower cost and save time in delivery. In addition, it is necessary that a database is created which provides a comprehensive list of all recipients of information, including potential investors, participants in seminars and missions, and enquiries from firms. A sample of the contents is shown below.

Figure 11-4-1 Sample Newsletter for CDC/CIB



Source: JICA Study Team

11.4.3 Web Site Development

With the rapid development of the information society in the recent years, the World Wide Web has become one of the most effective information tools in the world. Unfortunately, the home page (HP) of CDC/CIB has not been updated for a long time. Furthermore, it hardly covers enough information (in fact a lot of pages are not functioning). Consequently, it is very difficult for potential investors to access the necessary information for investment in Cambodia. The following problems can be identified in current CDC/CIB HP (see Table 11-4-4).

Table 11-4-4 Current Problems in CDC/CIB HP

Section of HP	Problems
About Us	No clear explanation about the organization and its structure
Country Overview - Economic Overview	The latest information is for the year 1999
Business Guide	9 of 12 sub-sections are shown in the HP and it is difficult to read the information. In addition, the information is old.
Project Database	Not Functioning
Startup Procedure	Sub-sections of Investment Incentives, Site Development, Project Implementation, Forms of Investment, and the Step-by-Step Guide are not functioning.
Industry Information	Information on 3 sectors, Agriculture, Energy & Mining. Telecommunications are shown, but the most competitive industries such as garment and shoes are missing.
Important Links	Information is limited to the name of the organization and telephone and fax numbers. No link to each organization.
Visiting Us?	Information is limited to the name of the organization and telephone and fax numbers. No link to each organization.
Presentation Kit	No information

Source: JICA Study Team

The HP of CDC/CIB should be upgraded with the latest information and periodically maintained. The information also should be provided in other languages, including English, Japanese, and Chinese. In relation to the development of the HP of CDC/CIB, other international donors such as ASEAN-Japan Centre and MIGA will carry out the project. Particularly, the technical support program from the ASEAN-Japan Centre has already commenced, with the dispatching of an IT mission team to CDC/CIB in September 2006. The aim of the mission is to create a website in Japanese, establish a database of firms, and to develop IT capacity for issuing the above-mentioned monthly newsletters. It aims to start the operation in the first half of 2007. However, the critical issue for website development is related to sustainability. There are two options for achieving sustainability in the future. The first option is to recruit IT staff and provide sufficient training for future maintenance. The second option is to outsource the maintenance operation to a private firm. Both options require a particular website maintenance budget in the future.

11.5 Investment Promotion for Information Networking with Japan

11.5.1 The Establishment of a Japan Group

In order to promote Japanese investment into Cambodia, the establishment of the 'Japan Group' in the Public Relations and Promotion Department, exclusively dealing with the Japanese market, will be recommended. Japanese firms, in general, do not have any experience (even information) in the Cambodian market. Thus, the Japan Group will play a role in providing *trust* to Japanese investors (trust is the most important business value in Japan). The Japan Group will be established in association with the supervision of an Investment Promotion Expert in the future. Particularly, Japanese investment in Cambodia is expected to be conducted not by multinationals, but rather by small- and medium-sized firms (e.g. the garment industry), lacking in foreign language skills. Thus, Japanese-speaking Cambodian staff will be required to work for the group. In regards to the

recruitment of staff, scholarship students, who studied in Japanese universities, will be the most appropriated, and staff members that have experience working with Japanese will be recommended. The duties of staff in the Japan group include (i) network building with Japanese organizations and firms, (ii) supplying information in Japanese, (iii) arranging and conducting business meetings with Japanese firms, (iv) assisting Japanese visitors (prospective investors) to Cambodia, (v) providing order-made consulting in response to particular requests from prospective Japanese firms, (vi) business missions to the Japanese market, and (vii) making promotional materials in Japanese. The Japan group staff is expected to fulfill the role of an intermediary between Japan and Cambodia in business.

11.5.2 The Establishment of Information Networks with Japanese Organizations

In relation to information collection, Japanese potential investors tend to contact the following five routes to gather information: (i) government organizations such as JICA and JETRO, (ii) general trading companies, (iii) consulting firms, (iv) international organisations in Japan such as the ASEAN-Japan Centre and United Nations Industrial Development Organisations (UNIDO), (v) others including the Chamber of Commerce. Thus, it seems to be important for CDC/CIB to establish information networks in particular organizations. For instance, the Japanese government’s investment promotion organization is JETRO, with its Institute of Development Economies (IDE). JETRO/IDE has three libraries in Japan. It is commonplace for potential investors to visit JTRO to obtain information. In addition, JETRO’s Bangkok office, which is currently in charge of Cambodia and also owns a library, is eager to establish information networks with CDC/CIB. However, they pointed out that there is currently no one acting in the capacity of information manager within the CDC/CIB. The contact address of JETRO’s Bangkok office is as follows.

JETRO Bangkok Office	16 th FL.Nantawan BLDG, 161 Rajdamri Road, Bangkok 10330 Thailand Attn: Mr. Makoto Oyabu Research Dept Tel: 0-2253-6441 Fax: 0-2253-2020 email: bgk-pr@jetro.go.jp
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General trading firms often act as a second information source and major general trading firms have a representative office in Phnom Penh. Therefore, CDC/CIB needs to develop extensive business networks with them. The third type is consulting firms, which, as well as large auditing firms, operate investment consultation operations for Japanese firms. International organizations including the ASEAN-Japan Centre and UNIDO assist CDC/CIB to organize investment seminars and missions. Furthermore, the Japanese Chamber of Commerce, Bangkok, is very interested in building information networks with CDC/CIB. The contact address of the Japanese Chamber of Commerce, Bangkok is as follows.

Japanese Chamber of Commerce, Bangkok	15F Amarin Tower, 500 Ploenchit Road, Kwang Llumini, Khet Patumwan, Bangkok, 10330 Thailand Attn: Mr. Yoshito Kato Assistant to Secretary General, EMAIL: kato@jcc.or.th Tel: +66-02-256-9170 / Fax: +66-02-652-0931 http://www.jcc.or.th/
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Apart from the above-mentioned organizations, it might be useful for CDC/CIB to establish information networks with (i) companies which participated in investment seminars and missions, (ii) companies which visited CDC/CIB, and (iii) companies which enquired through website. As the JETRO Bangkok office suggested, the position of *information management staff* within CDC/CIB will be necessary in order to provide investment information effectively. The position could possibly be within the Public Relations and Promotion Department, and should encourage information sharing between departments for collecting investment information, including statistical data.

11.5.3 Promotional Materials in Japanese

In order to promote the Japanese market, appropriate promotional materials in the Japanese language will be needed in the future, besides the JICA study team's investment guidebook. These include (i) professional investment promotion brochures, (ii) leaflets, (iii) website in Japanese, and (iv) CD-R including public relations, films of the industrial locations, success stories of and interviews with foreign companies in Cambodia. Such Japanese promotional material should be produced under the guidance of a Japanese Investment Promotion Expert, who will likely be dispatched in the near future.

11.5.4 Investment Missions and Seminars

The first effective promotional activity in the Japanese market will be short-term investment missions and seminars. The aim of the missions and seminars is not only to explain legal information on investment, but also to conduct business. In another words, officers, who are dispatched to Japan, must sell Cambodian investments to Japanese firms. CDC/CIB officers, in general, are familiar with legal issues. However, business people's interests are not only legal issues, but also business information, what kinds of products Cambodian firms produce, what kinds of agricultural products are available, or which company in Cambodia wants to export their goods to Japan. Officers in CDC/CIB must bring such business information for investment promotion missions to Japan. The above-mentioned investment production lists will assist CDC/CIB officers in promoting Japanese investment in Cambodia. There are three opportunities for conducting investment missions and seminars as below.

(1) ASEAN-Japan Centre

The ASEAN-Japan Centre has organized investment seminars, missions, and workshops about Cambodia since 2001. The ASEAN-Japan centre is the largest information centre on ASEAN issues. Thus, CDC/CIB needs to utilize the networks of ASEAN-Japan Centre and promote Cambodian

investment.

(i) *Investment seminars in Japan*

The aim of the investment seminars is to promote in Japan Japanese investment in Cambodia. Most of seminars are mainly held in Tokyo and Osaka. The contents of the topics are relatively comprehensive. Therefore, topics of seminars should be more specified, like a particular industry. Seminars in other cities should also be considered for facilitating potential investors who do not have enough information on the investment climate in Cambodia (in fact, investment seminar was organized in Nagoya in November). Also proposed is the utilization of Information Communication Technology (ICT), which allows firms in local cities to participate in seminars through Internet video conference.

(ii) *Missions to Cambodia*

In addition to seminars in Japan, the ASEAN-Japan Centre organizes missions to Cambodia. It is important that CDC/CIB provide comprehensive information on the investment climate and business opportunities to potential investors for the missions. Guest speakers from trade associations such as the Garment Manufactures Association in Cambodia (GMAC) or the Chamber of Commerce will provide useful information. Meetings should be organized through visits to factories or firms in individual sectors.

(2) United Nations Industrial Development Organization (UNIDO)

The Investment and Technology Promotion Office in Tokyo of UNIDO provides an investment promotion scheme, the so-called “*delegate programme*”, to officers from less advanced countries. Dispatched officers are required to submit an “Industrial Investment Project Profile (IIPP) form” to the organization in advance. The aim of the form is to identify the needs of Cambodian firms in order to match them with those of Japanese firms. As above-mentioned, the JICA Study Team’s proposal, Investment Promotion List (Firm & Product Information List), can be used instead of IIPP. In the delegate programme, CDC/CIB officers learn how to present their business proposals in UNIDO’s Tokyo office, then officers visit individual firms with the investment promotion list, in association with UNIDO (business meetings are organized by UNIDO). Under the scheme, UNIDO provides accommodation and an allowance, though airfare should be paid by the dispatching organization, namely CDC/CIB. The duration of the scheme is approximately 3 weeks.

(3) Strengthening Investment Missions in Cooperation with Trade Associations to Japan

CDC/CIB currently conducts investment missions, in association with the Chamber of Commerce, to neighboring countries. This type of cooperation with trade associations should be strengthened, including cooperation with GMAC and the Japanese market. Potential investors, in general, want to obtain business information on Cambodia, and trade associations have a variety of business information for them. Thus, investment missions can be effectively organized by a Cambodian public-private alliance.

11.5.5 The Establishment of a CDC/CIB Representative Office in Japan - Japan Desk

In order to promote Japanese investment in Cambodia, the establishment of a representative office, a so-called '*Japan Desk*', in Japan is expected to play an important role in the future. The aims of the establishment of a Japan Desk are to conduct sales of investment proposals to Japanese firms, to provide consulting services to Japanese firms, to organize investment seminars, to collect market information, and to provide investment application services. There are several options for establishing a Japan Desk, in particular, the employment and office space issues should be examined.

(1) Employment Issue

Four employment systems should be considered for the establishment of the Japan Desk:

- (i) *the use of existing resources;*
- (ii) *employment of new staff;*
- (iii) *sub-contracting; or*
- (iv) *the establishment of CDC/CIB agencies (providing commission).*

(i) *Use of Existing Resources*

There are two approaches to utilizing the existing resources, (a) utilization of the commercial attaché in the Embassy of Cambodia in Japan and (b) dispatching a staff member from CDC/CIB. The former option has a cost advantage, because it does not require any additional costs. As a disadvantage, it requires various arrangements with other government organizations such as the Ministry of Foreign Affairs or Ministry of Commerce. In addition, the commercial attaché already has his/her duties. Thus, it is not clear how effective this option can be. The latter has an advantage in management of the staff, because he/she belongs to CDC/CIB. However, it might be problematic if an officer, who cannot speak Japanese, is dispatched. Thus, Japanese language skills are essential for the position. CDC/CIB will be able to train staff in the proposed Japan group, or not use existing resources and instead recruit a Cambodian living in Japan. However, it is still not clear what level of performance can be expected from the officer if the wage system is based on Cambodian government standards.

(ii) *Employment of Japanese sales specialist*

One of the most effective methods is to employ a Japanese sales specialist, by introducing a performance-based incentive wage system. The advantages of this option are work efficiency, based on an incentive system, and language skill and provision of trust. Japanese SME firms, in general, prefer to work with Japanese officers. Thus, this option provides more efficiency than option (i). However, the disadvantage of this option is the cost (to hire a Japanese staff member requires a much larger outlay in terms of expense).⁵⁷

⁵⁷ According to "Investing in Japan" on JETRO's website, labour costs in Japan are estimated to be 12 million yen per year (US\$ 104,348) for managers and 6 million yen (US\$52,174) for administrative staff, respectively. (note: US\$1 = 115 yen), (see www.jetro.go.jp/invest/setting_up/modelcase/),

(iii) *Subcontracting*

Another effective option is to employ a subcontracting method. In regards to a subcontracting agreement, CDC/CIB will ask for a tender and consign a private firm, which has experience in order-made consulting business to Japanese firms. In order to guarantee the business performance of a consigned firm, performance indicators need to be set out. These indicators include: the number of business meetings conducted, the number of investment seminars organized, the number of Japanese business trips to Cambodia, the number of formulations of investment plans for Japanese firms, and the number of agreements on investments in Cambodia. However, it should be noted that the high cost is a disadvantage.

(iv) *CDC/CIB sales agencies in Japan*

Another method is to find several Japanese partners (agencies to promote Cambodian investments) and to offer a commission (a percentage of investment amounts). When investors make foreign investments in Cambodia, CDC/CIB (or the Cambodian government) provides a commission to the agencies. In this option, initial cost will be lower than the other options. However, it still requires an officer to find partners and take care of the scheme, but there is no need for an officer to stay in Japan. The partner can be a general trading company or consulting firm in Japan. The advantage of this option is that payment is based entirely on performance. On the other hand, the disadvantage is that the level of commitment from Japanese partners is not clear. In other words, the commitment is determined by the commission rate that the Cambodian side offers. Thus, the Cambodian government will be required to prepare for the commission payment.

Table 11-5-1 Expected Cost & Performance of Options for Japan Desk

Methods	Cost	Performance
(i-a) Attaché	Low	Low
(i-b) CDC/CIB Staff	Medium	Low / Medium
(ii) Japanese Sales Specialist	Medium / High	Medium / High
(iii) Subcontracting	High	High
(iv) Agency	Medium / High	Medium / High

Source: JICA Study Team

(2) Office Space Issue

The second issue that might need to be considered is that of office space in Japan. Options (i)-(ii) above require office space. The best option is to locate an office in the Embassy of Cambodia in Japan. The other option is to rent office space in Japan.

(i) *The Embassy of Cambodia in Japan*

The location in the Embassy of Cambodia seems to be the best option for the Japan Desk in financial terms. Thus, CDC/CIB will be required to arrange this with related ministries.

(ii) *Renting Office in Japan*

To rent office space in Japan involves high costs.⁵⁸ However, Yokohama city provides special office spaces for exclusively foreign governments. Yokohama city is located 30 km from Tokyo. Therefore, it is recommended to establish the Japan Desk in the Yokohama World Business Support Center (WBC). There are four types of office space within the centre (see Table 11-5-2). The center’s standard rooms are equipped with desks, chairs, cabinets, and a telephone and fax. The usage charges for telephone, internet and actual costs of copying and papers should be paid by tenants. Currently, a number of investment promotion offices such as the Chez Republic, Philippines, and Sri Lanka, industrial parks including ASCENDAS (Singapore), Shanghai Pudong (China), and state representative offices from USA and Brazil are located in WBC.

Table 11-5-2 Rent in Yokohama World Business Center

Type	Square meter	Assumed No. of Tenants	Usage Charges/Mon. (tax inclusive)
A	20m ² (=15ft ²)	3	¥60,000 (=US\$ 521)
B	12m ² (=129ft ²)	2	¥36,000 (=US\$ 313)
C	10m ² (=108ft ²)	1	¥30,000 (=US\$ 260)
D	6m ² (= 64ft ²)	1	¥20,000 (=US\$ 173)

Note: US\$1 = ¥115

Source: Yokohama World Business Center

Contact Address	6th fl.,Yokohama World Porters, 2-1 Shinko2-Chome, Naka-ku, Yokohama 231-0001 Japan TEL : 045-222-2030 / FAX : 045-222-2088 http://www.ywbc.org/english/index.html
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11.6 Business Networking with Other Countries and Investment Promotion

As we have examined in the above-mentioned networking with Japan, CDC/CIB needs to conduct similar operations in other countries. The operations include the establishment of the investment promotion group for a particular country, investment mission, networking with government as well as private corporations, and the establishment of a CDC/CIB Representative Office. Targeted countries can be considered as being China, Korea, Taiwan, Thailand, Malaysia, and Vietnam. Above all, Thailand and China seem to be important, because CDC/CIB will be able to target two groups: local firms as well as Japanese affiliates in those two countries. There are over 5,000 Japanese affiliates in Thailand, which are looking in neighboring countries for relocation opportunities for labor-intensive production. On the other hand, a number of Japanese firms in China, seemingly interested in the “China plus one” policy, are looking for a new investment location outside of China. Active investment missions and the establishment of a representative office in those countries will surely enhance the promotional capability of CDC/CIB in the future.

⁵⁸ According to “Investing in Japan” on JETRO’s website, monthly office rent (including maintenance fee) in Japan is estimated to be US\$2,018 (note: cost adjusted by employing the exchange rate of US\$1=115), (see www.jetro.go.jp/invest/setting_up/modelcase/).

11.7 Implementation Schedule for the Proposed Recommendations

In this chapter, 14 recommendations across organizational development as well as investment promotion were proposed for CDC/CIB's capacity development. Table 11-7-1 shows the implementation schedule for the proposed 14 measures.

Table 11-7-1 Implementation Schedule of the Proposed Recommendations for CDC/CIB

Measures	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	~	2020
Organizational Development												
Document Library												
Information Sharing												
Performance-based wage system												
Investment Promotion												
Investment Promotion List												
Cooperation with Trade Association												
Newsletters												
WEB Site												
Information Networking												
Japan Group												
Networking with Japanese organizations												
Information Management Staff												
Promotional Materials												
Investment Missions												
Investment Seminars												
Japan Desk												

Source: JICA Study Team

The above-mentioned 14 recommendations will be prioritized by importance, urgency, and realization for investment promotion capacity in CDC/CIB. The highest priority is investment information accumulation, particularly, business information within CDC/CIB. Measures to this end include the enhancement of information sharing within CDC/CIB, making investment promotion lists, and establishing close cooperative networks with trade associations (see Table 11-7-2).

Second priority is given to those measures which (i) are, at present, partially in progress, such as

website development and investment seminars and missions, and (ii) which aim to increase the capacity for dispersing information, including the establishment of the Document Library, issuing newsletters, organizing the Japan Group, making promotional materials, networking with Japanese organizations, and assigning information management staff.

Finally, the establishment of a Japan Desk has third priority. It will be very important for the future development of investment promotion capacity; however, realization seems to be difficult due to CDC/CIB's budget limitation at the moment. It might be very effective when the notion of "Investment in Cambodia" is popularized among Japanese investors in the future. In addition, a performance-based wage system requires careful consideration prior to its introduction.

Table 11-7-2 Priority for the Proposed Recommendations

Priority	Proposed Measures
Highest Priority	<i>Organizational Development:</i> Information Sharing <i>Investment Promotion:</i> Investment Promotion List and Cooperation with Trade Associations
High Priority	<i>Organizational Development:</i> Document Library <i>Investment Promotion:</i> Newsletters, Web site, Japan Group , Promotional Materials, Investment Missions and Seminars, Networking with Japanese organizations, and Assignment of Information Management staff
Low Priority	<i>Organizational Development:</i> Performance-based wage system <i>Investment Promotion:</i> Japan Desk

Source: JICA Study Team

The highest priority measures as well as investment seminars utilizing business information gleaned via those measures will be further examined as "Action Plan" in the next chapter.

Chapter 12

Policy for FDI Attraction in Cambodia - Improvement and Action Plan

12.1 Issues to be addressed for FDI Attracting Policy in Cambodia

In the previous chapters, Cambodia's economic and industrial policies and the possibilities for realizing foreign direct investment in the fields of the proposed promising industries have been analyzed. The issues to be addressed in order to attract foreign direct investment have been pointed out and the improvement measures were proposed. In addition, investment and business-related legal frameworks, the current state of infrastructure, and the organization and functions of the CDC/CIB have also been reviewed. A summary of the issues to be addressed is shown in Table 12-1-1.

Table 12-1-1 Summary of Issues to be addressed for Industries, Legal Framework and Organization Aiming at FDI Attracting Policy

Industry, Legal Framework, Organization	Field	Issues to be addressed
Garment	Infrastructure Industrial Development FDI Attraction	<ul style="list-style-type: none"> The Garment industry will continue to be a promising industry, even in the long term, as analyzed and forecasted in previous pages. Disadvantage factors, such as complicated trade procedures and unofficial money, etc. cannot be denied. However, there are no excessive disadvantage factors for maintaining and introducing FDI, due to the already reasonable profitability and sustainable export competitiveness in the garment sector in Cambodia, when compared with neighbouring countries. These factors will gradually change such disadvantage factors for the better, aided by the Cambodian authorities, and will lead to a continuous trend in the introduction of FDI in the garment sector.
Agricultural and Fishery	Infrastructure	<ul style="list-style-type: none"> The delayed improvement of an irrigation system has had an adverse effect on the scale of production and quality standard of agricultural products.
	Industrial Development	<ul style="list-style-type: none"> Few farmers have the know-how, skills and incentives in pest control management, fertilizer application and quality improvement. This decreases the commercial value of vegetables, resulting in a reduction in the number of products shipped to a market. Institutional reform is inevitable to ensure sustainable agricultural production.
	FDI Attraction	<ul style="list-style-type: none"> Food processing companies are urged to spend a good deal of time and money procuring materials.
Food Processing	Infrastructure	<ul style="list-style-type: none"> At present, an inability to keep produce fresh, as a result of challenges within the transport sector for fishing and agricultural products, restrains the development of markets limits the diversity of product types and hampers the expansion of production.
	Industrial Development	<ul style="list-style-type: none"> There is no food inspection agency in Cambodia, nor any evaluation criteria established. Meanwhile, the worldwide rising concern over health accelerates to tighten inspection regulations in importing countries.
	FDI Attraction	<ul style="list-style-type: none"> Foreign food processing companies find it difficult to obtain sufficient support in order to invest in Cambodia.
Footwear	Infrastructure	<ul style="list-style-type: none"> The Education level of employees is low, which in turn lowers productivity. The logistics network between the factories around Phnom Penh and Sihanoukville port is insufficient.
	Industrial Development	<ul style="list-style-type: none"> Due to a lack of association coordination, there is a lack of unity among industry members. Future investment guidelines don't exist. In the long term, it is necessary to reduce dependency upon imports.

Industry, Legal Framework, Organization	Field	Issues to be addressed
	FDI Attraction	<ul style="list-style-type: none"> The incentives targeting the footwear manufacturing industry are not sufficient. The incentives aimed at attracting FDI, which are specialized in manufacturing the materials and parts for the industry, are not being provided. Application and approval procedures for both imports and exports are not efficient.
Electric/Electronics	Infrastructure	<ul style="list-style-type: none"> There are no industrial parks with efficient free-zone functions and infrastructure, including a stable electricity supply. A logistics network that meets the international SCM has not been developed. A Supply system for human resources, such as technicians and engineers has not been well arranged.
	Industrial Development	(The industry itself doesn't exist) Kaoru – check this.
	FDI Attraction	<ul style="list-style-type: none"> The organization of promotional activities is not sufficient in order to attract foreign capital in the electric/electronics field. The stipulations regarding "working hours", as set out in the country's Labour Laws, do not always meet the actual operational conditions.
Machinery	Infrastructure	<ul style="list-style-type: none"> The absolute amount of electricity generation is remarkably low, and there are few companies which have access to a reliable electricity supply. Industrial parks, which were developed by local companies, do not meet requirements of foreign affiliated companies.
	Industrial Development	<ul style="list-style-type: none"> Essential technologies such as casting, heat treatment and metal processing, which are the basis for the machinery industry, are lacking. Policies and measures for the development of a supporting industry are lacking in the government's industrial policies. Skilled labour that meets the requirements of foreign affiliated companies is not nurtured.
	FDI Attraction	<ul style="list-style-type: none"> FDI in the machinery industry in Cambodia is sluggish, with almost no investment until now.
Investment & Business Related Legal Framework	General	<ul style="list-style-type: none"> Incomplete, weak, wrong or incorrect enforcement of laws and regulations is one of the major vulnerabilities of the Cambodian legal system. Court judgments are often accused of being biased and inconsistent.
		<ul style="list-style-type: none"> The major vulnerability of the Cambodian business-related legal framework is the lack of enough laws and regulations. Although the Cambodian Government has been trying to expedite the enactment of investment and business related regulations, many vital laws have not been legislated yet.
		<ul style="list-style-type: none"> After the issuance of the PMIS Sub-Decree, the LOI Implementation Sub-Decree and the SEZ Sub-Decree, some discrepancies have appeared in the stipulations between the above and the Amended LOI. This may bring some confusion to investors. In the Amended LOI, better incentives for the special zones are not permitted.
		<ul style="list-style-type: none"> The concepts and legal basis for the special economic zones are unclear and weak. The incentives are not sufficient as the special zones.
		<ul style="list-style-type: none"> Although the customs clearance system has been improved to some extent, many documents are still being required and unofficial money is being requested in many cases. To clear customs requires extensive time, both for exports and imports.
CDC/CIB Organization Function	General	<ul style="list-style-type: none"> There is a lack of cross-departmental cooperation and information sharing. In regards to investment promotion, the main operation of the CDC/CIB is to provide legal information to investors. There is a lack of accumulated business information, despite the fact that investors have strong interests in CDC/CIB.

Source: JICA Study Team

12.2 Proposed Improvement Measures and Action Plans for FDI Attracting Policy

12.2.1 Improvement Measures

It is clear that the introduction of Cambodia's FDI policy, if introduced according to the preceding clause, faces a wide range of problems. Therefore, cancelling these holds the key to the advancement of FDI for the stated 'promising industries'. Proposed improvement measures for the introduction of FDI policy are shown in Table 12-2-1. Specified together with this, in the table below that, is the implementation schedule. The improvement means for promising industries, as well as their related infrastructure, investment and business related legal frameworks, and the organization and the function of CDC/CIB can be summarized as follows. As for the means of improvement, information has been gathered in relation to the attraction of investment promotion, the construction of an industrial park, and the upbringing of human resources within the business categories.

(1) Garment Industry

The investment climate for apparel manufacturing industries in Cambodia have kept improving in recent years. Cambodia seems to have enough competitiveness, compared to China and other countries that are said to be strong in such industries, in certain categories of apparel. As FDI in this field is expected to keep increasing, there is no great necessity to introduce specific and special FDI promotion measures..

(2) Agricultural, Fishery and Food processing Industry

To foster growth in the food processing industry, making extensive use of the agro, forestry and fishery resources in the country, Cambodia would have to establish a sufficient resources supply system, even though it must rely on foreign parties for capital and technology. Therefore, besides FDI attraction, it faces mounds of policy agenda, including the organization of agricultural cooperatives and other entities to promote the agro industry, and the conditioning of infrastructural elements, such as irrigation facilities.

(3) Footwear Industry

The investment climate for the footwear manufacturing industry has also kept improving in recent years, as in the worn apparel manufacturing industry. The amount of FDI, however, still remains minimal and so, to promote FDI in this field, it is recommend that a development master plan be drawn up for the footwear manufacturing industry, under which the effort shall be made to overcome the remaining policy issues necessary for attracting FDI, human resource development, etc.

(4) Infrastructure Related

Most of the Japanese and other foreign firms still view Cambodia as being in both a politically and

productively unsuitable. To overcome such a view, there is an urgent need to establish the basis on which FDI will be accepted, through the preparation and provision of an industrial infrastructure, which includes well-arranged industrial estates and an efficient international logistics network, etc. This must be accompanied by an intensive promotional campaign, which includes the publication of more business-oriented investment guidebooks and organized visits to manufacturing firms, targeted to Japanese and other foreign firms located neighbouring countries.

(5) Investment & Business Related Legal Framework

Improvements in such areas as the reinforcement of the judiciary, the establishment of related decrees, and the enactment of a law on the Special Economic Zones are needed. Also, the provision of the Amended LOI and the early full implementation of the single window customs clearance system are sought according to the environment change.

(6) CDC/CIB Organization/Function

The establishment of a coalition and an information sharing system, such as an electronic database, between the departments of the CDC/CIB is needed. Additionally, the provision of adequate business information for potential investors is crucial, and this can be achieved through the enhanced functionality and expanded library of information within the CDC/CIB.

**Table 12-2-1 Summary of Proposed Improvement Measures and Action Plans for FDI
Attracting Policy**

Industry, Legal Framework, Organization	Field	Improvement Measures	Time Frame for Improvement	Action Plan
Garment	Infrastructure Industrial Development FDI Attraction	• Central bonded warehouse facilities should be established in SEZs in order to shorten the time required for material imports.	M	(None)
		• The creation of a course on quality control in CGTC designed to export to Japan.	S	
		• In order to accelerate the transition from sewing-on-commission to develop-and-export, inventory financing and plant and equipment financing are prerequisites for develop-and-export.	S/M	
Agricultural and Fishery	Infrastructure	• Improvement of irrigation systems.	M/L	(None)
	Industrial development	• Training and education of farmers to have know-how/skills and incentives on pest control, fertilizer application, quality improvement, etc.	S/M	• Empowerment and Improvement of Food Evaluation Criteria and establishment of an Inspection Agency.
		• Institutional reform (drafting of an agricultural development plan, analysis of relevant statistics, reinforcement of an export promotion policy, etc.).	S/M	

Industry, Legal Framework, Organization	Field	Improvement Measures	Time Frame for Improvement	Action Plan
	FDI Attraction	<ul style="list-style-type: none"> Development of a cooperative system, in the form of a union for farmers and fishermen. 	S/M	<ul style="list-style-type: none"> Reinforcement of Agricultural and Fishery Cooperatives to Ensure Stable Supply of Materials. Strengthening of Investment Promotion.
Food Processing	Infrastructure	<ul style="list-style-type: none"> Development of a cooperative system in the form of a union for farmers and fishermen. 	S/M	<ul style="list-style-type: none"> Establishment of Low-Temperature Storage Facilities, Cold Storage and Refrigerated Warehouses, and Cold and Refrigerated Transport Systems. Reinforcement of Agricultural and Fishery Cooperatives to Ensure a Stable Supply of Materials.
		<ul style="list-style-type: none"> Development of a low-temperature storage facility, cold/refrigerated warehouses, a cold/refrigerated transportation system, etc. 	M	
	Industrial Development	<ul style="list-style-type: none"> Establishment of food evaluation criteria and inspection facilities. 	S/M	
	FDI Attraction	<ul style="list-style-type: none"> Dispatch of food-related information (laws/regulations, market information, material procurement, competitors' information, etc.) to foreign companies. 	S/M	
Footwear	Industrial Development	<ul style="list-style-type: none"> Reorganization of the footwear industry association. 	S	(None)
		<ul style="list-style-type: none"> Preparation of a footwear industry master plan. 	M	
		<ul style="list-style-type: none"> Promoting the domestic production of materials for the industry (i.e. the tanning process). 	L	
	FDI Attraction	<ul style="list-style-type: none"> Provision of specific incentives for materials and parts manufacturing FDI for the footwear industry (i.e. reduction of the corporation profit tax, etc.). 	S/M	
Infrastructure Related	FDI Promotion	<ul style="list-style-type: none"> Upgrading FDI promotional functions and activities (Industrial analysis function, investment guidebook, JD function) 	S	(None)
	Administrative Procedure	<ul style="list-style-type: none"> Simplification of the import and export procedures. 	S	(None)
	Industrial Park	<ul style="list-style-type: none"> Arrangement of industrial parks with free-zone functions. 	S/M	(None)
		<ul style="list-style-type: none"> Development of industrial parks, where a supply of sufficient power, easy access to major ports, industrial water supply and the building of a telecommunications network can be ensured. 	S/M	
	Distribution Transportation	<ul style="list-style-type: none"> Re-arrangement of the freight network between Phnom Penh and Sihanoukville for improving efficiency. 	M/L	(None)
		<ul style="list-style-type: none"> Arrangement of an international logistics network (second east-west corridor, international air-cargo flights). 	S/M	

Industry, Legal Framework, Organization	Field	Improvement Measures	Time Frame for Improvement	Action Plan
	Human resource upbringing	<ul style="list-style-type: none"> HRD and skill training (elementary, high school and vocational education and training). 	M/L	(None)
Investment & Business Related Legal Framework	General	<ul style="list-style-type: none"> Strengthening of the judicial system. 	M/L	(None)
		<ul style="list-style-type: none"> Legislation of the following laws: <ul style="list-style-type: none"> -Civil Code; -Law on Anti-Corruption; -Law on Commercial Contracts; -Law on Secured Transactions; -Law on Insolvency; -Law on Anti-dumping, Countervailing Duties and Safeguards; -Law on the Industrial Standards; -Customs Code; -Law on Civil Administration. 	S	(None)
		<ul style="list-style-type: none"> The provisions of the Amended LOI shall be modified to keep up with the changing situation. 	S	(None)
		<ul style="list-style-type: none"> Enactment of a law on the Special Economic Zones and the introduction of additional non-fiscal incentives to the special zones by the law. 	S	(None)
		<ul style="list-style-type: none"> Complete implementation of a customs control method through Risk Management and Single Window systems. 	S/M	(None)
CDC/CIB Organization Function	General	<ul style="list-style-type: none"> Establishing cross-department cooperation and information sharing structures within the CDC/CIB. 	S	<ul style="list-style-type: none"> Establishment of Cross-Department Cooperation and Information Sharing. Investment Promotion Lists. Establishment of Cooperation with Trade Associations and the Chamber of Commerce. Investment Seminars by Utilizing Business Information Accumulated by CDC/CIB.
		<ul style="list-style-type: none"> Accumulating business information within CDC/CIB. 	S	
		<ul style="list-style-type: none"> Dispersing business information for investors. 	S/L	

Note: S (Short-term, within 2 years) , M (Middle, within 5 years) , L (Long time, within 10 years)

Source: JICA Study Team

12.2.2 Proposal and Priority of Action Plans for FDI Attracting Policy

Among the many improvements, the JICA Study Team identified those which should be addressed by the Cambodian government on a priority basis, and prepared an action plan for their resolution. The criteria applied in the selection of such items were as follows:

- In preparing the action plan, the JICA Study Team mainly selected tasks that were aimed at resolving issues in FDI policy within the promising industries, and were directly related to FDI attraction and industrial promotion.

- The construction of industrial estates, improvements in Cambodia's international logistics, and the development of infrastructural elements such as power, water and telecommunications require enormous amount of money. Generally speaking, this work is already being executed on a continuous basis with funding from sources such as ODA, and these tasks were consequently excluded from the action plan.
- Tasks related to concerned legislation were also excluded from the action plan. This is because, in many cases, the Cambodian government has made or is making improvements to resolve problems that have been identified within these areas, including operation.
- Within the Cambodian government, the CDC/CIB is the unit directly in charge of FDI policy. There is an urgent need to bolster its capabilities in order to promote Cambodia for potential siting, for example. Organization and capacity improvements at the CDC/CIB were consequently incorporated into the action plan and made the subject of recommendations.

From the above point of view, the following eight (8) action plans were selected as those of which implementation could be carried out immediately:

- Action plan 1: Action Plan for the Organizational Development of the CDC/CIB: "Establishment of Cross-Department Cooperation and Information Sharing".
- Action plan 2: Action Plan for Investment Promotion in CDC/CIB: "Investment Promotion Lists".
- Action plan 3: Action Plan for Investment Promotion in CDC/CIB: "Establishment of Cooperation with Trade Associations and the Chamber of Commerce"
- Action plan 4: Action Plan for Investment Promotion in CDC/CIB: "Investment Seminars by Utilizing Business Information Accumulated with CDC/CIB".
- Action plan 5: Empowerment and Improvement of Food Evaluation Criteria and the Establishment of an Inspection Agency.
- Action plan 6: Establishment of Low-Temperature Storage Facilities, Cold Storage and Refrigerated Warehouses, and Cold and Refrigerated Transport Systems.
- Action plan 7: Reinforcement of Agricultural and Fishery Cooperatives to Ensure Stable Supply of Materials.
- Action plan 8: Strengthening of Investment Promotion for the Food Processing Industry.

These action plans should be implemented in order of priority, considering the needs of development, demand from related organizations and the needs of foreign companies. From this point of view, each action plan was evaluated based on (i) urgency (in terms of time and readiness of the concerned organizations), (ii) necessary funds (budgetary easiness and benefit against cost), and (iii) expected effect obtained from each plan. The result of the evaluation is shown on Table 12-2-2.

Table 12-2-2 Order of Priority of Action Plans

Action Plan	Criteria			Total Point	Priority
	Urgency (note 1)	Funds (note 2)	Expected Effect		
CDC/CIB	Action Plan for Organizational Development in CDC/CIB: “Establishment of Cross-Department Cooperation and Information Sharing”	3	3	9	1
	Action Plan for Investment Promotion in CDC/CIB: “Investment Promotion Lists”	3	3	9	1
	Action Plan for Investment Promotion in CDC/CIB: “Establishment of Cooperation with Trade Associations and the Chamber of Commerce”	3	3	9	1
	Action Plan for Investment Promotion in CDC/CIB: “Investment Seminars by Utilizing Business Information Accumulated with CDC/CIB”	3	3	9	1
Industry	Empowerment and Improvement of Food Evaluation Criteria and the Establishment of an Inspection Agency	3	2	8	1
	Establishment of Low-Temperature Storage Facilities, Cold Storage and Refrigerated Warehouses, and Cold and Refrigerated Transport Systems	2	1	5	4
	Reinforcement of Agricultural and Fishery Cooperatives to Ensure a Stable Supply of Materials	2	2	6	3
	Strengthening of Investment Promotion for the Food Processing Industry	2	3	7	2

Note 1: Based on (i) time, and (ii) readiness of the concerned organizations.

Note 2: Based on (i) budgetary easiness, and (ii) benefit against cost.

Source: JICA Study Team

12.2.3 Action Plan and Technical Assistance for CDC/CIB

(1) Action Plans for CDC/CIB

The priority of an action plan for the investment promotion agency, CDC/CIB, seems to be very high, because the organization, to some extent, influences all industries in Cambodia in the perspective of foreign investment. In this study, the following four programs are selected as action plans for CDC/CIB.

(i) Action Plan for Organizational Development in CDC/CIB

Table 12-2-3 Establishment of Cross-Department Cooperation and Information Sharing

Item	Content of Plan
Background	There is weak cross-departmental cooperation and information sharing structures within CDC/CIB.
Objective	To enhance tight cross-department cooperation within CDC/CIB and promote information sharing within the organization, particularly in relation to monitoring operations, the Project Evaluation and Incentive Department, Project Monitoring Department, and Inter-Ministerial Coordination Department need to establish cross-cooperative mechanism.
Outline	Step 1: All directors of the CDC/CIB need to form a cross-department cooperation agreement. Step 2: A Common monitoring format should be introduced for the Project Evaluation and Incentive Department, Project Monitoring Department, and Inter-Ministerial Coordination Department. Step 3: Collected monitoring information should be unified and stored in one agreed place.
Implementation Schedule	Short-term (in 2007).
Organization in Charge	CDC/CIB: <ul style="list-style-type: none"> • Project Evaluation and Incentive Department; • Project Monitoring Department; • Inter-Ministerial Coordination Department; • All directors in CDC/CIB.
Expected Effect	Information sharing enables CDC/CIB to accumulate useful firm information and to strengthen statistical information within the organization.

Source: JICA Study Team

(ii) Action Plan for Investment Promotion in CDC/CIB

Table 12-2-4 Investment Promotion Lists

Item	Content of Plan
Background	Officers within the CDC/CIB do not have extensive knowledge of the varieties of products, firms and industries in Cambodia.
Objective	To enhance accumulation of business information on Cambodia through the drawing up of investment promotion lists.
Outline	<ul style="list-style-type: none"> • Effective Use of the Existing Networks in CDC/CIB: <ul style="list-style-type: none"> - Information collection can be effectively conducted through monitoring operations by the Project Monitoring Department, in association with the Inter-Ministerial Coordination Department, and the Project Evaluation and Incentive Department. • Cooperation with Trade Associations: <ul style="list-style-type: none"> - Another effective means of information collection can be achieved in association with trade associations as well as the Chamber of Commerce in Cambodia. The Public Relations and Promotion Department seems to be the appropriate department to establish networks with trade associations.
Implementation Schedule	Short-Term (2007-2008).
Organization in Charge	CDC/CIB: <ul style="list-style-type: none"> • Project Evaluation and Incentive Department; • Project Monitoring Department; • Inter-Ministerial Coordination Department; • Public Relations and Promotion Department.
Expected Effect	Investment Promotion lists will enhance the accumulation of business information on industries in Cambodia, enabling officers in CDC/CIB to provide business information to investors.

Source: JICA Study Team

Table 12-2-5 Establishment of Cooperation with Trade Associations and the Chamber of Commerce

Item	Content of Plan
Background	Officers in CDC/CIB do not have extensive knowledge of the varieties of products, firms and industries in Cambodia.
Objective	To enhance information collection capacity by means of establishing cooperative networks with trade associations and the Chamber of Commerce.
Outline	<ul style="list-style-type: none"> • To assign staff who deal with trade associations and the Chamber of Commerce in CDC/CIB. • Staff will conduct research on Cambodian industries in association with trade associations and identify products or services for overseas investors. • To organize investment seminars for foreign investors in association with trade associations and the Chamber of Commerce.
Implementation Schedule	Short-Term (2007).
Organization in Charge	CDC/CIB: <ul style="list-style-type: none"> - The Public Relations and Promotion Department.
Expected Effect	Investment promotion officers will be able to match between domestic producer's demand and overseas investor's demand effectively, subsequently, investment opportunities will be created.

Source: JICA Study Team

**Table 12-2-6 Investment Seminars by Utilizing Business Information
Accumulated within CDC/CIB**

Item	Content of Plan
Background	In regard to investment promotion, officers in CDC/CIB focus on the explanation of the legal environment in Cambodia and rarely provide business information.
Objective	To enhance investor's interests in Cambodia by providing not only legal information, but also business information at seminars.
Outline	<ul style="list-style-type: none"> • Firstly, to give an overview of each industry, and then introduce more detailed investment information by employing the above-mentioned investment promotion lists. • To provide business information, particularly area and products information such as what kinds of products Cambodian firms produce, or what kinds of industrial as well as agricultural products are available in each major city in Cambodia.
Implementation Schedule	Short - Long Term.
Organization in Charge	CDC/CIB: - The Public Relations and Promotion Department.
Expected Effect	Investor's interests in Cambodia will be enhanced by business information provided by officers in CDC/CIB.

Source: JICA Study Team

(2) Technical Assistance for CDC/CIB

In this section, a Technical Assistance (TA) scheme for the counterpart of this study, CDC/CIB will be proposed. It is necessary to provide an effective TA for CDC/CIB in relation to the implementation of the action plans. The following (i) investment promotion capacity development and (ii) IT development will be recommended as TA scheme for CDC/CIB.

(i) Investment Promotion Capacity Development

Investment promotion capacity development will be proposed as the most valuable technical assistance scheme for CDC/CIB. The implementation schedule is proposed in two phases. The aim of the first phase is to establish a basic organizational structure for investment promotion in the CDC/CIB. The aim of the second phase is to enhance marketing capacity in the CDC/CIB.

**Table 12-2-7 Phase 1: Establishment of Operational and Institutional Systems
within the CDC/CIB**

Item	Content of Plan
Background	CDC/CIB does not have an effective operation systems for investment promotion.
Objective	To support the establishment of an appropriate operational system for investment promotion and organizational development in CDC/CIB.
Support Measure	To support organizational and institutional reform in CDC/CIB.
Outline	<ul style="list-style-type: none"> • Assistance in the establishment of customer-oriented services; • Assistance in the establishment of a particular country focus group within the Public Relations and Promotion department in CDC/CIB; • Assistance in the production of investment promotion lists; • Assistance in enhancing information sharing between departments in CDC/CIB; • Assistance in the production of promotional materials; • Assistance in the establishment of linkages with foreign organizations and firms; • Assistance in the establishment of linkages with the chamber of commerce and trade associations in Cambodia; • Assistance in the production of a monthly newsletter; • Assistance in the establishment of website development; and • Assistance in investment seminars and missions; and • Assistance in the operation of CSEZB.
Implementation Schedule	Short-Term (2007-2009).
Expected Effect	As a result of training, as well as the transfer of know-how through technical assistance, the knowledge of officers in CDC/CIB as well as the fundamental system and structure will be improved.

Source: JICA Study Team

Table 12-2-8 Phase 2: Marketing Capacity Development in CDC/CIB

Item	Content of Plan
Background	The organizational structure for investment promotion will be established in the Phase 1. However, it is expected that officers in CDC/CIB will be still inexperienced in the marketing oriented investment promotion.
Objective	To enhance investment promotion and marketing capacity for staff in CDC/CIB.
Support Measure	To support the field of public relations and marketing
Outline	<ul style="list-style-type: none"> • Assistance in the formulation of a marketing strategy; • Assistance in the formulation of business plans; • Assistance in the reinforcement of public relations skills; • Assistance in the establishment of overseas offices; and • Assistance in updating promotional materials.
Implementation Schedule	Mid-Term (2010-2012).
Expected Effect	Marketing skill of officers in CDC/CIB will be improved.

Source: JICA Study Team

(ii) *IT Development*

“Cross-department cooperation and information sharing within CDC/CIB”, which is proposed as one of the action plans in the previous section, aims to establish an appropriate organizational system for information sharing. In order to achieve more favorable results, technical support for the plan, namely the introduction of database, will be essential.

Table 12-2-9 Introduction of a Database

Item	Content of Plan
Background	The introduction of a common monitoring format is proposed. However, in order to utilize the format, the introduction of a database will be effective.
Objective	<ul style="list-style-type: none"> • Enhancing information-sharing through the introduction of a database, enabling common information-sharing between departments in the CDC/CIB. • To transfer IT technology to staff in the CDC/CIB.
Support Measure	The dispatch of IT Experts.
Outline	<ul style="list-style-type: none"> • Assistance in upgrading the database in the CDC/CIB; and • IT training for CDC/CIB staff.
Implementation Schedule	Short-Term (2007).
Expected Effect	As a result of the introduction of database, a technical problem in information sharing will be solved. Cross-department cooperation and information sharing within CDC/CIB will be enhanced.

Source: JICA Study Team

12.2.4 Action Plans for Industries

Four action plans were chosen for the development of industries. Among them, “Empowerment and Improvement of Food Evaluation Criteria and Inspection Agency” consists of two sub-action plans. The outlines of the action plans were summarized in order of priority as follows:

Table 12-2-10 Empowerment and Improvement of Food Evaluation Criteria and Inspection Agency: Strengthening of Functions of Food-Related Inspection Laboratories

Item	Content of Plan
Background	<ul style="list-style-type: none"> • The development of food evaluation criteria and the establishment of an inspection agency in Cambodia have been delayed. • Food processing companies do not obtain sufficient guidance or instruction on food hygiene from the government or public organizations.
Objective	Establishment of the internationally recognized food hygiene system.
Outline	<ul style="list-style-type: none"> • Education and training of experts in food hygiene: <ul style="list-style-type: none"> - Strengthening the functionality of inspection agencies (including human resource development, expansion of facilities, improvements of operation, etc.). • Development of food hygiene evaluation criteria: <ul style="list-style-type: none"> - Establishment of the safety standards and the traceability system of the food processing industry; - Introduction of international food evaluation criteria, such as the CODEX standard; - Issuance of various certificates on food hygiene (lists of materials, ingredients labels, production processes and sanitary certificates).
Implementation Schedule	<ul style="list-style-type: none"> • Strengthening the functionality of inspection agencies: medium term (2010-2012). • Establishment of the safety standards and the traceability system of the food processing industry: short and medium term (2007-2012). • Introduction of international food evaluation criteria: short term (2007-2009). • Issuance of various certificates on food hygiene: short and medium term (2007-2012).
Organization in Charge	<ul style="list-style-type: none"> • MOC: <ul style="list-style-type: none"> - Foreign Trade Dept.; - CAMCONTROL • MAFF: <ul style="list-style-type: none"> - DAALI • MOH.
Expected Effect	<ul style="list-style-type: none"> • Increases in the production of processed foods with the improvement of productivity. • Increases in the exports of processed foods that can meet the requirements set by importing countries. • Rise of concern of Cambodian companies for health issues through the introduction of international food standards.

Source: JICA Study Team

Table 12-2-11 Empowerment and Improvement of Food Evaluation Criteria and Inspection Agency: Strengthening of functions of rubber related inspection laboratories

Item	Content of Plan
Background	<ul style="list-style-type: none"> • Governmental support to the rubber industry is insufficient. • The development of inspection criteria and the establishment of and inspection agency relating to the rubber industry in Cambodia is delayed. • Rubber producers are obliged to export at lower prices than international prices because of the lack of a quality assurance system in Cambodia.
Objective	<ul style="list-style-type: none"> • Establishment of the internationally recognized rubber production system. • Export promotion of rubber.
Outline	<ul style="list-style-type: none"> • Education and training of experts: <ul style="list-style-type: none"> - Strengthening of human resource development of inspection agencies (quality assurance, process management, production management, etc.) • Establishment of the quality assurance system: <ul style="list-style-type: none"> - Strengthening of inspection facilities; - Introduction of international standards (IRA certificate system); - Issuance of rubber inspection certificates (inspection sheet, etc.).
Implementation Schedule	<ul style="list-style-type: none"> • Education and training of experts: short and medium term (2007-2012). • Establishment of the quality assurance system: short and medium term (2007-2012).
Organization in Charge	<ul style="list-style-type: none"> • MAFF: <ul style="list-style-type: none"> - General Directorate of Rubber Plantations; - Cambodian Rubber Research Institute (CRRI); - State owned rubber manufacturing corporations (7 corporations).
Expected Effect	<ul style="list-style-type: none"> • Improvement in the productivity of rubber production. • Increase in the exports of rubber. • Rise in the export price of rubber with the issuance of internationally recognized inspection certificates.

Source: JICA Study Team

Table 12-2-12 Strengthening of Investment Promotion for the Food Processing Industry

Item	Content of Plan
Background	FDI in the food processing industry in Cambodia is sluggish.
Objective	<ul style="list-style-type: none"> • Attraction of FDI from foreign food processing companies. • Improvement of investment climate so as to be investor friendly.
Outline	<ul style="list-style-type: none"> • Implementation of investment promotion activities, which is designed to target foreign companies dealing with priority products identified in the Study: <ul style="list-style-type: none"> - Selection and listing of the target companies for the promotion activities; - Provision of Cambodian investment information to foreign food processing companies, especially Japanese companies and Japanese affiliated companies in ASEAN, etc.; - Dispatch of investment promotion missions to foreign countries (holding of investment seminars, etc.); - Establishment of a matching service, which can provide foreign investors with information on local companies.
Implementation Schedule	<ul style="list-style-type: none"> • Selection and listing of the target companies for promotion activities: short term (2007-2009). • Provision of Cambodian investment information: short and medium term (2007-2012). • Dispatch of investment promotion missions to foreign countries: short term (2007-2009). • Establishment of a matching service: medium and long term (2010-).
Organization in Charge	<ul style="list-style-type: none"> • MOC: <ul style="list-style-type: none"> - Foreign Trade Dept. • MAFF: <ul style="list-style-type: none"> - Dept. of Agro Industry • CDC/CIB: <ul style="list-style-type: none"> - The Public Relations and Promotion Dept.
Expected Effect	<ul style="list-style-type: none"> • Increase in the technological capacity of the Cambodian food processing industry. • Improvement in the international competitiveness of the Cambodian food processing industry.

Source: JICA Study Team

Table 12-2-13 Reinforcement of Agricultural and Fishery Cooperatives to Ensure Stable Supply of Materials

Item	Content of Plan
Background	<ul style="list-style-type: none"> • Cooperative system in the form of union of farmers and fishermen has not been developed in Cambodia. • Food processing companies need to procure materials from individual farmers, fishermen and/or middlemen, which takes a good deal of time and money. • After the 2003 Sub-Decree for the agriculture sector development program was enacted, which included samples of memorandum of partnerships and bylaws, , some cooperatives have been established, but progress is very slow.
Objective	Promotion of the establishment of cooperatives (agricultural cooperatives and fishery cooperatives).
Outline	<ul style="list-style-type: none"> • Improvement in the management of farmers and fishermen through the establishment of cooperatives: <ul style="list-style-type: none"> - Promotion of cooperatives, and the monitoring of its progress; - Education and training of farmers and fishermen through cooperatives; - Expansion of the loan scheme for farmers and fishermen.
Implementation Schedule	<ul style="list-style-type: none"> • Promotion of cooperatives, and the monitoring of its progress: short and medium term (2007-2012). • Education and training of farmers and fishermen through cooperatives: short and medium term (2007-2012). • Expansion of the loan scheme for farmers and fishermen: medium and long term (2010-).
Organization in Charge	<ul style="list-style-type: none"> • MOC: <ul style="list-style-type: none"> - Domestic Trade Dept. • MAFF: <ul style="list-style-type: none"> - Dept. of Agricultural Extension; - Dept. of Fisheries; • Ministry of Rural Development.
Expected Effect	<ul style="list-style-type: none"> • Contributes to the secure, stable supply of agricultural and marine products. • Education and training of farmers and fishermen through cooperatives. • Increase in the earnings of farmers and fishermen, which can be achieved in the form of unions.

Source: JICA Study Team

Table 12-2-14 Establishment of Low-Temperature Storage Facilities, Cold Storage and Refrigerated Warehouses, and Cold and Refrigerated Transportation Systems

Item	Content of Plan
Background	A lack of low-temperature storage facilities, cold storage or refrigerated warehouses, and cold or refrigerated transport systems makes it impossible to transport fishery catches, making it impossible to maintain freshness.
Objective	Establishment of a cold chain system in Cambodia.
Outline	<ul style="list-style-type: none"> • Implementation of the feasibility study on the construction of the cold chain system in Cambodia (over the possibility of a joint public-private venture). • Introduction of FDI by international logistics companies into Cambodia. • Development of cold chain related facilities at Sihanoukville port.
Implementation Schedule	<ul style="list-style-type: none"> • Implementation of the feasibility study: short term (2007-2009). • Introduction of FDI by international logistics companies: short and medium term (2007-2012). • Development of cold chain related facilities at Sihanoukville port: short and medium term (2007-2012).
Organization in Charge	<ul style="list-style-type: none"> • MOC: <ul style="list-style-type: none"> - Foreign Trade Dept.; - Domestic Trade Dept. • MAFF: <ul style="list-style-type: none"> - Dept. of Agro Industry; - Dept. of Fisheries.
Expected Effect	<ul style="list-style-type: none"> • Increase in exports of marine products. • Stabilization of fishermen's income.

Source: JICA Study Team

Appendixes

Appendixes

Appendix 1 Macro Economic Model for Cambodia, analysis and prediction

A.1.1 Macro Economic Model for Cambodia, Equation and Results

Table A-1-1-1 Gross Domestic Product (Production function)

	Production
Constant	-14.91528 (-6.13)***
Endogenous Variables	
LstockL1 Ln (Stock increment) (-1 year)	0.6732553 (0.83)*
Lemp Ln (Number of people in employment)	1.062544 (2.20)**
Lenrollw16 Ln (Lower sec school enrolment ratio)	0.0777637 (0.66)*
Model Diagnostics and Test Results	
R-squared from 2SLS regression [Adjusted]	0.9941 [0.9921]
F value	502.16
Degrees of freedom	9

Note: Figures in parentheses are t-ratios.

***= significant at 01 percent level (p<0.01)

** = significant at 05 percent level (p<0.05)

* = significant at 10 percent level (p<0.10)

Table A-1-1-2 Private Final Consumption Expenditure

	Private Final Consumption
Constant	2996.472 (2.31)**
Endogenous Variables	
gdp Gross Domestic Production	0.2825947 (1.76)*
consumpL1 Private final consumption (-1 year)	0.4310389 (1.43)*
Model Diagnostics and Test Results	
R-squared from 2SLS regression [Adjusted]	0.9665 [0.9591]
F value	129.89
Degrees of freedom	9

Note: Figures in parentheses are t-ratios.

***= significant at 01 percent level (p<0.01)

** = significant at 05 percent level (p<0.05)

* = significant at 10 percent level (p<0.10)

Table A-1-1-3 Gross Capital Formation

	Capital Stock Formation
Constant	(-2642.836) (-7.06)***
Endogenous Variables	
gdp Gross Domestic Production	0.3882432 (14.19)***
Model Diagnostics and Test Results	
R-squared from 2SLS regression [Adjusted]	0.9482 [0.9435]
F value	201.24
Degrees of freedom	11

Note: Figures in parentheses are t-ratios.

- ***= significant at 01 percent level (p<0.01)
- ** = significant at 05 percent level (p<0.05)
- * = significant at 10 percent level (p<0.10)

Table A-1-1-4 Export Value/Gross Domestic Product

	Export / GDP
Constant	-.2201759 (-0.50)*
Endogenous Variables	
cn_safeguard Safeguard against China	0.1184521 (1.44)*
invest_act Introduction of current investment act	0.0931262 (0.92)*
us_quota Import quota set by US	0.0119307 (0.15)*
cny_usd Exchange rate CNY against USD	-0.0117648 (-0.29)*
khr_usd_a Exchange rate KHR against USD	0.0001947 (2.74)**
Model Diagnostics and Test Results	
R-squared from 2SLS regression [Adjusted]	0.8205 [0.7457]
F value	10.97
Degrees of freedom	12

Note: Figures in parentheses are t-ratios.

- ***= significant at 01 percent level (p<0.01)
- ** = significant at 05 percent level (p<0.05)
- * = significant at 10 percent level (p<0.10)

Table A-1-1-5 Import Value

	Import
Constant	268.3018 (0.30)*
Endogenous Variables	
consump Private final consumption	0.148729 (1.41)*
ex Export	0.9428001 (18.98)***
Model Diagnostics and Test Results	
R-squared from 2SLS regression [Adjusted]	0.9975 [0.9970]
F value	1982.15
Degrees of freedom	10

Note: Figures in parentheses are t-ratios.

***= significant at 01 percent level ($p < 0.01$)

** = significant at 05 percent level ($p < 0.05$)

* = significant at 10 percent level ($p < 0.10$)

A.1.2 Estimations of Each Index by the Macro Economic Model

Table A-1-2-1 Exogenous Variables and Variables Directly Calculated from Exogenous Variables

Unit	Exogenous Variables				KHR
	KHR bil	Person	Person	CNY	
	Inward investment	Employed workforce	Population	CNY/USD	KHR/USD
1993	491	4,907,532	9,474,000	5.76	2,814
1994	1,209	5,156,169	9,953,995	8.62	2,569
1995	1,464	5,423,504	10,470,084	8.35	2,462
1996	2,036	5,715,727	11,034,223	8.31	2,641
1997	1,221	6,029,459	11,639,881	8.29	3,000
1998	1,381	6,314,441	12,132,172	8.28	3,800
1999	1,367	6,552,114	12,351,382	8.28	3,820
2000	1,182	6,798,255	12,573,580	8.28	3,859
2001	1,406	7,051,234	12,802,982	8.28	3,924
2002	1,746	7,308,550	13,040,668	8.28	3,918
2003	1,248	7,568,246	13,287,053	8.28	3,984
2004	1,400	7,828,932	13,542,410	8.28	4,019
2005	1,895	8,085,878	13,806,923	8.19	4,118
2006	2,425	8,341,654	14,080,653	7.78	4,173
2007	2,807	8,602,955	14,363,519	7.01	4,193
2008	3,381	8,876,714	14,655,950	6.31	4,213
2009	3,856	9,166,324	14,957,752	5.67	4,233
2010	5,132	9,468,228	15,268,588	5.11	4,253
2011	4,819	9,767,967	15,587,830	4.60	4,273
2012	3,717	10,036,036	15,914,723	4.14	4,293
2013	3,172	10,209,211	16,248,639	3.72	4,313
2014	3,183	10,397,824	16,589,047	3.35	4,333
2015	3,260	10,587,845	16,935,564	3.02	4,353
2016	3,423	10,782,255	17,288,565	2.86	4,373
2017	3,594	10,983,306	17,647,275	2.72	4,393
2018	3,773	11,192,271	18,007,183	2.59	4,413
2019	3,962	11,409,927	18,365,862	2.46	4,433
2020	4,160	11,636,064	18,724,315	2.33	4,453

Table A-1-2-2 Endogenous Variables

Unit	Endogenous		Variables				1,000 KHR
	KHR bil	%	KHR bil	KHR bil	KHR bil	KHR bil	
	GDP	GDP growth	Final private consumption expenditure	Gross capital formation	Export of goods & services	Import of goods & services	GDP per head
1993	8,496		8,347	1,058	1,440	2,901	897
1994	9,277	9%	8,752	1,016	2,498	3,801	932
1995	9,883	7%	9,585	1,511	3,374	5,061	944
1996	10,411	5%	10,327	1,359	2,719	4,835	944
1997	10,999	6%	10,194	1,673	3,795	5,208	945
1998	11,545	5%	11,115	1,627	3,662	5,189	952
1999	12,994	13%	11,763	2,026	5,044	6,657	1,052
2000	14,089	8%	12,132	2,576	7,028	8,695	1,121
2001	14,863	5%	12,173	2,537	8,488	9,824	1,161
2002	15,643	5%	12,746	3,325	9,096	10,564	1,200
2003	16,745	7%	13,015	3,807	9,922	11,598	1,260
2004	18,032	8%	14,093	4,783	12,144	14,049	1,332
2005	19,294	7%	14,684	5,229	13,952	15,591	1,397
2006	20,989	9%	15,257	5,506	16,948	16,763	1,491
2007	22,511	7%	15,934	6,097	18,826	18,360	1,567
2008	24,208	8%	16,706	6,756	20,851	20,242	1,652
2009	26,126	8%	17,580	7,500	20,466	19,396	1,747
2010	28,264	8%	18,562	8,330	23,112	22,084	1,851
2011	30,677	9%	19,666	9,267	24,962	23,662	1,968
2012	34,460	12%	21,212	10,736	28,026	25,526	2,165
2013	37,676	9%	22,786	11,985	30,310	27,545	2,319
2014	40,608	8%	24,294	13,123	32,987	29,869	2,448
2015	43,464	7%	25,751	14,232	35,522	32,164	2,566
2016	46,246	6%	27,165	15,312	37,689	34,418	2,675
2017	49,138	6%	28,592	16,434	40,866	36,771	2,784
2018	52,348	7%	30,114	17,681	43,388	39,376	2,907
2019	55,805	7%	31,747	19,023	46,116	42,191	3,039
2020	59,434	7%	33,476	20,432	48,904	45,166	3,174

A.1.3 Equation for the Ration of Export Value to the Total Export by Items

Table A-1-3-1 Equation for the Ration of Export Value to the Total Export by Items Calculated from the Trend of Vietnam's Export from 1997 to 2003

	Constant	Market	Capital stock	Skill factor	Coefficient of determination	Coefficient of determination: degree of freedom adjusted
S2-84	0.2369	5.86E-14	1.83E-12	-0.4417	0.6605	0.3210
Articles of apparel and clothing accessories	(1.8736)	(0.0513)	(1.6373)	-(1.9748)		
S2-85	0.0323	0.0000		0.0989	0.6251	0.4583
Footwear	(0.2439)	(0.3010)		(0.2035)		
S2-0344	-0.0077	1.37E-12	6.35E-14		0.9770	0.9311
Fish fillets, frozen	-(2.2172)	(1.0554)	(1.2451)			
S2-036	0.0470		1.24E-12	-0.0256	0.9562	0.9123
Crustaceans and molluscs, fresh, chilled, frozen, salted, etc	(2.3461)		(2.6813)	-(0.2887)		
S2-05645	-0.0004	8.79E-12	6.25E-15		0.9654	0.8961
Tapioca, sago and substitutes obtained from starches	-(3.5050)	(1.6730)	(2.2875)			
S2-4242	0.1237		5.11E-12	-0.7289	0.9985	0.9954
Palm oil	(23.2245)		(23.3675)	-(23.0878)		
S2-7783	-0.0008	-3.9E-14		0.003854	0.8310	0.7184
Automotive electrical equipment; and parts thereof, nes	-(2.8805)	-(1.3902)		(3.2596)		
S2-7849	-0.0019		3.07E-14	0.00214	0.9277	0.7832
Other parts and accessories, for vehicles of headings 722, 781-783	-(0.4374)		(2.0013)	(0.1860)		

A.1.4 Estimated Export Value of Potential Successful Item in Cambodia

Table A-1-4-1 Estimated Export Value of Potential Successful Item in Cambodia

Year	Garment (S2-84)	Footwear (S2-85)	Frozen fish fillet (S2-0344)	Crustaceans (S2-036)	Tapioca (S2-05645)	Palm oil (S2-4242)	Automotive electrical equipment and parts (S2-7783)	Other parts and accessories for vehicles (S2-7849)
2000	69.81%	2.06%	0.23%	0.17%	0.01%	0.00%	0.00%	0.00%
2001	76.23%	1.91%	0.26%	0.14%	0.00%	0.00%	0.00%	0.03%
2002	68.30%	1.69%	0.15%	0.06%	0.01%	0.00%	0.00%	0.00%
2003	75.55%	1.61%	0.08%	0.05%	0.03%	0.02%	0.00%	0.00%
2004	70.82%	1.45%	0.09%	0.38%	0.00%	0.03%	0.00%	0.00%
2005	70.79%	1.45%	0.09%	0.39%	0.00%	0.03%	0.00%	0.01%
2006	66.58%	1.93%	0.11%	0.40%	0.00%	0.03%	0.00%	0.02%
2007	62.51%	2.41%	0.12%	0.41%	0.00%	0.02%	0.00%	0.04%
2008	57.27%	3.00%	0.15%	0.43%	0.00%	0.02%	0.00%	0.06%
2009	52.22%	3.59%	0.24%	0.44%	0.01%	0.01%	0.00%	0.08%
2010	51.55%	3.90%	0.27%	0.46%	0.01%	0.01%	0.00%	0.09%
2011	52.34%	4.12%	0.37%	0.49%	0.01%	0.01%	0.00%	0.11%
2012	53.19%	4.35%	0.40%	0.52%	0.01%	0.02%	0.00%	0.12%
2013	54.14%	4.58%	0.51%	0.55%	0.01%	0.02%	0.00%	0.13%
2014	55.27%	4.81%	0.53%	0.58%	0.01%	0.02%	0.00%	0.15%
2015	56.57%	5.05%	0.61%	0.61%	0.02%	0.03%	0.00%	0.16%
2016	58.01%	5.24%	0.63%	0.65%	0.02%	0.03%	0.00%	0.18%
2017	59.65%	5.44%	0.71%	0.68%	0.02%	0.04%	0.00%	0.20%
2018	61.49%	5.64%	0.74%	0.72%	0.02%	0.04%	0.00%	0.22%
2019	63.56%	5.84%	0.83%	0.77%	0.02%	0.05%	0.00%	0.24%
2020	65.87%	6.04%	0.86%	0.82%	0.03%	0.05%	0.00%	0.26%

A 1.5 Estimated RCA Index of Potential Successful Export Item in Cambodia

Table A-1-5-1 Estimated RCA Index of Potential Successful Export Item in Cambodia

Year	Garment (S2-84)	Footwear (S2-85)	Frozen fish fillet (S2-0344)	Crustaceans (S2-036)	Tapioca (S2-05645)	Palm oil (S2-4242)	Automotive electrical equipment and parts (S2-7783)	Other parts and accessories for vehicles (S2-7849)
2000	30.479	3.060	3.610	0.613	28.230	0.000	0.000	0.000
2001	32.530	2.683	3.413	0.495	4.697	0.000	0.004	0.012
2002	29.606	2.398	2.074	0.250	28.565	0.001	0.002	0.000
2003	33.357	2.348	1.134	0.202	63.957	0.048	0.001	0.000
2004	34.787	2.410	1.250	1.963	5.016	0.067	0.001	0.000
2005	34.136	2.369	1.434	2.684	5.980	0.103	0.001	0.003
2006	32.200	3.153	1.592	2.308	6.213	0.074	0.001	0.009
2007	30.292	3.947	1.863	2.555	6.550	0.067	0.001	0.016
2008	27.780	4.910	2.127	2.568	9.546	0.049	0.001	0.024
2009	25.304	5.880	3.390	2.593	12.660	0.033	0.002	0.032
2010	24.909	6.368	3.734	2.667	16.018	0.035	0.002	0.038
2011	25.168	6.698	5.014	2.752	19.379	0.041	0.002	0.043
2012	25.452	7.030	5.378	2.835	22.705	0.048	0.002	0.049
2013	25.783	7.365	6.635	2.920	26.044	0.055	0.002	0.054
2014	26.190	7.703	6.846	3.100	29.217	0.064	0.003	0.060
2015	26.676	8.044	7.967	3.294	32.605	0.074	0.003	0.066
2016	27.492	8.394	8.249	3.504	36.219	0.086	0.003	0.073
2017	28.405	8.750	9.454	3.730	40.068	0.098	0.004	0.081
2018	29.427	9.113	9.817	3.973	44.177	0.112	0.004	0.089
2019	30.566	9.482	11.117	4.235	48.563	0.128	0.004	0.098
2020	31.829	9.858	11.573	4.518	53.243	0.145	0.005	0.108

Appendix 2 Workshops and Trainings for Counterparts

A.2.1 Workshop for Staffs in CDC/CIB in Cambodia

In order to enhance the knowledge about investment promotion for staffs in CDC/CIB, the JICA Study Team carried out four workshops on foreign direct investment as well as investment promotion in the first and second year of the study. Furthermore, two additional workshops will be organized in the future. The contents of the workshops are described as below.

A.2.1.1 Completed Workshops in the First and Second Year of the Study

(1) The First Workshop

Title: *“Japanese FDI to Asian countries and Vietnamese Investment Circumstances”*

Date & Place: December 14, 2005 (at 9:00-11:00am), Conference room in CDC

Lecturer: Mr. Hisami Mitarai

Participants: Staff in CDC/CIB and CSEZB

Summary: It is expected that there will be a sharing of responsibilities in production by countries for different product groups, so that, under the AFTA, products will be supplied to the entire ASEAN region as well as China. Therefore, the position of Cambodia in the electric and electronic machinery industry is for the country to develop a favorable investment environment, in order to become a production center of simple assembly-type and export-type items, which will take advantage of its low-cost, high quality labor force.

(2) The Second Workshop

Title: *“The Experience and Implication How to Solve the Investment Impediments Through Collaboration by the Government Authorities and Foreign Direct Investors”*

Date & Place: January 13, 2006, Conference room in CDC

Lecturer: Mr. Hitoshi Sakai (Team Leader)

Participants: Staffs in CDC/CIB and CSEZB

Summary: Mr. Sakai, in his presentation “Vietnam-Japan Joint Initiative to improve the business environment with a view to strengthen Vietnam’s Competitiveness”, attempted to reduce the risk between the Vietnamese government and investors. As an example, he presented case studies of individual projects in the fields of electric and electronic equipment, and mobile phones, enabling the Cambodian participants to understand their implication.

(3) The Third Workshop

Title: *“The SEZ-Its Concept, Types and Experiences”*

Lecturer: Mr. Yoichi MATSUI

Date & Place: June 23, 2006 (at 9:00-12:00am), Conference room in CDC

Participants: Staff in CDC/CIB and CSEZB

Summary: The aim of the workshop was to enhance the comprehensive knowledge on SEZs by providing example of success experiences in Asia as well as in the world. The lecture delivered:

- (i) The notion of SEZs;
- (ii) Types and functions of SEZs;
- (iii) Successful experiences in the world;
- (iv) Successful experiences in Asia; and
- (v) Lessons from Asian countries.

(4) The Fourth Workshop

Title: “*The Cambodian Opportunity for the Electronics and Component Industry and the Footwear Industry*”

Lecturer: Mr. Hisami MITARAI

Date & Place: August 11, 2006 (at 9:00-11:00am), Conference room in CDC

Participants: Staff in CDC/CIB and CSEZB

Summary: The aim of the workshop was to identify investment opportunities in the electronics and footwear industries in Cambodia by considering the investment climate in neighboring countries, as well as Cambodia’s geographical advantages in the mid and long-term perspective. The workshop provided policy recommendations to enhance manufacturer’s investments, including the development of infrastructure.

(5) The Fifth Workshop

“Training Workshop on Investment Promotion and Facilitation”, sponsored by ASEAN-Japan Centre was held in CDC/CIB on the 6th and 7th February, 2007. Dr. Natsuda and Mr. Bando provided lectures as below.

Title: “*Issues in Investment Promotion*”

Lecturer: Dr. Kaoru NATSUDA

Date & Place: February 7, 2007 (at 2:00-3:30 pm), Conference room in CDC

Participants: Staff in CDC/CIB, CSEZB and local state governments in Cambodia

Summary: The aim of the workshop was to provide comprehensive knowledge on investment promotion, which would enhance the investment promotion skills of staff within the CDC/CIB. The lecture focused on (i) how to target investment, (ii) how to deal with prospective investors, and (iii) how to provide satisfactory services to customers.

Proposed title: “*The Possibility of CLMV as “China Plus One”*”

Lecturer: Mr. Tatsuro BANDO

Date & Place: February 7, 2007 (at 4:00-5:00 pm), Conference room in CDC

Participants: Staff in CDC/CIB, CSEZB and local state governments in Cambodia

Summary: The aim of the workshop was to provide comprehensive information on issues regarding “China Plus One”. The workshop stressed the implications and policy recommendations in order to become China plus one country.

A.2.2 CDC/CIB Training Staff in Japan

The counterpart trainings were held in Japan in the first and second year of the study. In the training courses, staff of CDC/CIB learned issues on the improvement of the investment environment and investment promotion activities.

A.2.2.1 Outline of the Counterpart Training in the First Year of the Study

(1) Period

March 12 - March 25, 2006

14 days (see Table A-2-1)

(2) Objectives

- (i)* To understand the trends of Japanese FDI to ASEAN countries, and Japanese investment promotion measures;
- (ii)* To grasp Japanese companies' perception of the investment environment in Cambodia, and examine the concrete measures for the improvement of the investment environment by objectively analyzing the current situation of Cambodia; and
- (iii)* To learn methods and practical skills of investment attracting activities.

(3) Participants

Mr. Suon Sophal, Deputy Director of Public Relations and Promotion Department, CIB

Mr. Seng Sochinda, Deputy Director of Project Monitoring Department, CIB

Mr. Ham Kim Chheng, Official of Evaluation and Incentives Department, CIB

(4) Contents

- (i) Understanding the trends of FDI in Asia*
 - Trends of Japanese FDI to ASEAN countries and other countries in Asia;
 - Records of FDI in ASEAN countries and other countries in Asia, and evaluation of the investment environment in these countries;
- (ii) Understanding the Japanese FDI promotion activities*
 - Japanese FDI promoting policies and measures;
 - Supporting programs by investment promotion organizations for attracting foreign companies to Japan.
- (iii) Grasping Japanese companies' perception on the investment environment in Cambodia*
 - Interviews to Japanese companies interested in advancing their business to Cambodia.
- (iv) Learning methods and practical skills of investment attracting activities*
 - Preparation of presentation materials on investment environment in Cambodia;
 - Presentation and discussion on the investment environment in Cambodia with the Japanese companies.

Table A-2-1 Training Schedule (First Year)

Date	Organization	Activities
12 th (Sun)	Leave Phnom Penh and arrive at Tokyo via Bangkok	
13 th (Mon)	9:00-15:30 JICA Tokyo	Orientation for the training course
	16:30-17:30 UNIDO Investment and Technology Promotion Office (ITPO)	(1) ITPO's investment promotions for developing countries (2) Effective skills of investment promotions in Japan (3) Trends of FDI from Japan
14 th (Tue)	10:00-11:00 ASEAN-Japan Centre	Briefing on activities of Trade Dept. and Investment Dept.
	15:00-17:00 Japan Bank for International Cooperation (JBIC)	(1) Briefing on Blue Book prepared by JBIC and UNCTAD (2) Briefing on FDI to ASEAN countries and their investment environments
15 th (Wed)	10:00-16:00 Japan External Trade Organization (JETRO)	(1) Briefing on the Japanese government's supports for ASEAN countries including Cambodia (2) Briefing on foreign investment promotion by JETRO (3) Briefing on skills for effective investment seminars and missions (4) Mock presentation on Cambodia's investment environment by CIB staff and guidance by JETRO staff
16 th (Thu)	(Morning) JICA Tokyo	Revising of promotion materials
	13:00-15:00 Nagai Leben	(1) Briefing on the company's business and environments around the apparel industry (2) Presentation on Cambodia's investment environment by CIB staff
17 th (Fri)	(Morning) Go to Hiroshima	Briefing on the company's business plan and showroom and plant visit, followed by Q&A
	14:00-17:00 Satake	
	Stay at Hiroshima	
18 th (Sat)	Visit Hiroshima downtown, Go back to Tokyo	
19 th (Sun)	Off	
20 th (Mon)	10:00-12:00 Nomura Research Institute	Briefing on "Japan Desk" service for South Korea
	14:30-16:00 Sumitomo Corporation	(1) Briefing on business of industrial parks including cases in Cambodia (2) Presentation on Cambodia's investment environment by CIB staff
21 st (Tue)	Japanese holiday	
22 nd (Wed)	10:00-11:30 Development Bank of Japan	Presentation on Cambodia's investment environment by CIB staff
	14:00-16:00 Mitsui & Co., Ltd.	(1) Briefing on industrialization in Cambodia (2) Presentation on Cambodia's investment environment by CIB staff
23 rd (Thu)	(Morning) Go to Hamamatsu	(1) Briefing on the motorcycle business in Asia (2) Presentation on Cambodia's investment environment by CIB staff (3) Briefing on the plant and Plant Visit
	10:30-15:30 Suzuki Motor Corporation	
	(Evening) Back to Tokyo	
24 th (Fri)	(Morning) JICA Tokyo	•Preparation of a report on the counterpart training •Report on findings in the counterpart training by CIB staff •Evaluation of the counterpart training course
	14:00-16:00 JICA HQ Economic Development Dept.	
25 th (Sat)	Leave Tokyo and arrive at Phnom Penh via Bangkok	

A.2.2.2 Outline of the Counterpart Training in the Second Year of the Study (scheduled)

(1) Period

November 13 - November 18, 2006

6 days (see Table A-2-2)

(2) Objectives

- (i)* To learn practical know-how of investment promotion activities by conducting investment seminars for Japanese companies in cooperation with the investment promotion organization in Japan;
- (ii)* To deepen the understanding of Japanese companies' needs of FDI (interested categories of industry, necessary business conditions in an investment destination, etc.).

(3) Participants

H.E. Sok Chenda Sophea, Secretary of Council for the Development of Cambodia

H.E. Chea Vuthy, Deputy Secretary General, Cambodia Special Economic Zone Board, Council for the Development of Cambodia

(4) Contents

- (i)* Conducting investment seminars for Japanese companies in cooperation with the ASEAN-Japan Centre;
- (ii)* Making a presentation on investment environment in Cambodia at the investment seminars;
- (iii)* Exchanging opinions with Japanese companies on their needs of FDI (interested categories of industry, necessary business conditions in an investment destination, etc.).

Table A-2-2 Training Schedule (Second Year)

Date	Time	Activities	Representatives of the visiting organizations
Nov. 13 Mon.	7:15	Arrive at Narita, Tokyo	
	11:00	Briefing by JICE	
	18:50	Courtesy call to NRI	Mr. Tadao CHIDA, Corporate Advisor
Nov. 14 Tue.	11:00	Courtesy call to KRI International Corp.	Mr. Yoseki NAGASE, Chairman Mr. Toshikazu TAI, President and Executive Director Mr. Kazuo MISHIMA, Director of Consulting Department I
	The afternoon activities will be conducted separately for each person.		
	14:15-14:45	H.E. Sok Chenda: Courtesy Call to JETRO	Mr. Tomoharu WASHIO, Executive Vice President
	15:30-16:00	Courtesy Call to JICA	Mr. Takeshi TAKANO, Group Director, Group I (Economic Policy and Private Sector Development), Economic Development Department
	14:00-17:00	H.E. Chea Vuthy: Meeting at JBIC	Mr. Shinji KABURAGI, Director General of Advisory and Consulting Office for SME Corporate Finance Department Several Japanese companies will be invited by JBIC.
Nov. 15 Wed.	9:00	Travel from Tokyo to Nagoya	
	13:30	Investment Seminar in Nagoya	
Nov. 16 Thu.	9:00	Travel from Nagoya to Tokyo	
	12:00-13:30	Meeting with Silver Ox Corporation at Takanawa Prince Hotel	Mr. Yasutaka NISHIZAKI, President Mr. Hidetoshi TANAKA, Managing Director and Internal Auditor Mr. Saiji SUWAKI, Director of Technical Department
	14:00-16:00	Company visit to Harada Industry Co., Ltd.	Mr. Yoshikuni NAKAMATSU, Director of Sales Mr. Akira WAKUI, Manager (Sales Management Department)
Nov. 17 Fri.	11:00	Courtesy call to Minister of Economy, Trade and Industry	Mr. Akira AMARI, Minister of Economy, Trade and Industry
	13:30-18:00	Investment Seminar in Tokyo	
Nov. 18 Sat.	10:55	Departure from Narita, Tokyo	

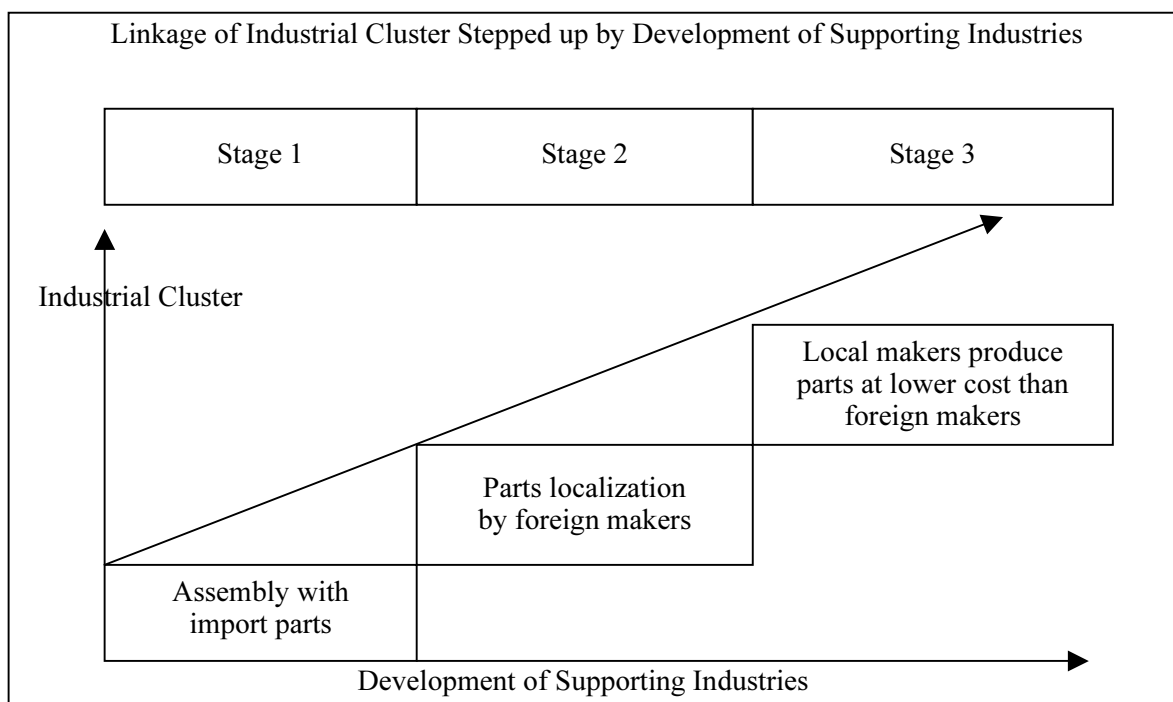
Appendix 3 A List of Supporting Industries in Cambodia

A.3.1 Present Situation of Supporting Industries in Cambodia

The Study Team has surveyed the present linkage situation between foreign assemblers and supporting industries in Cambodia. The survey result indicates as follows. Firstly, in Cambodia, there are very few local supporting industries which foreign assemblers can use. Secondly, foreign assemblers in Cambodia do not purchase components and parts from local supporting industry, but they purchase such auxiliary items as carton paper boxes, plastics, etc. in garment, footwear, food processing sectors from foreign supporting industries in Cambodia.

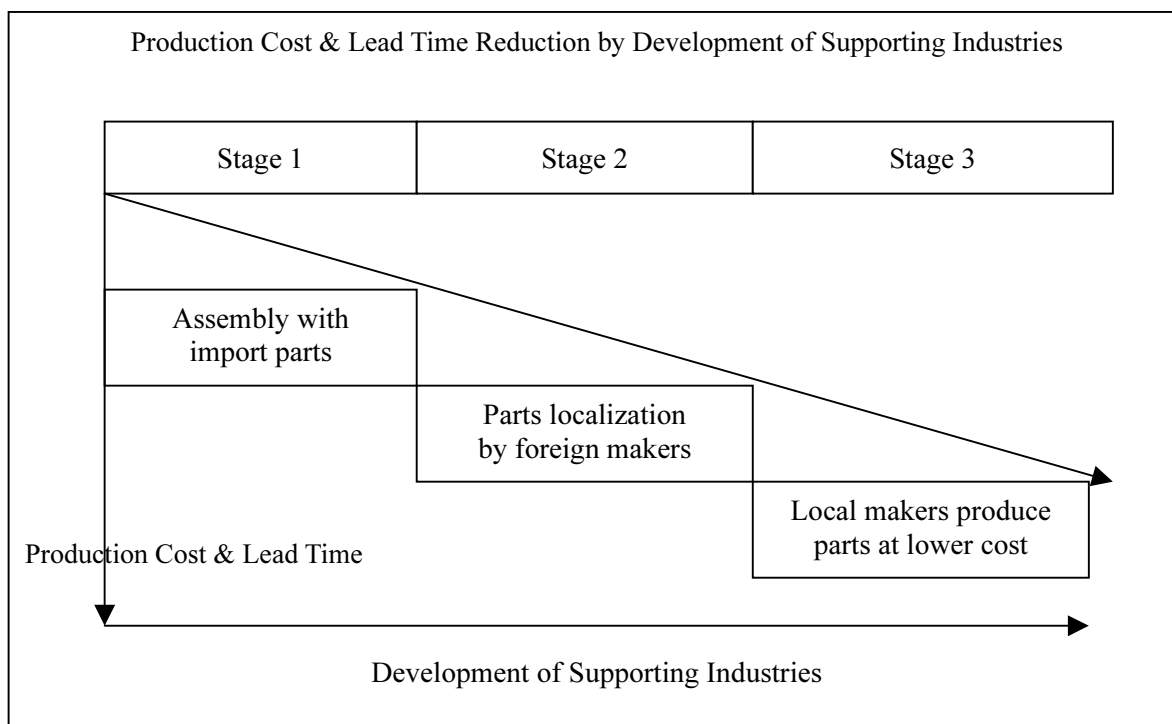
In order to attract foreign assemblers into Cambodia in times to come, the policy development of supporting industries is of a great importance. Though there are many SMEs in Cambodia, local supporting industries have hardly been able to supply foreign assemblers due to low level of technology, making it necessary for foreign assemblers to continue importing parts or introduce foreign parts-subcontractors into Cambodia. Therefore, from a long-term perspective, it is necessary to nurture Cambodian local supporting industries to strengthen the competitiveness of foreign assemblers by helping them reduce costs and shorten delivery time of parts. This will require transfer of technology from foreign parts-subcontractors into Cambodian local manufactures, though it is not an issue that can be solved in a short time. Usually, the following stages are followed.

Figure A-3-1 Linkage of Industrial Cluster Stepped up by Development of Supporting Industries



Source: JICA Study Team

Figure A-3-2 Production Cost & Lead Time Reduction by Development of Supporting Industries



Source: JICA Study Team

For example, if a foreign assembler in electronics sector will establish a production base in Cambodia in the future, it would import 100% parts from overseas at the first stage, but it would shift to introduce foreign parts-subcontractors into Cambodia at the second stage, and would increase gradually purchase of parts from Cambodian parts-subcontractors at the third stage. It will take over ten years in the case of Cambodia.

A few government officials, staff of chamber of commerce and entrepreneurs in Cambodia have understood the significance of SME promotion from the viewpoint of poverty reduction, but they did not understand the significance of supporting industries so far. However, industrial circumstances surrounding Cambodia is changing with globalization and integration with other countries. Stakeholders mentioned above should develop industrial clusters between foreign assemblers and foreign supporting industries at first and then eventually between foreign assemblers and local supporting industries in Cambodia from the long term viewpoint.

The RGC will have to create a master plan for developing supporting industries by fully incorporating the outcome of comparative studies with surrounding countries as well as changes in the international environment brought on by AFTA and FTA. Based on such a master plan for developing supporting industries, the RGC will make further efforts to create a body of policies and legislations, develop a system for policy management, solve disincentives and provide incentives.

A.3.2 A List of Supporting Industries in Cambodia

This list is compiled through an interview survey as of 2006 for carton paper boxes, plastics, etc. in garment, footwear, food processing sectors. It has to be compiled more information for completing the list. This information is very helpful even for Japanese industries which may possibly operate in Cambodia in the future.

Table A-3-1 A List of Supporting Industries in Cambodia

No.	Paper Carton	Contact Person	Address	Tel&Fax	E-mail	Product
1	Dah Tay Paper Cambodia Co, Ltd	Mr. Lian Youyi	National Road No.4, Angsnoul, Kandal Cambodia	T: 023-369 935/6 F: 023-369 937/8	dtpc@everyday.com.kh	Paper box, Cartoon
2	Hong Long Processing Factory	Mr. Kwok Tai Shing	No. 157, Tum Nub Thmey, Russey Village, 12352 Phnom Cambodia	T: 012-812 882 F: 023-855 919	hlpf@online.com.kh	Supply Packing, Carton, Manufacturing
3	Harta Packing Industries (Cambodia)	Mr. Chong Chin Siong	National Road No.4, Angsnoul, Kandal Cambodia	T: 024-399 933 F: 024 299 955	cs_chong@hartapack.com	Supply Packing, Carton, Manufacturing
4	Cambodia Cartons Limited	Mr. Richard Siao Kian Hai	National Road No.4, Street 26, Phum Domnak Ampil, Angsnol, Cambodia	T: 024-399 088 F: 024-399 083	cccartons@online.com.kh	Packaging, Box Supply& Manufacturing
5	Lih Woei Carton Works Co., Ltd	Mr. Vuth	No. 560, National Road 2, Chak Angre, Phnom Penh Cambodia	T: 023-982 582 F: 023-720 888	lihwoei@camnet.com.kh	Packaging, Box Supply& Manufacturing
6	Cambodia Cartons&Packaging Co Ltd	Ms. Vy	No.26, Botum Soriyavong(St.75) Phnom Penh, Cambodia	T: 023-725 851 F: 023-427 059	does not exist	Packaging, Box Supply& Manufacturing,
7	Union Paper Corporation	Mr. Louk	No.1225, National Road 2, 12354 Phnom Penh, Cambodia	T: 023-720 833 F: 023-720 456	union_paper@camnet.com.kh	Packaging, Box Supply& Manufacturing
8	GOS Cambodia Ltd	Mr. Tha	National Road No.4, Chamkar Kao Sou, Module 1, Sangkat1, Sihanoukville, Cambodia	T: 034-939 659	does not exist	all kind of paper box
9	Paper Cartons Co Ltd	Mr. Routh	No. 144B, Mao Tse Toung (St.245), Department G, Phnom Penh, Cambodia	T: 023-885 100	does not exist	Packaging, Box Supply& Manufacturing
10	Cam Paper Industries Ltd	Mr. Shing	Tum Nub Thmey, 12352 Phnom Penh, Cambodia	T: 023-368 969 F: 023-368 969	campaper@online.com.kh	Paper Product
11	LPH Carton	Mr. Vutha	No. 4S, Chroy Changva Street, Phnom Penh, Cambodia	T: 023 982 295	does not exist	Paper Product

No.	Paper Carton	Contact Person	Address	Tel&Fax	E-mail	Product
1	Cheng Chan Plastics Industry (Cambodia) Co Ltd	Mr. Cheng	Toul Sangke Village, 12105 Phnom Penh, Cambodia	T: 023-986 835 F: 023-986 834	ccpic@camnet.com.kh	Heel, Toplift, Sole, Outsole
2	Samudra Plastic&Packaging (Cambodia) Ltd	Mr. Ra	No. 228, Chom Chao (St.217), 12405 Phnom Penh, Cambodia	T: 023-995 585 F: 023-985 682	samudra@everyday.com.kh	Poly bag
3	Good Rich Industries Inc	Mr. Ty	No. 1002, Kampuchea Krom (St.128), 12156 Phnom Penh, Cambodia	T: 023-987 911 F: 023-883 620	goodrich@online.com.kh	Plastic bag, Bottle
4	Kang Ning Co Ltd	Mr. Ning	Street 900, Phum Toul Sangke, 12105, Phnom Penh, Cambodia	T: 023-982 311 F: 023-992 868	knmini@yahoo.com.tw	Plastic Hanger
5	Build Up (Cambodia) Manufacturing Ltd	Mr. Virak	National Road 4, Kontop Commune, Ang Snoul District Kandal, Cambodia	T: 023-219 907 F: 023-219 958	ashieyleung@build-up-plastic.com	Clothes Hanger, Plastic Hanger
6	Xin Hung Dart Plastics Color Printing (Cambodia) Co Ltd	Mr. Hung	No.405, Maeda Street, 12102 Phnom Penh, Cambodia	T: 023-885 321 F: 023-885 321	hungdart_plstic@yahoo.com.cn	Plastic product
7	CN-CH Group Long Men Plastic Ltd	Mr. Long	Somboumeas Village, 12401 Phnom Penh, Cambodia	T: 023-365 286 F: 023-365 286	does not exist	Plastic product
8	Chin Mau International Co Ltd	Mr. Chin	Chom Chao (St.217), 12352 Phnom Penh, Cambodia	T: 023-985 738/9 F: 023-985 798	does not exist	Product shoes accessory (outsole, heel, loploft)
9	Korex Plastic Co Ltd	Mr. Lee	Ang Proun (St.68), Toul Sangke, 12105 Phnom Penh, Cambodia	T: 023-367 221 F: 023-367 220	korex@everyday.com.kh	pipe&fitting product

No.	Garment Supporting	Contact Person	Address	Tel&Fax	E-mail	Product
1	United Thread (Cambodia) Co., Ltd	Ms. Sok Vy	National Road 5, 12106 Phnom Penh, Cambodia	T: 023-430 585/6 F: 023-430 187	united@online.com.kh	Spum Polyester, Sewing thread
2	Liya Embroidery Co., Ltd	Mr. Bora	Sangkat Tektha, Khan Roessey Keo, Phnom Penh, Cambodia	T: 023-855 333 F: 023-885 332	liya@online.com.kh	all kind of embroidery
No.	Food Supporting	Contact Person	Address	Tel&Fax	E-mail	Product
1	Laing Heng Group	Mr. Heng	No. 15AB, Sihanouk (St.274) 12207 Phnom Penh, Cambodia	T: 012-925 236 F: 023-221 944	l_heang@camshin.com.kh	Cold storage, Sea food frozen
2	Sun Wah Fisheries Co Ltd	Mr. Kosal	No.196Eo, Trsak Paem (St.63) 12302 Phnom Penh, Cambodia	T: 023-331 628 F: 023-2188 531	sunwahfisheries@camshin.com.kh	Sea food frozen

Appendix 4 Major Agricultural Products in Economic and Land Concession Projects

Table A-4-1 Major Agricultural Products in Economic and Land Concession Projects

Product	Company Name	Nationality	Address
Officianarum (Sugar Cane)	Leang Hor Hong Import Industry Development	Local	Kam Reang Village, Takrey Commune, Battambang
Officianarum	Vannma Import Export Co., Ltd	Local	Chamkrovearn Commune, Memot District, Kampong Cham Province
Cashew-Apple	Agro Star	Local	Kampong Cham Provice
Cashew-Apple	UK Khun Industrial Plants and Other	Local	Kampong Speu Province
Cashew-Apple	Ratana Visal Development Co., Ltd	Local	Purset Province
Tapioca	TTY	Local	Memot District, Kampong Cham Province
Tapioca	Kaysville Corporation	Chinese	Kampong Speu Province
Tapioca (Cassava or Manioc)	C.J Cambodia Corporation Co., Ltd	Korean	Kampong Speu Province
Tapioca	Mong Reththy Cambodia Tapioca Investment Co., Ltd	Local	Stung Treng Province
Para Rubber	Household Community Heng Sarat	Local	Kampong Cham Province
Para Rubber	Meng Li Heng Investment	Local	Memot District, Kampong Cham Province
Para Rubber, Cashew-Apple, Crassna	Yo Thear Development Region 1 and 30/40 Gialai Company Limited	Chinese	Oyadav District, Rattanakiri Province
Para Rubber, Oil Palm	Talam Plantation Holding Snd. Bhd	Malaysian	Kampong Sela District and Sre Ambel District, Koh Kong Province
Para Rubber, Acacia, Trincomali Wood	Sopheak Nika Investment Agro-Industrial Plants Co., Ltd	Local	Sesan District, Stung Treng Province
Para Rubber, Acacia, Trincomali Wood	Sal Sophea Peanich Co., Ltd	Local	Sesan District, Stung Treng Province
Trincomali Wood	Green Sea Industry Co., Ltd	Local	Stung Treng Province
Trincomali Wood	Tapioca Starch Production Co., Ltd	Local	Stung Treng Province
Trincomali Wood, Crassna, Fruit Tree	G.G World Group (Cambodia) Development., Ltd	Foreign	Stung Treng District, Stung Treng Province
Agricultural Crops and Animal Husbandry	Henan (Cambodia) Economic & Trade	Chinese	Kampong Speu Province
Agricultural Crops	Cambo Victor Investing and Development	Chinese	Prum Srouch and Oral Districts, Kampong Speu
Agricultural Crops	China National Corporation for Over Load Star Development Co., Ltd	Chinese	Kampong Speu Province
Agriculture Crops and Animal Husbandry	China Cambodia State Farm International	Chinese	Koh Kong Province

Product	Company Name	Nationality	Address
Agro-Industry	Golden Land Development Co., Ltd	Taiwanese	Treng Tror Yeung Comune, Prum Srouch District, Kampong Speu Province
Acacia	An Mardy Group	Local	Balang District, Kampong Thom Province
Acacia, Maize, Bean, Tapioca, Eucalyptus	First Bio-Tech Agricultural (Cambodia) Co., Ltd	Local	Kampot District, Kampot Province
Acacia, Maize, Bean, Tapioca	World Tristar Entertainment (Cambodia) Co., Ltd	Local	Kampot District, Kampot Province
Oil Palm	Khem Land Import Export	Local	Kampot and Kampong Bay District, Kampot Province
Oil Palm	Metapheap Men Sarun and Rama Khmer	Local	Yatong, Samthom, Porkgnai Commune, Rattanakiri Province
Oil Palm and Acacia	The Green Rich Group Co., Ltd	Chinese	Koh Kong Province
Oil Palm	Mong Reththy Investment Cambodia Oil Palm Co., Ltd	Local	Sihanoukville Municipality,
Tree Cotton	Cambodia Eversky	Local	Kampong Thom Province
Trees Plantation	Phea Pimex Co., Ltd	Local	Kampong Chhang and Pursat Province
Cator Oil and Multiple Agriculture	Cambodia Haining Group Co., Ltd	Chinese	Pnum Srouch and Oral Districts, Kampong Speu

Source: The Ministry of Agriculture, Forestry and Fishery