

## V THE SPECIAL ECONOMIC ZONES

### V-1 Legal Frame for the Special Economic Zone (SEZ) Scheme

The examination of introducing the concept of economically promoted zone/area into Cambodia was originally started back in 1960's, and the SEZ scheme has been finally introduced to Cambodia for the first time in December 2005. "Sub-Decree No.147 on the Organization and Functioning of the CDC" was issued on 29 December 2005 to restructure the organization of the CDC and a new wing of the CDC called the "Cambodian Special Economic Zone Board (CSEZB)" was set up to manage the SEZ scheme. To govern the SEZ scheme, "Sub-Decree No. 148 on the Establishment and Management of the Special Economic Zone" (The SEZ Sub-Decree) was also issued on 29 December 2005.

### V-2 Basic Concept and Conditions for the SEZ

Regarding the basic concept and conditions for the SEZ, the SEZ Sub-decree defines as follows (Article 2 and 3.1.3).

- SEZ refers to the special area for the development of the economic sectors which brings together all industrial and other related activities and may include General Industrial Zones and/or Export Processing Zones. Each Special Economic Zone shall have a Production Area which may have a Free Trade Area, Service Area, Residential Area and Tourist Area.
- It must have a land of more than 50 hectares with precise location and geographic boundaries.
- It must have a surrounding fence (for Export Processing Zone, the Free Trade Area and for the premises of each investor in each zone).
- It must have management office building and Zone Administration offices and all necessary infrastructures must be provided.
- It must have water sewage network, waste water treatment network, location for storage and management of solid wastes, environment-protection measures and other related infrastructures as deemed necessary.

### V-3 Approved and Planned SEZs

The Cambodian government has so far officially approved six SEZs (Stung Hao, Manhattan, Chhay Chhay O'Neang, Doung Chhiv Phnom Den, Phnom Penh and Sihanoukville) by the SEZ Sub-Decree and five other SEZs also already received the license from the CSEZB. The currently authorized SEZs in Cambodia are shown in Table V-1 below. Tai Seng Bavet SEZ, Oknha Mong SEZ and Goldfame Pak Shun SEZ have also applied for the approval from the CSEZB.

Koh Kong SEZ and Suoy Chheng SEZ is situated at Thai border and be accessible through NR4 or 3 and NR48 from Phnom Penh. NR48 is expected to be a part of ASEAN Highway Route 10. Stung Hao SEZ, Sihanoukville SEZ and S.N.C. SEZs are located at around Sihanoukville City and can be reached through NR4. Doung Chhiv SEZ, Takeo province, is also on NR4. N.L.C SEZ and Manhattan SEZ are near the Vietnam border on NR1. Chhay Chhay SEZ, Poipet, is located near the Thai border on NR5. Phnom Penh SEZ is on NR 4 and 8 km from the Phnom Penh International Airport.

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. Manhattan SEZ, although it has not received the SEZ Sub-Decree, already have three investors operating in the zone.

( Sub-Decree # 135 on Establishment of MANHATTAN Special Economic Zone was issued on November 29, 2006. )

### V-4 Application Process for the Development of the SEZ

Zone developer has to have the following ability and duties (Article 4.4, the SEZ Sub-Decree).

- Have sufficient capital and means to develop the infrastructures in the zone, including the human resources to manage the activities of the zone
- Have the legal rights to possess the land for establishing the SEZ
- Construct the infrastructures in the zone
- Lease the land and provide services to the Zone Investors
- Arrange security personnel and ensure good public order in the zone at all the time, etc.

The application process for the development of the SEZ is summarized in Table V-2 below (Article 3.2, The SEZ Sub-Decree).

### V-5 Management Structure of the SEZ

The CSEZB under the CDC is the "One-Stop Service" organization in charge of the development, management and supervision of operations of the SEZ and the SEZ Administration is the State administration management unit which is the "One-Stop Service" mechanism at the site of the Special Economic Zone and set up by the Cambodian Special Economic Zones Board in order to be permanently stationed in each Special Economic Zone (Article 2, Article 4.2 and 4.3, The SEZ Sub-Decree).

The "Special Economic Zones Trouble Shooting Committee (SEZ TSC)", which is located at the CDC, has a duty to promptly settle all issues occurring in the Special Economic Zones, whether pertaining to technical or legal aspects, or issues under the joint jurisdiction of ministries or institutions and beyond the competence of the Special Economic Zone Administration or the Cambodian Special Economic Zones Board. It has the further duty to be a mechanism to receive any complaint, and find solutions to that complaints filed by Zone Developers as well as by Zone Investors. The composition of the SEZ TSC is as follows (Article 4.1, The SEZ Sub-Decree):

1) Chairmen of the Council for the Development of Cambodia	Chairmen
2) Minister of the Council of Ministers	Member
3) Minister of Economy and Finance	Member
4) Minister of Commerce	Member
5) Minister of Land Management, Urbanism and Construction	Member
6) Minister of Environment	Member
7) Minister of Industry, Mines and Energy	Member
8) Minister of Public Works and Transportation	Member
9) Minister of Labor and Vocational Training	Member
10) Secretary General of the Council for the Development of Cambodia	Member
11) Secretary General of the Cambodian Special Economic Zones Board	Secretary.

Table V-1 Cambodia's SEZ as of October 25, 2006

Name of the SEZ	Description
<b>1. Koh Kong SEZ</b>	
1) Location	Neang Kok Village, Pakklong Commune, Mundul Seyma District, Koh Kong Province
2) Area	336.24 ha + 100 ha
3) Project Implementation	Fences have already been built.
<b>2. S.N.C SEZ (Prey Nob, Sihanoukville City)</b>	
1) Location	Sangkat Bet Trang, Prey Nob District, Sihanoukville City
2) Space	108 ha
3) Project Implementation	Not yet implemented
<b>3. Sihanoukville SEZ (Stoeunghauv)</b>	
1) Location	Sangkat Otres Khan, Stoeunghauv District, Sihanoukville Municipality
2) Area	178.62 ha.
3) Project Implementation	First phase construction: reclaiming the land and fencing from 2006 - May 2007
<b>4. N.L.C. SEZ</b>	
1) Location	Prey Phdao and Thhlok Village, Chrok Mates Commune, Sray Teals District, Sray Rieng Province
2) Area	105 ha.
3) Project Implementation	The company has built a road 20m long and 8m wide.
<b>5. Manhattan SEZ</b>	
1) Location	Thhanh Village, Bati Commune, Chntrea District, Sray Rieng Province
2) Area	155 ha.
3) Project Implementation	1) The company has already built infrastructure: connecting power grid from Vietnam and fencing (partial only). 2) To date, there are three investment companies - 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, construction works on the way. The company employs about 400 workers - A new shoe factory was inaugurated in late July 2006. 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.
<b>6. Chhay Chhay SEZ (Poipet)</b>	
1) Location	Poipet Commune and Nimit Commune, O Chhrov District, Banteay Meanchey Province
2) Area	386.3 ha
3) Project Implementation	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. 2) Reclaiming the whole site and port, and building infrastructure 3) Has been building fences and administrative buildings 4) Has negotiated with H.E. Kok An of Amco Company to buy electricity for supplying the industrial zone.
<b>7. Doung Chhiv Phnom Den SEZ (Takeo)</b>	
1) Location	Kiri Vong District, Takeo Province
2) Area	57 ha.
3) Project Implementation	By the end of 2006
<b>8. Phnom Penh SEZ</b>	
1) Location	8 km from Phnom Penh International Airport on NR 4
2) Area	353 ha.
3) Project Implementation	The first phase to be completed by the end of 2007
<b>9. Kampot SEZ</b>	
1) Location	Koh Toch commune, Kampot district, Kampot Province
2) Area	145 ha.
3) Project Implementation	4 phases from May 2005 to October 2010

Source: Project Implementation Sheets prepared by the CDC

Table V-2 Application Process for the SEZ Development

Item	Description
1. Application for the development of the SEZ	Zone Developer submits a request for approval for the establishment of a Special Economic Zone to the CSEZ and applies for the QIP (Application fee: 7 million Riels).
2. Examination of an application	The CSEZB shall notify whether to approve or reject the request to the Zone Developer within 28 working days.
3. Feasibility study	The Zone Developer conducts the detailed economic feasibility study, infrastructure master plan and other certified documents as stipulated in the CRC within 180 working days.
4. A Final Registration Certificate	Within 100 working days after it receives the above project materials, the CSEZ obtains all necessary approvals and authorization from the government and issues the Final Registration Certificate (FRC).
5. Declaration of the establishment of the SEZ	Upon issuance of the Final Registration Certificate by the CSEZB, the Sub-Decree is issued to define the establishment of the SEZ and its boundaries.
6. Withdrawal of the approval	The Cambodian Special Economic Zones Board has the right to withdraw the approval on the establishment of the zone and incentives which were granted through the Final Registration Certificate on the basis that the Zone Developer has not implemented at least 30% (thirty percent) of the total investment capital of the project within 365 (three hundred and sixty five) working days after receiving the Final Registration Certificate.

Table V-3 Incentives in the SEZ

Beneficiary	Incentives
Zone developers	<ul style="list-style-type: none"> <li>- The exemption period for the Tax on Profit shall be provided for a maximum period of 9 years, in compliance with article 14.1 of the Law on the Amendment to the Law on Investment.</li> <li>- The import of equipments and construction materials to be used for infrastructure construction in the zone shall be allowed and exempted of import duties and other taxes.</li> <li>- The Zone Developer may obtain a land concession from the State for establishing the SEZ in areas along the border or isolated region in accordance with the Land law, and may lease this land to the Zone Investors</li> </ul>
Zone investors	<ul style="list-style-type: none"> <li>- The same incentives on customs duty and tax as other QIP shall be entitled.</li> <li>- The incentives on Tax on Value Added with the rate of 0% shall be obtainable unless the Production Output is exported to the domestic market. The amount of tax exemption for every import shall be recorded. In case the Production Outputs are exported into the domestic market, the Zone Investor shall pay the amount of Value Added Tax as recorded in comparison with the quantity of export.</li> </ul>
Common	<ul style="list-style-type: none"> <li>- Zone developers, investors or foreign employees have the right to transfer all the income derived from the investment and salaries received in the zone to banks located in other countries after payment of tax.</li> <li>- Non-discriminatory treatment as foreigners, non-nationalization and no-fixing price</li> </ul>

## V-6 Procedures for Registration of the Investment Project in the SEZ

The Zone Investor who starts its 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 by preparing all the required documents and submit to the office of the SEZ Administration in the SEZ for registering investment proposals during working hours and before the office of the SEZ administration. The SEZ Administration has a duty to decide on the registration of the investment proposal based on the legal, administrative and technical aspects and on the issuance of the Final Registration Certificates. Such process has to in compliance with the procedures of investment registration set forth in the Law and Sub-Decree on the Implementation of the Law on Amendment to the Law on Investment.

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 to the relevant laws and regulations.

On all other requests in the investment process of Zone Investors, the SEZ Administration shall play the role of facilitator to address issues of the Zone Investor with the relevant ministries/institutions of the Royal Government of Cambodia (Article 3.3, The SEZ Sub-Decree).

## V-7 Incentives (Chapter 4, the SEZ Sub-Decree)

The SEZ Sub-Decree sets forth that the CSEZB shall examine and provide incentives to all the SEZs and that all the incentives shall be specified in the Final Registration Certificate.

As the Law on Amendment to the Law on Investment of 2003 defines in Article 14.9, a QIP located in a designated Special Promotion Zone or Export Processing Zone is entitled to the same incentives and privileges as other QIPs stipulated in the Law. The incentives to be granted to the Zone Developers and Zone Investors are summarized below in Table V-3.

## V-8 Other Regulations

### Rules for the Export Processing Zone (EPZ)

In the EPZ, such special rules are applied as follows (Chapter 5, The SEZ Sub-Decree) :

- The EPZ has specific entrances/exits, which are determined by the CSEZ.
- Nobody can stay after working hours except for permanent guards and persons authorized by the Special Economic Zone Administration.
- Scheduled time for entry and exit from the EPZ for the authorized persons, including the import-export of goods shall be determined by the internal rules of the Special Economic Zone Administration according to the agreement between the Zone Developer and the Special Economic Zone Administration.
- Import/Export of goods to/from the EPZ shall be considered as

Import/Export of goods to/from Cambodia, which requires the owner of the goods to fulfill the formalities of import-export with the competent authority in the EPZ prior to its import-export.

- The aforementioned competent agent shall prepare all forms which should be simplified, transparent and do not cause any difficulty for the control of those goods.
- The goods shall be properly sealed by the customs officers before Import/Export.
- No retail business can locate in the EPZ, even though it is conducted for serving the public or social interests.
- The Zone Investor, although being the owner, shall not use Output Materials of Production produced in the EPZ without permission of the Administration of the SEZ.

**Workforce**

Foreign managers, technicians or experts may be employed, provided that the number of foreign staff does not exceed 10% (Ten) of the total number of its personnel (Article 11, The SEZ Sub-Decree).

**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 employees and to promote new knowledge and skills for them with specific and effective programs (Article 12, The SEZ Sub-Decree).