

**Council for the Development of Cambodia (CDC)
The Kingdom of Cambodia**

**FINAL REPORT
ON
THE STUDY ON
THE INSTITUTIONAL STRENGTHENING OF
INVESTMENT PROMOTION
IN THE KINGDOM OF CAMBODIA**

June 2010

JAPAN INTERNATIONAL COOPERATION AGENCY

KRI International Corp.

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Exchange Rate

US\$ 1.00 = ¥ 88.89 = 4,160 Riel

1.00 Riel = ¥ 0.02

(JICA rate, February, 2010)

PREFACE

In response to the request from the Government of the Kingdom of Cambodia, the Government of Japan decided to conduct “the Study on the Institutional Strengthening of Investment Promotion in the Kingdom of Cambodia” and entrusted the study to Japan International Cooperation Agency (JICA).

JICA sent a study team led by Mr. Toshikazu Tai and Mr. Kazuo Mishima, KRI International Corporation seven times from March 2009 to May 2010.

The team held discussions with the officials concerned of the Government of Cambodia and conducted related field surveys. After returning to Japan, the team conducted further studies and compiled the final results in this report.

I hope that this report will contribute to the investment promotion in Cambodia.

Finally, I wish to express my sincere appreciation to those who participated in and cooperated to the study.

June 2010

Atsuo Kuroda

Vice President

Japan International Cooperation Agency

June 2010

Mr. Atsuo Kuroda

Vice President, Japan International Cooperation Agency (JICA), Tokyo, Japan

Dear Mr. Kuroda,

Letter of Transmittal

We are pleased to submit to you the Final Report of the Study on The Study on the Institutional Strengthening of Investment Promotion in the Kingdom of Cambodia.

Promotion of Foreign Direct Investment (FDI) is one of the urgent issues for economic development in Cambodia. The Council for the Development of Cambodia (CDC) carries the responsibility for providing services as the window for FDI. However, CDC's weakness in investment information service and investment promotion service is an urgent issue to be solved so as to attract further investment from developed countries.

The Study aimed at formulating a Master Plan (M/P) for the institutional strengthening of investment promotion of CDC including concrete measures for functional improvements to the organizational structure, FDI data collection and dissemination, and investment promotion services and transferring relevant knowledge and skills for investment promotion to counterpart personnel. We hope that CDC further adopt and embark on the recommendations and proposed actions to successfully achieve the strengthening of investment promotion and realize the expansion of foreign investments.

We wish to express our deep appreciation and sincere gratitude to the officials of your Agency for the courtesies and cooperation kindly extended to us. We should also like to express our hearty gratitude to the Embassy of Japan in Cambodia, the Council for the Development of Cambodia, other national government agencies, and others concerned in Cambodia for the tremendous supports provided to us during the implementation of the Study.

Finally, we sincerely wish that this report will be found useful for the institutional strengthening of investment promotion of Cambodia and that it will contribute to the further friendship between Japan and the Kingdom of Cambodia.

Sincerely yours,

Kazuo Mishima

Team Leader, the Study on the Institutional
Strengthening of Investment Promotion
in the Kingdom of Cambodia

Executive Summary

1. Background of the Study

- 1.1 Background Promotion of Foreign Direct Investment (FDI) is one of the urgent issues in Cambodia needing to be addressed in order to fill the existing capital shortage gap as well as incorporate advanced technologies into production and management. However, FDI from developed countries has been limited. The main factors contributing to this stagnation are the “unattractive image of the country such as its being a land of landmines and inadequate infrastructure”, “an undeveloped legal system and weakness in law enforcement”, and “complicated administrative procedures for licenses”.
- In Cambodia, the Council for the Development of Cambodia (CDC) carries the responsibility of providing services as the window for FDI, however, it lacks capacity in many respects and should be strengthened. In particular, weaknesses existing in investment/investor data collection and dissemination, and investment promotion are urgent issues requiring resolution so as to attract further investment from developed countries.
- Under these circumstances, the Royal Government of Cambodia (RGC) requested for the Government of Japan to carry out a development study; “the Study on the Institutional Strengthening of Investment Promotion (the Study)”. In September 2008, the Japan International Cooperation Agency (JICA) dispatched a preparatory Study Team to Cambodia to discuss the detailed contents of the Study proposed by the RGC and both parties signed the Scope of Work (S/W) in December 2008. KRI International Corp. has been assigned as the consulting firm implementing the study, which it began in February 2009.
- 1.2 Objective of the Study The objectives of the Study are:
- To formulate a Master Plan (M/P) on the institutional strengthening of investment promotion in CDC including concrete measures for functional improvements to the organizational structure, FDI data collection and dissemination, and investment promotion services.
 - To transfer relevant knowledge and skills for investment promotion to counterpart personnel through the formulation of the M/P and implementation of the pilot projects.
- 1.3 Executing Agency The counterpart agency for the Study is CDC. Specifically, the Cambodian Investment Board (CIB) of CDC which handles the private investment development of Cambodia as the main executing agency of the Study. A Counterpart Team consisting of directors/deputy directors of all the departments of CIB was organized to cooperate with the JICA Study Team.
- 1.4 Functions or Services to be Strengthened The Study is expected to: i) strengthen the functioning of CDC-CIB as a window for investment promotion in Cambodia; and ii) improve the services of CDC-CIB as an IPA to foreign investors.

The strengthening of the function as the window for investment promotion includes functional improvement of the organizational structure, which would enable CIB to play a role as a focal point for all investment in Cambodia and to provide appropriate investment promotion services to all potential/existing investors.

Improving the services of CIB includes the improvement of: i) investment information collection, and the providing of services such as investment related laws and regulations in Cambodia; and ii) investment promotion services such as seminars held in Cambodia or overseas, and receiving missions from abroad.

2. Foreign Direct Investment (FDI) in Cambodia

2.1 Trend of FDI in Cambodia CIB approves investment projects, granting investment incentives based on the Law on Investment (LoI)¹. Such projects are referred to as qualified investment projects (QIP), which can be comprised of both Cambodian capital and foreign capital.

By the end of 2009, sixteen years after the enactment of the LoI, the accumulated FDI approved by CIB reached to US\$18.2 billion. During the period from 2005 to 2009, projects by foreign capital, i.e., FDI, accounted for 54.0% of total QIP amount of QIP approved by CIB, US\$24,895 million. By country, China takes the lead (26.6% of total approved amount), followed by Korea (10.3%), and USA (3.0%).

Total FDI to Cambodia increased drastically from US\$155 million in 2004 to US\$ 6,956 million in 2008 and dropped to US\$2,106 in 2009.

By sector, the tourism sector accounts for 54.4% of the total QIP amount approved by CIB for both domestic and foreign capitals. The second largest sector is the service sector (20.1%) followed by mining and manufacturing (19.5%).

2.2 Investors' Evaluation of Investment in Cambodia The Study Team conducted the Survey on Potential Investors with the purpose of identifying the interests of potential foreign investors; Japanese, Chinese, and Korean companies in Cambodia, Thailand, and Vietnam. The survey was conducted over the period from May to June 2009. The questionnaire was responded to by 130 companies comprised of 59 Japanese companies, 48 Chinese companies, and 23 Korean companies.

The following are the major findings from the Survey on Potential Investors:

- The major purposes of investment were for the establishment of manufacturing bases and market cultivation in their currently located country;

¹ In addition to CIB, the Cambodia Special Economic Zone Board (CSEZB) and the Provincial/Municipal Investment Sub-committee (PMIS) also approve QIP projects. As for demarcation of these 3 organizations, please refer to "3.2."

- Major factors in investment decision-making process leading to the currently located country, pointed by respondents locating in three countries, were *low wages* followed by *social and political stability* and *incentive policies*;
- More than half of respondents intend to make new investment or expand current investment at their location;
- Nearly 30% of responded companies show interest toward investment in Cambodia in the future;
- Primary purposes for future investment in Cambodia are *market cultivation* followed by *establishment of manufacturing bases* and *export to a third country or homeland*;
- The respondents expect *a quality labor force*, *social and political stability*, and *distribution infrastructure* for their investment in Cambodia;
- Respondents consider the current issues of Cambodia to be *social and political stability*, *the existence of supporting industries*, and *distribution infrastructure*;
- Among 51 respondents operating in Cambodia, 34 respondents (67%) know CDC/CIB/CSEZB and 21 respondents (41%) have contacted or received its service; and
- Among the respondents in Cambodia which have contacted with CDC/CIB/CSEZB, 71% of them are satisfied with its service.

The comments from the surveyed companies arising from the interviews concentrated around the business environment of Cambodia. They highlighted negative aspects of Cambodia's business environment to be improved:

- Insufficient infrastructure such as electricity, water, and transportation;
- Obscure laws and regulations, and the necessity of law enforcement in the areas of illegal imports/exports, ill defined tax collection, and informal fees requested by government officials;
- Lack of policies encouraging small and medium enterprises (SMEs);
- Requests for IPA to provide incentives, one-stop-services, business partner information, and website/free mail info;
- Troublesome procedures for importing materials and exporting products;
- Necessity of abolishing tourist visas and reduction in entrance fees for ancient monuments;
- Too many holidays which lower Cambodia's productivity;
- Frequent job hopping;
- Tax reductions for major industries, especially the garment industry; and
- Relatively poor business environment in Cambodia compared with neighboring countries.

2.3 Cost Comparison with Neighboring Countries

The Study Team compared investment-related costs of Cambodia (Phnom Penh) with Vietnam (Hanoi), Thailand (Bangkok), and Indonesia (Jakarta):

- The items which were more competitive for Phnom Penh were the wages of workers, land costs, office fees, and taxes; and
- Items which were the most uncompetitive in Phnom Penh were telecommunications fees, internet access fees, and electricity.

3. Investment Promotion Policy in Cambodia

3.1 Investment Promotion in National Development Policies

The Rectangular Strategy (RS) presented by the RGC in 2004 is a long-term framework for Cambodia's socio-economic development. The National Strategic Development Plan (NSDP) developed by the Ministry of Planning and launched in 2006 is a five-year development policy at the national level to implement the concepts of the RS.

Both the RS and NSDP place significant emphasis on private sector development and investment promotion as the main engines of economic growth.

NSDP specifies RGC's commitment to creating a regulatory framework and an investment climate conducive to private sector development as follows:

- Operation of an expeditious facilitation mechanism with a "single window" for all private investor requirements from the government; and
- Removal of impeding factors such as poor governance, regulatory burdens, and weakness in judicial and legal areas.

Other initiatives taken by the RGC to facilitate private sector development are the launching of Government-Private Sector Forums (G-PSF) in 1999 and the Steering Committee for Private Sector Development in 2004. The Cambodian G-PSF is the country's main platform for public-private sector dialogue for the purpose of improving the investment climate.

In addition, in 2007, "the Agreement between Japan and the Kingdom of Cambodia for the Liberalization, Promotion and Protection of Investment" ("Japan-Cambodia Investment Agreement") was signed with the purpose of attaining the highest guarantees for investment freedom and protection of investment from Japan.

3.2 Institutional Framework for FDI Promotion

Legal Framework for Private Investment

Given the emphasis on FDI as a major engine for economic development, the RGC adopts a non-discriminatory policy for foreign investor, in which domestic and foreign private sector investment are given equal status, except concerning land ownership under the Amendment to the LoI of 2003 ("2003 LoI").

The following law and sub-decrees regulate private investment in Cambodia:

- The 2003 LoI;
- "Sub-Decree on the Establishment of the Sub-Committee on Investment of the Provinces-Municipalities (PMIS) of the Kingdom of Cambodia" ("PMIS Sub-Decree") issued in 2005 to regulate the licensing scheme for investments less than US\$2 million;

- “Sub-Decree No. 111 on the Implementation of the Law on the Amendment to the LoI” (“Sub-Decree on implementing LOI) in 2005 to implement the 2003 LoI;
- “Sub-Decree No.148 on the Establishment and Management of the Special Economic Zones” (“SEZ Sub-Decree”) in 2005 to introduce the SEZ scheme into Cambodia; and
- “Sub-Decree No. 149 on the Organization and Functioning of the CDC” in 2008.

Organizations Responsible for Private Investment

CIB, CSEZB, and PMIS are responsible for managing, supervising, and promoting private sector investment, including the evaluation and approval of QIP applications. CIB handles private investment projects located outside of an SEZ or CSEZB together with those located inside of an SEZ or SEZ development project as well, and PMIS with projects less than US\$ 2 million. CSEZB deals directly with SEZ developers but indirectly with the investors who locate in the SEZ through the SEZ Administration.

CDC and PMIS are expected to provide a one-stop service for obtaining all licenses from relevant ministries-entities on behalf of the Investor.

Government Ministries and Institutions Engaging in Investment Promotion

CIB is the leading agency for attracting and facilitating foreign and domestic investments.

Besides CIB, some of the Cambodian government ministries conduct various kinds of activities related to investment promotion according to their mandates. They are the Ministry of Commerce, Ministry of Industry, Mines and Energy, Ministry of Agriculture, Forestry and Fisheries, and Ministry of Tourism. Their main activities are investment promotion activities such as missions and fairs, publications, website creation, as well as others.

Donors’ Assistance

Various donors have provided assistance over the years in the area of investment promotion. Donors’ approaches can be divided into two types:

- i) Enhancement of the overall business environment and investment promotion within a large framework, particularly through assisting in trade facilitation (World Bank, CIDA, ADB, JICA, etc.); and
- ii) Direct assistance to CDC for investment promotion, especially to the CDC/CIB as the government’s leading agency for attracting, and facilitating foreign and domestic investment (UNCTAD, JBIC, FIAS & MIGA, JICA, World Bank, UNDP, IFC, etc.).

4. Current Situation of CIB

Organization, Management, and Service of CIB

The Study Team conducted a diagnostic survey of CIB by analyzing data and information, and

interviewing managers and staff of CIB. In addition, the Study Team conducted an analysis of CIB based on the Policy Framework for Investment (PFI) of OECD.

4.1 Structure of CDC/ Organization of CDC

CIB

CDC, established in 1994, has responsibilities as: i) the sole, One-Stop Service organization responsible for the rehabilitation, development, and the oversight of investment activities in Cambodia; and ii) the RGC's "Etat-Major" responsible for evaluation and decision-making on all rehabilitation, development, and investment project activities. Within CDC, there are three boards; CRDB², CIB, and CSEZB. CIB consists of eight departments with the functions shown in the following table.

Functions of CIB

The roles and responsibilities of CIB can be summarized as follows (Article 17 of the Sub-decree No. 149):

- i) Coordination and implementation of the "One-stop Service mechanism" for evaluating and approving submitted "Qualified Investment Projects (QIPs)";
- ii) Strategic planning and coordination for the promotion of overall private investment;
- iii) Marketing and promotion for potential investors;
- iv) Policy advocacy for the improvement of the legal framework for investment promotion; and
- v) Coordination and reporting for relevant people both inside and outside the government.

Organization Structure of CIB

CIB consist of eight departments as follows:

Department	Number of Staff Including Managers
Public Relations and Investment Promotion Department	7 persons
Project Evaluation and Incentives Department	14 persons
Environment Assessment Department	5 persons
Inter-ministerial Coordination Department	6 persons
Strategic Planning Department	2 persons
Legal Procedure and Investment Law Department	5 persons
Project Monitoring Department ()	16 persons
Administration Department	8 persons

4.2 Investment Promotion Services

Investment Information Services

(1) Information for FDI Promotion

CIB is expected to collect data and information relating to FDI for its own policy making and for information services provided to investors. However, there currently exists no comprehensive or integrated information held within CIB.

² The Cambodian Rehabilitation and Development Board (CRDB) is responsible for the rehabilitation and development of the country through public investment with assistance of external development partners.

Most investment promotional materials have been initiated and completed by various development partners and/or the private sector. However, CIB has not updated these guidebooks on its own up to the present due to an inability to make updates and insufficient resources.

The CDC Website had been updated and maintained with the assistance of ASEAN-Japan Center up until March 2009. However, as the contracted term has expired, the ASEAN-Japan Center has transferred the website to CDC.

(2) Information on Prospective Industries

No comprehensive information on Cambodian industries has been collected, compiled, or printed by CIB itself.

Several development partners conducted and published reports on industries and project sites in Cambodia. Nonetheless, such reports are not provided through the CIB offices, including the Department of Public Relations and Promotion of Private Investments where prospective investors may visit first to search for investment-related information.

(3) Legal Information

No legal information has been made available at CIB, except a small booklet which contains the 2003 LoI and related sub-decrees. Currently, there is no specific section of the CIB providing (or collecting) investment-related laws and regulations to prospective investors.

(4) Statistics

Investment-related statistics have been compiled by the CDC. Nevertheless, none of them is ready to be provide to investors through the offices of CIB. There is no information center or library carrying those statistics.

PR Activities

At the moment, CIB is unable to hold investment seminars on its own initiative due to a lack of activity budget, and, in recent years, investment seminars of Cambodia have been sponsored by development partners or the private sector, causing a lack of experience and deficiency in the planning/management skills of CIB staff.

CIB also receives various investment missions from other countries. On such occasions, the Public Relations and Investment Promotion Department is charged with correspondences, preparing information for distribution, and arranging meetings.

Investment
Consultations

Currently, there is neither a specific location nor person being assigned to provide consultation services to investors within CIB. Some staff may give consultation but this takes place only periodically through personal contacts³.

³ JICA is now dispatching to CIB an investment expert to transfer the know-how of such consultation and to assist mainly

Processing of QIP Approval

CIB handles QIP applications for projects located outside of SEZs and with investment capital over US\$ 2 million.

CIB should issue a conditional registration certificate (CRC) for a QIP within 3 working days of the date of the application and a final registration certificate (FRC) within 28 working days according to the laws and sub-decrees. However, for approximately 20% of QIP applicants, the FRC is issued more than 28 working days after the date of CRC.

In addition, although CDC should obtain all of the approvals, authorizations, and licenses from relevant ministries-entities listed in the CRC on behalf of the applicant, CDC fails to collect and provide such licenses.

Monitoring and Aftercare Services

The Project Monitoring Department is positioned to handle monitoring and aftercare. However, the activity scope of the department is limited to the checking of the compliance of investment projects, and monitoring of investment projects after approval.

Networking

CIB also has frequent contact with some international and foreign organizations. The main purpose of contacting these entities is to discuss policy matters or obtain their assistance in various fields relating to investment promotion activities.

CIB has ad-hoc and periodic contacts with foreign IPAs, Trade Promotion Organizations (TPO), and private sector associations in foreign countries.

4.3 Organization and Management
Organization

(1) History of Organizational Change

There has been no substantial reorganization with the purpose of improving investment promotion services since the establishment of CDC and CIB.

(2) Balance between Investment Approval (Administration) and Investment Promotion (Facilitation)

The functions and organizational structure of CIB focus more on enhancing the one-stop service for smooth “government administration” and not on investment promotion services targeting investors. Among the eight CIB departments, only two departments, the Project Evaluation and Incentives Department and the Project Monitoring Department, have a relatively large number of human resources and are seen as having certain power within the organization.

(3) Management Layer

There are many layers of management as well as many high level officials and managers. Although clear decision-making procedures for the “One-Stop Service mechanism” are defined by the Sub-decree,

Japanese investors in finding solutions regarding their investment projects.

it remains a fact that making a smooth and quick decision is difficult under this heavy organizational structure.

Management

(1) Policy and Strategy

Strategic action plans for investment promotion are sometimes discussed and announced, however, these policies and plans tend to be randomly formulated without a consistent and sustainable long-term strategy.

In the past, several donor organizations including JICA proposed recommendations on strategic action plans for CIB on different occasions. CIB has not initiated many of these recommendations for investment promotion up to the present.

(2) Planning and Budget

Budget planning and management are not well established at CIB. No department of CIB has ever formulated a total budget plan for both operational and capital expenses with an activities plan for both the fiscal year and the medium-term.

The sub-decree stipulates that CDC should have its own cadres of civil servants and its own budget⁴. A budget for investment promotion based on actual activity plan is currently not being prepared in a consistent manner. The budget of CDC in the National Budget Table for 2009 was 4,750 million Riel (US\$ 1.2 million). However, management through accounting is conducted by the secretariat of CDC, and the Study Team was unable to access detailed information on the budget or accounting.

The budget seems to be spent on operational expenses of CDC as a whole such as the salaries of contracted staff, utility costs, and office supplies. The salary and compensation of directors and permanent staff of CDC who are on secondment from relevant ministries are supplied by those seconding ministries. Payment from seconding ministries is not included in the CDC budget.

(3) Human Resource Management

There is not much rotation of managers and staff among the different departments, preventing CIB staff from understanding the complete work procedures of CIB and the job descriptions of other departments, as well as preventing the sharing of information in an efficient manner.

The performance of activities by individual staff, departments, and CIB as a whole has not been periodically reviewed in an integrated manner.

An overall plan for human resource development has never been prepared. Therefore, although several donors provide various training

⁴ Article 35 of the Sub-decree No. 148.

opportunities to CIB managers and staff, training tends to be on a spot-basis and most staff do not want to participate in such opportunities.

CIB Awareness Survey

The Study Team conducted a questionnaire survey targeting CIB managers and staff with the purpose of identifying their evaluation of the organization, management, and services of CIB.

4.4 CIB Awareness Survey

4.4.1 Outline of CIB Awareness Survey

The Survey was conducted between May and June 2009 with the support of the Working Group members. The questionnaires were distributed to all CIB managers and staff who have more than 3-years of work experience at CIB, regardless of whether permanent or contracted (51 persons), including the directors of the eight departments. In the end, forty three (43) individuals responded to the questionnaire.

4.4.2 Major Findings of CIB Awareness Survey

(1) Roles and Functions of CIB

Roles and Functions as a Whole

- There is room for improving the legal status of CIB as an IPA as only around 30% of respondents recognize CIB's legal status as being clearly defined and informed to the outside.
- There is no clear distinction between the importance of the four roles of an IPA; i.e. advocacy, image building, investor servicing/facilitation, and targeting or investment generation. Moreover, respondents evaluation of the performance of "investor servicing and facilitation" is relatively low.

Policy Advocacy

- Weak control of related ministries is the reason for ineffective advocacy in removing investment obstacles.

Image Building

- The recognition of the importance of image building for Cambodia as a destination of investment is weak within CIB.

Investor Servicing and Facilitation

- The performance of investor servicing and facilitation is evaluated as being weak. Less than 50% of respondents answered that each activity item of investor servicing and facilitation is frequently conducted.
- As for the activities of investor servicing and facilitation, 40% to 50% of respondents point to data collection and analysis, and aftercare services as functions to be strengthened. Towards that issue, only around 30% of respondents considered investment promotion and consultation as needing to be strengthened.

Targeting and Investment Generation

- Relatively good evaluations were given for targeting and investment generation. However, only 30% of respondents considered CIB to be conducting targeting and investment generation very consistently and effectively.

QIP Evaluation and Approval

- The evaluation of the QIP evaluation and approval is relatively high. More than 80% of respondents gave positive assessment for QIP procedures, compliances with the 28-day time frame, and service of requiring licenses and permits.
- As for the tracking of inventors, less than 20% were fully satisfied.

Functions to Be Strengthened

- More than 40% of respondents considered investor servicing and facilitation as being important functions to be strengthened. The score for image building is too low.

(2) Organizational Issues

Organization and Management

- Around 90% of respondents regarded the organizational structure of CIB as being appropriately designed and effective for investment promotion.
- The answers of “Yes, very much” were less than 20% of the total of performance evaluations and regular reviews of the performance of investment promotion activities.
- Poor infrastructure is a big issue in the operation of CIB. Many consider the issues of the infrastructure of CIB, such as dispersed allocation of offices and poor IT infrastructure, as currently resulting in adverse effects on operational effectiveness and efficiency.

Human Resource Management

- Nearly 80% of respondents responded that the training of managers and staff is very necessary and important.
- Most respondents are not satisfied with their salary level. Almost all respondents regarded the salary of CIB staff as not being appropriate compared to the private sector.
- As for human resource allocation and periodic rotation, most respondents see neither as important nor necessary.

Budget

- Evaluations of the budget are outstandingly low compared with other categories.

4.5 Evaluation of CDC/CIB Based on PFI Analysis

Given the assessment of issues described on the previous chapters, the Study Team made PFI assessment on investment promotion and facilitation. PFI assessment also stands on the bases of the results of the CIB Awareness Survey and its subsequent discussions at the Working Group as well as direct observations and research by the JICA Study Team.

(1) Questions Regarding the Establishment of IPA (2.2)

The questions of “2.2 Establishing an IPA” in the PFI are concerned with how an IPA is established.

Table 1 Results of PFI Assessment

Sub-questions (Policy practices to scrutinize)	Assessment results (Current situation/problems)
(1) Where within government is the IPA located, and does it have direct access to the center of government to facilitate its advocacy role?	<ul style="list-style-type: none"> - The country's IPA, Cambodian Investment Board (CIB) established in 1994, is positioned as one of the three subordinate bodies under the Council for the Development of Cambodia (CDC). - The CDC is the country's sole government organization that conducts a "One-stop service" mechanism for the rehabilitation, development and the oversight of investment activities. - Because the CDC chaired by the Prime Minister has all relevant ministers/officials as members, it has a direct access to the center of the government. It is also expected to perform advocacy role through "One-Stop service" mechanism. - However, due to "top heavy" organizational structure of the CDC and complexity in power balance among ministries, effective advocacy by the CDC is not seen as implemented.
(2) Are there provincial IPAs and, if so, how are responsibilities divided between the different levels?	<ul style="list-style-type: none"> - The Sub-committees on Investment of the Provinces - Municipalities (PMIS) at regional level are expected to perform as "One-Stop service" for investors that apply for QIP (Qualified Investment Project) with less than US\$ 2 million⁵. However, due to insufficient capacity of those authorities and insufficient understanding of investment-related laws and regulations, not many PMISs seem to work effectively. - As for investments at Special Economic Zones (SEZs), CSEZB (Cambodian Special Economic Zone Board) under the CDC and its onsite offices of SEZ Administration function as "One-Stop service" provider for investors. - Except coordinating function for approval, permission and licensing for applied QIPs at PMIS and CSEZB, all other investment promotion and other investment-related functions are expected to conduct by the CIB.
(3) How can the IPA help to expedite decisions when investment projects require approvals from many government agencies and sub-national governments ⁶ ? Does the IPA's legal mandate recognize it as the lead agency?	<ul style="list-style-type: none"> - As stipulated on the Law on Investment and subsequent Sub-decrees, the CDC, particularly the CIB, is defined as the "One-Stop Service" mechanism for coordinating approval and licensing of applied QIPs. - Although the CIB is expected to function as an effective coordinator and facilitator for obtaining permissions and approvals from relevant ministries, CIB officials often have difficulties for making effective coordination by several reasons. As a result, many cases in which investors themselves are obliged to visit and negotiate with relevant ministries directly are reported, which causes delays in application processing for final registration. - CIB can be deemed to assume the role of lead agency judging by the roles and responsibilities of CIB stipulated in the Sub-decree No. 149. - Due to insufficient capacity and organizational mechanism in strategic policy planning, the CIB does not conduct a proactive advocacy for policy reform. - Many CIB officials think that legal mandate and CIB's relationship with relevant ministries should be reviewed and be redesigned.

<p>(4) Does the IPA promise completion of all investment approvals within a certain timeframe and what is its track record in meeting this promise?</p>	<ul style="list-style-type: none"> - As stipulated on the Law on Investment and subsequent Sub-decrees, the CDC, particularly the CIB, promises completion of QIP approvals within a certain timeframe. - Many CIB managers and staff are confident that CIB has a clear procedure for application of QIP registration, meets the promised timeframe for approval completion, and conducts necessary services for investors to get all the required licenses/permissions within 28 days. Officials of the responsible department think that almost 80% of applied QIPs are approved within the defined timeframe. - However, track record is not reviewed, analyzed and shared inside the CIB in an effective manner.
<p>(5) How is the IPA budget and staff allocated across the four functional roles of advocacy, image-building, facilitation and targeting? Do these functions have the resources they need to succeed?</p>	<ul style="list-style-type: none"> - There is no organizational mechanism for formulating an integrated annual plan for investment promotion across 4 expected functions of IPA with necessary budget at the CIB. All departments of the CIB suffer from constant shortage in operational budget in order for making proactive planning and implementation of expected activities. - Many managers and staff feel that the budget across the 4 functional roles is not efficiently allocated and budgeting procedure itself is not appropriate.
<p>(6) How does the IPA divide its time between advocacy of investment climate reforms, image building, facilitation and direct targeting and how does this compare to international experience?</p>	<ul style="list-style-type: none"> - The CIB puts much more focus on coordination of permitting/licensing function, which is a part of “investor servicing/facilitation,” in terms of organizational structure and allocation of human resources. - As a result, the CIB tends to decrease necessary time and resources for such other functions as advocacy, image building and targeting and lacks appropriate level of promotional activities. - Currently, not many top leaders, not many managers and staff of CDC/CIB seem to understand well about what 4 different IPA roles should be and how time and resources should be allocated in a good balance without any strategic planning of the organization.
<p>(7) Has the IPA engaged with agencies from other countries to learn how effectively to advocate reform and maintain good relations with government departments?</p>	<ul style="list-style-type: none"> - The CDC and the CIB in particular, has been benefited from obtaining many opportunities to learn how an effective IPA should perform through many programs and invitations by multilateral and bilateral donors and organizations such as OECD, ADB and ASEAN-Japan Center. - However, those experiences have not been shared well among managers and staff nor been efficiently digested inside the CIB in order for increasing performances of the organization. - CDC/CIB has not yet become a member of World Association of Investment Promotion Agencies (WAIPA). - The CDC/CIB has not been implementing proactive and strategic approach.
<p>(8) Has the IPA studied image-building campaigns and materials from other countries to find techniques that can improve its work?</p>	<p>Same as (7).</p>

- (2) Questions Regarding Monitoring of IPA Performance
- The questions in “2.3 Monitoring IPA Performance” of the PFI are regarding a budget and monitoring system of IPA.

Sub-questions (Policy practices to scrutinize)	Assessment results (Current situation/problems)
(1) How is the IPA funded?	<ul style="list-style-type: none"> - The CIB is basically funded by the government budget as one of the three subordinate organizations under the CDC. - The salary and compensation of most directors and permanent staff are not included in the CDC budget. Because they are seconded by relevant ministries and the seconding ministries pay salary and compensation of them. - Shortage in budget both in operational and capital spending is a crucial issue for enhancing the CIB's effectiveness of implementing concrete activities. - The CIB has been benefited from obtaining external funding for several activities through many programs and assistance by multilateral and bilateral donors and organizations. It may cause CIB's continuous dependence on those external sources.
(2) How is the budget allocation for the IPA decided?	<ul style="list-style-type: none"> - Budget of the CDC as a whole is announced on the National Budget every year, which is seen as being spent for operational expenses such as salary for contracted staff and office supplies. - Management and procedures for budget planning of CIB operation are not established in the organization, and each department of the CIB has never formulated any integrated budget plan for both operational and capital expenses, which has basis on an integrated activity plan both for the year and for the medium-term. - Many managers and staff feel that the budget across the 4 functional roles is not efficiently allocated and budgeting procedure itself is not appropriate.
(3) Is the IPA staffed with qualified personnel?	<ul style="list-style-type: none"> - Many managers and staff think that the CIB does not have an appropriate number and good quality of staff and has no effective human resource management. - All the permanent government officials of CIB have been seconded by relevant ministries and paid their salaries by their seconding agencies although they have long worked for the organization and spent their working time on respective responsibilities. - There is also many contracted staff working at CIB. - Integrated plan for human resource development has never been prepared and as a result, training tends to be spot-basis. Several donors have provided various training opportunities to CIB managers and staff. However, most staff does not want to participate in those opportunities although they feel that training for managers and staff is very important.
(4) What is the salary range of these personnel? How does it compare with similar positions and qualifications in the private sector? Is it enough to provide motivation for the staff of the IPA?	<ul style="list-style-type: none"> - Many CIB managers and staff consider that salary level of the CDC/CIB is low, which may put adverse effect on their motivations. - However, the level of salary at the CIB is evaluated to be not so low compared to the conditions in such IPAs in Thailand and Vietnam.

5. Benchmark Survey of IPAs in the Neighboring ASEAN Countries

The Study Team has conducted a benchmark survey with the objectives of: i) acquiring information and data on investment promotion organizations and IPAs in neighboring ASEAN countries; ii)

identifying best practices of IPAs; and iii) obtaining lessons from subject IPAs.

- 5.1 Subject IPAs
- Foreign Investment Agency (FIA) in Vietnam;
 - Office of the Board of Investment (OBOI) in Thailand;
 - Board of Investment (BOI) in the Philippines;
 - Malaysia Industrial Development Agency (MIDA) in Malaysia; and
 - Economic Development Board (EDB) in Singapore.

5.2 Outline of Surveyed IPAs

Table 2 Outline of Surveyed IPAs

Country/IPA	Status	Governing Ministry	No. of Domestic Office*	No. of Foreign Office	Budget (US\$ Mil)	No. of Staff
<u>Cambodia</u> Cambodian Investment Board [CIB]	Government Organization	Council for the Development of Cambodia	None	Embassies & Consulate	-	60
<u>Vietnam</u> Foreign Investment Agency [FIA]	Government Organization	Ministry of Planning and Investment	3	Embassies & Consulates (Planned)	1.2	100-110
<u>Thailand</u> Office of the Board of Investment [OBOI]	Government Organization	Ministry of Industry	7	8	10**	300
<u>The Philippine</u> Board of Investment [BOI]	Government Organization	Department of Trade and Industry	IPUs in 24 related gov't agencies	Embassies & Consulate	3**	N.A.
<u>Malaysia</u> Malaysian Industrial Development Authority [MIDA]	Government Organization	Ministry of International Trade and Industry	11	19	15**	Over 400
<u>Singapore</u> Economic Development Board [EDB]	Statutory Body	-	None	19	45**	Over 400

* Except for HQ

**Budget in 1999

Source: JICA Study Team based on direct interviews with the IPAs as well as research through various Websites

5.3 Comparison of Policy, Organization, and Management

- 5.3.1 Investment Climate of Survey Countries
- The economic scale of Cambodia is still small compared to all other surveyed countries in terms of GDP, FDI net inflow, and export value. Singapore is a stand out of all other ASEAN countries as the most advanced economy while stably increasing FDI inflows.

Cambodia still lags behind other neighboring countries according to World Bank's "Doing Business Survey". Cambodia ranked as 145th overall in 2010, down from 135th in 2009. Among the surveyed 6 countries, Cambodia is the fifth with the lowest being the Philippines. Singapore remains as the top in the world.

- 5.3.2 Investment Incentives
- Cambodia:** Under the status for investment incentives (i.e., "Qualified Investment Project" (QIP)), an investment project gains various kinds of incentives such as profit tax exemption, duty free import of production equipment and construction materials, exemption of export taxes, as well as others.

- Vietnam:** Preferential corporate tax schemes are applied to investment projects in specific locations such as regions with difficult socio-economic conditions and special economic zones, as well as in specific fields such as agricultural cooperatives, high-tech and scientific sectors, and vocational training. VAT exemptions and exemptions for custom duties also are provided to the promoted projects.
- Thailand:** Full or partial exemption from cooperate tax and exemption or reduction of import duties are provided to promoted projects. The rate of exemption or reduction depends on location (three types of industrial zones set by the government). Specific industries selected as priority industries gain the privilege of incentives at maximum levels regardless of the industrial zones.
- The Philippines:** Investment Priority Plans (IPP) describing desirable areas of eligible investments for government incentives is prepared annually by BOI. The provision of incentives is mandated to various IPAs in the Philippines such as BOI, PEZA, CFZ, and SBF. In the case of BOI, an Income Tax Holiday (ITH), tax and duty exemption on imported spare parts, and exemption from wharfage dues and export taxes are provided to the promoted projects.
- Malaysia:** The Pioneer Status and Investment Tax Allowance (ITA) are major tax incentives for the manufacturing sector in Malaysia. Companies provided these tax incentives are granted full or partial exemption from the payment of income taxes. More advanced tax incentives are provided to companies contributing to the development of target industries, target areas, SMEs, and exports.
- Singapore:** Singapore has realized a business support environment, including FDI, at the global standards, through the provision from the lowest cooperate tax rate in the world, exemption of capital gains taxation, and withholding taxes on dividends. Exemption from withholding taxes on interest/ royalties are also provided to specific investors who are categorized as the investors on “Innovation”, “Equipment and Technology”, and “Headquarters Management”.

5.3.3 Status of Organization

- All of the surveyed IPAs are government organizations except for EDB Singapore, which has the status of a quasi-governmental statutory board permitting the government to intervene while at the same time providing some independence for development activities.
- All the surveyed IPAs belong to the ministries responsible for economic affairs including FDI.

5.3.4 Overseas Offices

- All the surveyed IPAs established an overseas network in the form of overseas offices or embassies/consulates as well as a domestic network

- such as regional branches.
- In particular, MIDA has built a wide range of networks; 19 overseas branches in the USA, EU, and Asia, and 12 domestic branches.
- 5.3.5 Budget and Human Resources
- EDB, MIDA, and OBOI are categorized as advanced groups that have secured sufficient budget for investment promotion.
 - As for the number of staff members, the advanced IPAs (EDB, MIDA and OBOI) employed a large staff of more than 300 persons.
 - EDB hired a foreign national as the first managing director assigned to formulate the economic policy of Singapore.
- 5.3.6 Leadership of Top Management
- Singapore is a successful case of realizing an effective IPA with a strong commitment from top management, and a shared vision and mission among team members.
- 5.3.7 Progressive Reorganization of an IPA in sync with the Development Stage
- It is common for the structure of an IPA to transform itself as the country's economy develops and industries become diversified.
 - At EDB in Singapore, the Promotion Division was given a strategic importance at its original organizational structure in 1961. As the organization of EDB was transformed to an organization combining industry-wise structure and function-wise structure, the Promotion Division disappeared from the chart in the 1996.
 - In the case of FIA in Vietnam, the role of evaluating and approving investment projects was transferred to local governments. FIA currently functions as the focal point for investment services/facilitation.
- 5.4 Comparison of Functions and Activities
- 5.4.1 Policy Advocacy
- All of the IPAs, excluding MIDA, have clear functions of policy advocacy for the formulation and revision of investment promotion policies.
 - The role of MIDA in policy advocacy is relatively limited compared with other IPAs. MIDA is expected to play a role as an implementing agency for investment promotion rather than in policy formulation.
- 5.4.2 Linkages with Economic and Industrial Development Strategies
- In such countries as Singapore, Thailand, and Malaysia, IPAs have a policy formulation function. At the same time, the organizational structure of these IPAs is designed to implement measures following a national, specifically an industrial development strategy.
 - Singapore is the most advanced in terms of linkages with industrial promotion policy. In the cases of Thailand and Malaysia, there have also existed clear linkages between economic and industrial development policies, and the IPA's responsibilities and activities.
- 5.4.3 Image Building
- Most of IPAs have a specific division focusing on investment promotion activities.
 - Image building is especially important at the initial and developing stages in a country's investment promotion development. Within all the

- surveyed IPAs, an investment promotion department or division, in other words a unit in charge of image building, existed in the organizational structure from the IPA's creation.
- At its establishment, EDB in Singapore placed special importance on the Promotion Division among the four operational divisions as the government considered the establishment of the country's image as an investment destination to be important. However, the division focusing on investment promotion was removed in the 1990s with the country's transition in its development stage though the promotion division was a core division of EDB in the 1960s.
- 5.4.4 Information Provision on the Internet
- IPAs such as EDB, MIDA, and Thai BOI have effectively developed and utilized their websites as tools for investment promotion.
 - Other IPAs such as FIA and BOI in the Philippines are following suit.
- 5.4.5 Investment Approval Function
- The investment application procedure of Thailand is considered as the best practice in this field. The time frame for investment approval is fixed for each step of the application process and the private sector points out that the time frame is strictly kept.
 - Among the surveyed IPAs, only FIA in Vietnam lacks the function of investment approval. Provincial governments are responsible for the assessment of investment projects.
- 5.4.6 One Stop Services for Investors
- EDB, MIDA, and Thai BOI have introduced one-stop services. In Singapore, Thailand, and Malaysia, much attention has been given to the establishment of an efficient, visible, open, and friendly one-stop service for investors.
- 5.5 Lesson Learned and Implications for a Cambodian IPA
- Lessons learned from other IPAs are as follows:
- Establish and be equipped with a strong promotional function with a certain level of personnel and budget in order to ;
 - Develop a comprehensive website to meet investors' needs;
 - Try not to only manage or supervise investment activities but also to provide useful services and facilitation for investors to realize profitable business;
 - Secure your own initiatives in planning and implementing promotional activities and services;
 - Establish a "clean and investor-friendly" image as an IPA;
 - Simplify the investment application process from a time-consuming scheme to a "time-saving" one with the provision of predictable services through which the applicant may know in advance the date of obtaining investment licenses;
 - To establish a fast track for certain types or scale of investment projects to accelerate the process of investment license approval by clearly differentiating between large-scale, complicated, or sensitive types of projects; and
 - Build up understanding of changing investment promotion target as the

development stage progresses and flexibly prepare proper incentives and evaluation criteria according to development stages.

6. Issues for the Strengthening of Investment Promotion

Issue Analysis of CIB

6.1 Issue Analysis of CIB

6.1.1 Evaluation of Services as IPA

- (1) Investment Information Services CIB currently provides insufficient data and information in terms of the variety and quality of investment information. Major issues to be tackled are as follows:

Area	Problems
Investment Information Services	Insufficient supply of investment information
Policy	No basic policy for investment information <ul style="list-style-type: none"> - No clear understanding of the necessary information and data required by the investors. - No understanding of the importance of providing such information in a timely manner. - No systematic policy for strengthening investment information services.
Allocation of Resource	Necessary resources are not allocated for information service. <ul style="list-style-type: none"> - Lack of manpower, skills, facilities, budget, time and/or experience in investment information services.
Data Collection	Insufficient collection of necessary information and data <ul style="list-style-type: none"> - Data and information for policy and strategy making are not collected. - Data and information for investors are not collected. - CIB's information network with other organizations is weak.
Data Analysis and Preparation of Investment Information	No data analysis or compilation activities are conducted by CIB <ul style="list-style-type: none"> - Necessity of data analysis is not recognized in CIB. - Most CIB staff do not have data analysis capabilities. - CIB depends on donors or other institutions for information preparation such as investment guidebooks.
Information Sharing within CIB	Limited information is shared among CIB and only on an ad-hoc basis <ul style="list-style-type: none"> - Routine mechanisms for information sharing are not built into CIB. - Insufficient IT infrastructure for information sharing.
Provision of information	Insufficient distribution of investment-related information <ul style="list-style-type: none"> - The variety of publications developed/translated by CIB is very limited. - Content quality of the publication is still poor. - Online provision of information is weak. - There is no library at CIB where all the investment-related information is available.

- (2) PR Activities Investment seminars and missions are key activities for investment promotion. However, CIB has insufficient know-how for investment promotion activities

such as seminars and missions, and does not implement strategic promotions at their own discretion due to the budget limitations.

The issues regarding investment promotion are as follows:

Area	Problems
PR Activities	PR activities are not effective or sufficient
Policy	No clear strategy for PR activities <ul style="list-style-type: none"> - CIB has not yet appropriately addressed the issue of the image building of Cambodia as a destination for investment. - CIB has no clear strategy for PR activities targeting priority countries/sectors.
Allocation of Resources	Insufficient allocation of resource to PR activities <ul style="list-style-type: none"> - Its own activity budget for PR activities is insufficient. - A limited number of CIB staff can manage PR activities.
Management of Seminars	CIB fails to conduct effective investment seminars <ul style="list-style-type: none"> - Difficulty in holding investment seminars on its own initiative. - Insufficient know-how in effectively managing seminars.
Management of Investment Mission Acceptance	CIB fails to receive missions in an effective manner <ul style="list-style-type: none"> - Few missions have been received on the initiative of the Cambodian side. - Weak follow-up with participants of missions. - Weak coordination with related organizations.

(3) Investment Consultations

Investment consultations have a vital meaning for investment promotion activities. However, there is no staff specifically assigned to such services, space equipped with furniture, PC, etc., or standardized manuals, and thus no comprehensive consultation services except for those concerning QIP applications at CIB.

Major issues regarding investment consultations are as follows:

Area	Problems
Investment Consultations	No comprehensive consultation services except those concerning QIP applications
Policy for Investment Consultation	There is no specific policy for enhancing consultation services <ul style="list-style-type: none"> - Demand of investors for consultation services is not clearly identified by CIB.
Allocation of Resources	Reception room of CIB does not function <ul style="list-style-type: none"> - There is no staff dedicated to consultation services in the PR and Investment Promotion Department. - There is no well-equipped reception desk (window for consultation services).
Management of Consultation Services	Know-how and management of consultation services are not well maintained <ul style="list-style-type: none"> - There is no operational manual prepared for providing consultation services. - No feedback mechanism to reflect investors' needs for activities by CIB. - There is no coordination/cooperation with other ministries, the private sector, or donors in providing consultations.

- (4) Aftercare Services In practice, CIB does not provide extensive aftercare services except in monitoring compliance. The issues regarding monitoring and aftercare are as follows:

Area	Problems
Aftercare Services	CIB does not provide aftercare services in an integrated manner
Policy and Allocation of Resources	There is no unit having responsibility for aftercare services within CIB <ul style="list-style-type: none"> - No importance is given to aftercare services among the current activities of CIB. - No department in CIB is assigned to function in the role of an aftercare service.
Management of Aftercare Services	There is no capability or experience in aftercare services <ul style="list-style-type: none"> - Contents for an aftercare services are not prepared within CIB. - There is no experience in aftercare services.
IT Infrastructure	There is no IT infrastructure for aftercare services <ul style="list-style-type: none"> - There is no database for providing effective and timely aftercare services.

- (5) Policy Advocacy There are two departments, the Strategic Planning Department and the Legal Procedure and Investment Law Department, which are mostly concerned with policy advocacy within CIB. CIB has conducted limited policy advocacy for improving the overall investment climate of Cambodia.

Area	Problems
Policy Advocacy	Policy advocacy by CIB is weak
Policy for Policy Advocacy	Weak initiative for investment climate improvements <ul style="list-style-type: none"> - There is no strong initiative within CIB to change the investment climate of Cambodia.
Allocation of Resources	The Strategic Planning Department of CIB has a low profile within CIB <ul style="list-style-type: none"> - Insufficient allocation of personnel to the Strategic Planning Department.
Policy Advocacy Activity	Weak activities in policy advocacy <ul style="list-style-type: none"> - CDC fails to function as the secretariat of the G-PS Forum. - No initiative towards the modification of the investment laws and sub-decrees. - CIB does not conduct studies necessary for policy advocacy.

(6) QIP Approval QIP approval is placed as the highest priority of CIB among its IPA functions. There are several problems regarding QIP approval such as the insufficient explanation of procedures to investors and consultations regarding QIP approval.

The issues regarding QIP approval are as follows:

Area	Problems
QIP Approval	The QIP Approval process is not customer-friendly
QIP Application Procedures	<p>CIB fails to proceed with QIP approval and one-stop services fully in line with the stipulations of the laws and regulations</p> <ul style="list-style-type: none"> - Too many required documents for official submission. - Some required documents are difficult to obtain before receiving the CRC. - QIP approval sometimes encounters delays. - Inability to provide full one-stop services for obtaining licenses from related line ministries.
Transparency of QIP Procedures	<p>CIB fails to provide clear and transparent information on QIP to investors</p> <ul style="list-style-type: none"> - Some of the QIP procedures are not stipulated within any laws or regulations. - CIB fails to provide clear and transparent information on QIP to investors.
Consultations on QIP	<p>Consultation services for QIP have not been provided in an efficient manner</p> <ul style="list-style-type: none"> - No operational manuals for providing consultation services regarding QIP. - No tracking system to monitor the progress of QIP applications.

6.1.2 Issues of Management

Planning

- Lack of consistent policies and strategic plans for investment promotion activities.
- CIB lacks the momentum towards initiating strategic actions for investment promotion.
- The key reason for this is the insufficient commitment of top leaders and weak ownership in addition to strict financial constraints.
- The leaders of the RGC and CIB should show a clear commitment and concrete actions towards CIB’s reorganization in terms of budget and human resource allocation.
- An effective use of donors’ assistance programs will be important in implementing an investment promotion plan and providing necessary funds.

Budget

- Strategic investment promotion plans should be given an appropriate budget for implementation.
- It is necessary to introduce an annual budgeting mechanism to reinforce the annual activities plan of each department.

Human Resource Management

- There exists no overall human resource management system that includes performance appraisals, promotions, personnel relocation and career paths, compensation, and training.
- Periodic performance appraisals of CIB as a whole, each department, and individual staff have not been systematically conducted.
- The salary level of CIB is much lower than equivalents in the private sector.
- Disproportionate emphasis on “approval function” between two major functions of IPAs, i.e., “promotion (facilitation)” and “approval (administration)” for investment
- Non-existence of an investors’ sole window for all investors investing in Cambodia.
- Complex management layers of CDC/CIB.
- Lack of information sharing and communication for teamwork.
- Lack of awareness of the necessity for “checks and balances” between the promotion and approval functions.

6.1.3 Issues of Organization

6.1.4 Consideration of Solutions to Issues

- (1) Structure of Issues
- The current investment promotion services of CIB are critically limited by the issues of higher tiers, management, organization, and national policy, and institutional setting.
- (2) Necessity of Addressing Management and Organization Issues to Strengthening Investment Promotion Services
- There exist vital common causes which limit CIB’s investment promotion activities to an elementary level and make them much inferior to other IPAs in the neighboring ASEAN countries. These causes are closely related with the issues of the management and organization of CIB. Major management and organization issues which cause poor investment promotion are as follows:
- Issues of Management
- i) Lack of consistent long-term strategic policies for investment promotion activities;
 - ii) Constant budget shortages for investment promotion activities;
 - iii) Very limited number of staff assigned to investment promotion activities;
 - iv) Inexperience of staff in actual investment promotion activities;
 - v) Insufficient accumulation of know-how for investment promotion activities;
 - vi) Insufficient supply of equipment (e.g., PCs, database, etc.) necessary for investment promotion activities;
 - vii) Bureaucratic decision-making system which prevents flexible activities; and
 - viii) Management system which hampers motivation and self-initiative of staff.

Issues of Organization

- i) Weak function of “Promotion (facilitation)” than “Approval (administration)” of investment.
- ii) Non-existence of an investors’ sole window for all investors investing in Cambodia.
- iii) Complex management layers of CDC/CIB
- iv) Lack of information sharing

(3) Direction of Solutions to Issues

The Study Team considers the following to be basic measures to address the issues:

i) Possible measures concerning issues attributable to National Policy and Institutional Setting:

- To review the optimal national institutional setting for investment climate improvement; and
- To enhance the policy advocacy function so as to improve the investment climate of Cambodia including the legal framework for investment.

ii) Possible measures for issues attributable to organization:

- To conduct organizational reform to enhance the investment promotion function by allocating more resources; and
- To review and improve the organizational culture.

iii) Possible measures for issues attributable to management:

- To formulate an investment promotion strategy;
- To establish job flows and prepare manuals for expanded investment promotion services;
- To introduce a management method to make efficient and effective daily work for investment promotion services;
- To establish a transparent and flexible budget mechanism;
- To introduce a more flexible human resource management system;
- To conduct organization-wise training of staff; and
- To increase the amount of IT equipment and update IT management for information sharing, effective website management and a database for investment promotion.

iv) Possible measures toward issues attributable to services:

- To enhance investment information services by enhancing data collection channels, developing data processing capability, and building up information provision tools and channels;
- To implement investment seminars and receptions of missions in a more effective manner;
- To enhance consultation services through a front-line office as a single

- contact point (investors' window);
 - To introduce aftercare services with a database of investors; and
 - To enhance the policy advocacy function in order to improve the overall investment climate of Cambodia.
- (4) Points to Keep in Mind when Strengthening Investment Promotion Function
 - Top management of CDC/CIB should fully understand the importance of investment promotion and make commitments to strengthening investment promotion.
 - CIB should build up an organizational culture and work methods that are appropriate for an IPA as a service provider (facilitator).
 - It is useful to take a stepwise approach to strengthening investment promotion.

Consideration for Organizational Reform

6.2 Analysis of Organizational Reform

- 6.2.1 Problems of Current Organization for Investment Promotion
- Insufficient allocation of resources to investment promotion activities (imbalance between investment promotion and approval functions).
 - Non-existence of a sole investment promotion organization for all investors investing in Cambodia.
 - There is no department/section responsible for an “investors’ window” that provides integrated services.
 - Complex management layers and decision-making mechanisms.
 - Necessity of “checks and balances” between promotion and approval functions.
- 6.2.2 Purposes of Organizational Reform
- The overall purpose of the organizational reform of CIB is to strengthen the investment promotion functions such as investment information services, investment consultations, aftercare services, and policy advocacy.
- The following measures are considered to be necessary for addressing the issues and truly strengthening investment promotion functions and improve the investment climate of Cambodia:
- Allocation of more resources to investment promotion functions;
 - Establishment of an “investment promotion function” for all Cambodia;
 - Establishment of an “investors’ window” function that acts as a front-line to investors;
 - Introduction of a “checks and feedback” mechanism between the “investors’ window” and investment approval organization/function;
 - Creation of a good image of taking drastic action for investment promotion by RGC for overseas investors and related organizations;
 - Diversification of budget including its own revenue;
 - Flexible human resource management;

- Simplicity of management layers and decision process; and
- Increased transparency and accountability in the organization.

6.2.3 Options and Evaluation of Organizational Reform

Taking into considerations the factors set by the Study Team for the appropriate design of options for organizational reform, the Study Team has formulated the following five options for organizational reform that are most appropriate under the current conditions of Cambodia:

- Option 1:** Enhancing the existing departments in charge of investment promotion under the current organizational structure of CIB;
- Option 2:** Enhancing the departments in charge of investment promotion with the reforming of CIB into a Special Operating Agency (SOA)⁵ (provisionally-named “Cambodian Investment Agency: CIA”) under CDC;
- Option 3:** Establishing a new Board under CDC that engages in the investment promotion function (provisionally-named “Cambodian Investment Promotion Board: CIPB”), separate from CIB;
- Option 4:** Establishing an SOA under CDC that focuses on the investment promotion function (provisionally-named “Cambodian Investment Promotion Agency: CIPA”), separating from CIB; and
- Option 5:** Creating an SOA with both the function of investment promotion and investment approval (provisionally-named “Expanded Cambodian Investment Agency: Expanded CIA”) under CDC, with an integration of CIB and CSEZB.

⁵ SOA is set up, according to Royal Decree on the Special Operation on Joint Principles on the Establishment and Introduction of Special Operating Agency NS/RD/0308/346. SOA is a mechanism for public service delivery by ministries and institutions in which various functions are integrated in order for the said agency to be fully qualified, intertwined, harmonized, and consistent with other mechanisms for public service implementation so as to provide services determined to be in line with the Royal Government’s policy.

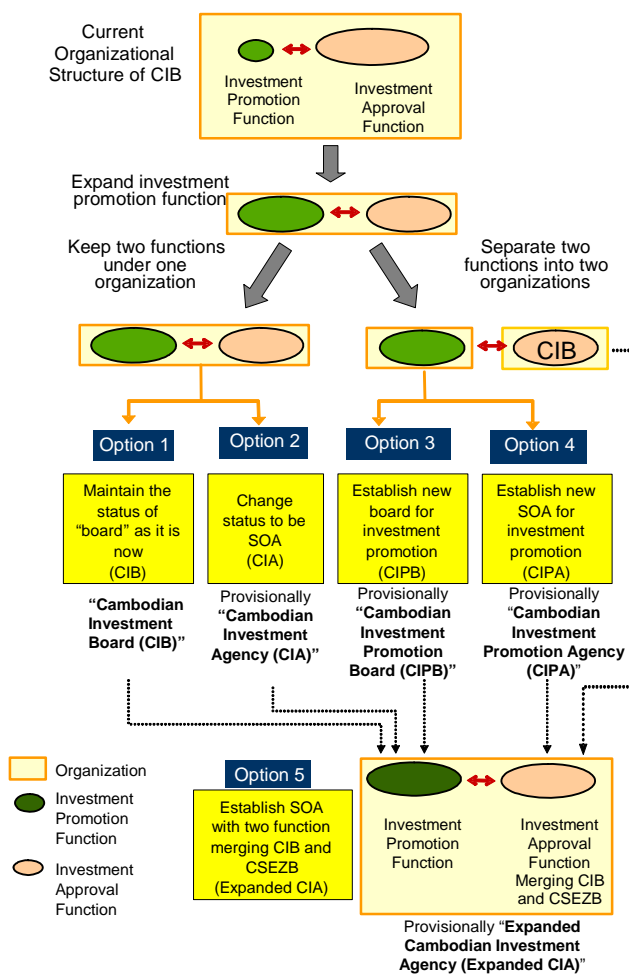


Figure 1 Five Options for Organizational Reform

6.3 Overall Evaluation of Options

Overall Comparison

The advantages and disadvantages of the five options are summarized in the following table:

Table 3 Overall Comparison of Five Options

Criteria for Evaluation		Option 1:	Option 2:	Option 3:	Option 4:	Option 5:
		Enhancing the existing departments under CIB	Enhancing departments in charge with CIB's reform to SOA	New board for investment promotion, separate from CIB	New SOA for investment promotion, separate from CIB	New SOA with substantial reform and merging of CIB & CSEZB
Criteria of Effect on Investment Promotion	1. Allocation of more resource to investment promotion function	Can Be Achieved	Can Be Achieved	Can Be Achieved	Can Be Achieved	Can Be Achieved
	2. Promotion representing "all Cambodia"	Low	Low	Medium	Relatively High	High
	3. Establishment of "investors' window" function	Can Be Achieved	Can Be Achieved	Can Be Achieved	Can Be Achieved	Can Be Achieved
	4. Increased transparency of QIP approval with a clear separation of two functions	Low	Low	High	High	Medium

	5. Image Building with "Good Visibility" for promotion	Low	Medium	Medium	High	High
	6. Diversified financial resource with own income generation	Low (National budget only)	High (+Service fee, + donor fund)	Low (National budget only)	High (+Service fee, + donor fund)	High (+Service fee, + donor fund)
	7. Flexible HRM with performance-based management	Low	High	Low	High	High
	8. Simplicity in management layer and decision process	Low	Medium	Low	High	High
	9. Increased transparency & accountability in organization	Low	High	Low	High	High
Criteria of Administrative	10. Required steps for QIP application for RGC	As it is now	As it is now	May increase	May increase	May increase
	11. Accordance with RGC's policy for administrative reform	Good	Relatively good	Bad	Bad	Good
	12. Ease in implementation including legal procedures	Easy	Medium	Medium	Heavy	Very difficult in short-term

Evaluation of the Positive Side of Options

The Study Team considers the most urgent and important target of organizational reform to be the enhancing of the investment promotion function by allocating more personnel and budget. All five options can achieve more personnel for investment promotion.

The second most important target is to establish an organization dedicated to investment promotion for all Cambodia. Option 3, 4, and 5 can achieve this target. In the case of Option 3, the expected impacts would be smaller than Option 4 and 5. Under Option 1 and 2, special arrangements with CSEZB will be necessary for the investors' window function.

In addition, the status of SOA will give the new organization much independence and flexibility for management in terms of budgeting and human resources if the spirit of an SOA is achieved. An SOA is intended to improve the performance of public services, establish accountability and transparency, and raise the ethics and motivation of officials. Option 2, 4, and 5 can enjoy the benefits of SOA.

The purpose and scheme of the SOA stipulated in the Royal Decree significantly matches the needs for organizational reform of CDC/CIB. Establishing an SOA will send a clear and strong message of the RGC's commitment to the organizational reform of CIB.

Evaluation of the Negative Side of Options

Meanwhile, a drastic change in organization requires much complicated and troublesome procedures, and a complex coordination of stakeholders. The implementation of Option 4 and 5 will be more difficult.

Option 5 is most similar to the organizational structures of more developed IPAs in other ASEAN countries, in other words, full-fledged IPAs.

However, the Study Team evaluates Option 5 as being very difficult to apply in the short-term under the current situation of Cambodia. It requires enormous efforts in the organizational restructuring of CDC as a whole. Moreover, it leads to the possibility for the constructive dissolution of CDC with the detachment of CRDB. It is considered still early and immature to

implement Option 5.

Overall Evaluation

Based on the above-mentioned consideration, the Study Team evaluates Option 4 as the best and Option 2 as the second best for the short-term organizational reform for the strengthening of investment promotion.

Option 4 can realize a clear-cut “all Cambodia” investment promotion, and at the same time is expected to achieve a good level of independence and flexibility for management. It is also very attractive for investors, being a visible organization engaging in the investment promotion function alone. In addition, Option 4 has high potential for introducing a “checks and balances” mechanism between investment promotion and investment approval.

Option 5 is the most desirable to pursue in the medium or long-term when a reformed organization for investment promotion under another option attains a high-level of capability and establishes a fair reputation as an IPA.

Remarks

The RGC should take an initiative with responsibility for selecting the optimal option with ample consideration of the advantages and disadvantages described above in order to fundamentally strengthen investment promotion.

As for all the options except Option 1, a proper preparation period would be needed before the new organization is established and begins providing investment promotion services. This is due to the fact that there is currently almost no know-how or experience in investment promotion activities within CIB, in addition to insufficient personnel and budget. Regardless of which option is undertaken, during the preparation period, the preparation of job manuals and workflows, building-up of service capability, the preparation of necessary budget under clear budgetary procedure and the installation of at least minimal equipment should be conducted.

It should be also noted that the evaluation of the options could be different when a different criteria with different priorities is applied to the evaluation. Whichever option is to be taken in the future, it is very important for RGC top leaders to declare their clear commitment widely open to the public and donor community.

7. Master Plan for the Strengthening of Investment Promotion

Based on the results of the analysis of the issues of investment promotion, the Study Team has formulated a draft M/P for strengthening the investment services.

7.1. Structure of M/P

The M/P consists of:

- Basic Policy for the Strengthening of Investment Promotion;
- Basic Policy for the Improvement of Investment Approval Service;
- Strategy for Organizational Reform;
- Strategy for the Strengthening of Management; and
- Strategy for Investment Promotion Strengthening.

7.2 Basic Policy for the Strengthening of Investment Promotion

- 7.2.1 Targets for the Strengthening Investment Promotion
- The basic strategy to achieve the targets mentioned as basic policies consists of the following:
- i) Provide integrated and excellent investment promotion services to investors as the sole window for all investors;
 - ii) Improve the quality of investment promotion services through a step-by-step accumulation of capabilities and experience;
 - iii) Support investors in every aspect of their investments in Cambodia;
 - iv) Build Win/Win partnerships with investors;
 - v) Build up an organizational culture that promotes customer-friendly services;
 - vi) Implement a fundamental change in CIB in order to achieve the basic policies mentioned in (i) to (v); and
 - vii) Establish strong leadership for investment promotion in Cambodia.
- 7.2.2 Basic Policies for Strengthening Investment Promotion
- Basic strategies for achieving the targets are as follows:
- i) Expand the investment promotion function so as to balance the “investment promotion function (facilitation)” and “investment approval function (administration)”;
 - ii) Establish an organization (or a unit) which provides investment promotion services to all investors, both potential investors and existing investors;
 - iii) Change the organizational structure to enhance the promotion function;
 - iv) Streamline the decision making process and delegate authority to lower levels for quick and flexible decision making;
 - v) Develop human resource to provide high-level services;
 - vi) Apply management methods that are widely used by the private sector for planning, implementation, and monitoring of investment promotion services;
 - vii) Strengthen partnerships with foreign and domestic partners in investment promotion; and
 - viii) Expand the IPAs own revenue sources through services in the long-run.
- 7.2.3 Time Frame of M/P
- The time frame for strengthening investment promotion can be divided into three phases:
- First Phase:** This is the period to start basic services by building capabilities necessary for these services.
- Second Phase:** This is the period to diversify services and improve the quality of services by catching up with other IPAs in

neighboring countries.

Third Phase: This is the period to establish reputable services, take leadership in investment promotion in the country, and acquire an autonomous status.

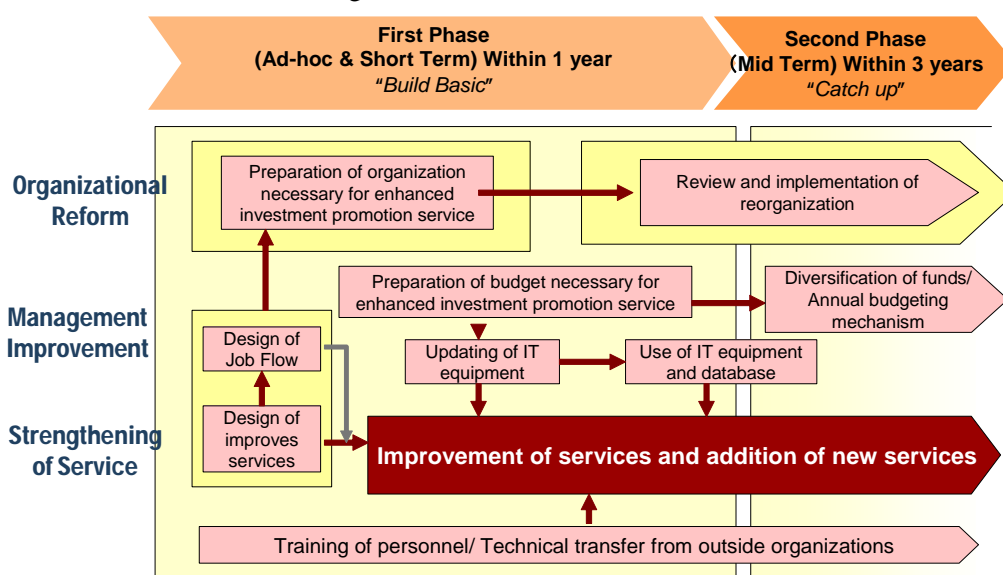
Table 4 Path to Develop Investment Promotion Function

		First Phase "Build the Basic"	⇒	Second Phase "Catch up"	⇒	Third Phase "Reach Regional Excellence"
Organizational Reform		Enhancement of department in charge of investment promotion	⇒	Restructuring of current organization	⇒	Change to optimal organization for investment promotion
Management System	Management System	Improvement of management system	⇒	Introduction of modern management system	⇒	Optimal management system for operation
	Budget	Expansion of government budget	⇒	Diversification of source of fund	⇒	Development of own revenue
	Training	Training of basic skill	⇒	Training of deep knowledge of investment promotion	⇒	Development of high-level promotion capability
Strengthening of Investment Services	Service	Focus on basic promotion services	⇒	Addition of value-added services	⇒	Provision of excellent services
	Target	Promotion focused on inbound FDI	⇒	Promotion focused on both foreign and domestic investment Support to PMIS	⇒	Addition of promotion of outbound FDI
Referential Indicator*	No. of Personnel	30 Within 2 years		60 Within 5 years		100 Within 10 years
	Budget	US\$1 Million		US\$3 Million		US\$6 Million

Note: * From comparison with other IPAs in neighboring countries.

This M/P focuses on the first phase and the first edge of the second phase as these are the most urgent issues which CDC/CIB should tackle within 1 to 3 years.

The approaches recommended to be taken in the short- to medium-term are as follows in the figure below.



Source: JICA Study Team

Figure 2 Approaches to Be Taken in the Short- to Medium-term

7.3 Basic Policy for Improvement of Investment Approval (QIP Registration) Services

- 7.3.1 Target for Improvement of Investment Approval Services
- i) Provide quick and transparent approval procedures for QIP and incentives
 - ii) Provide effective coordination and “one-stop” services among line ministries for investors to obtain necessary licenses, permits, and authorizations

- 7.3.2 Basic Policy for Improvement of Investment Approvals
- The basic policy for improving investment approvals consists of:
- i) Introduce a two-track (fast track and regular track) registration procedure for QIP
 - ii) Set up a practical time frame for two-track QIP registration procedure and clearly describe it in the LoI and the implementing Sub-Decree
 - iii) Achieve customer-friendly approval services
 - iv) Collect the application and license fees for CIB and line ministries at the Investors Window
 - v) Resolve the contradictions between the LOI and its implementing sub-decree, and to modify both the LOI and Sub-decree to conform to prevailing practice

7.4 Strategy for Strengthening Investment Promotion Service

7.4.1 Overall Strategy

The reformed new organization should enhance its investment promotion services to realize the following

- i) Provide updated information to investors continuously
- ii) Provide integrated consultation services to achieve high satisfaction by investors
- iii) Implement scheduled investment promotion activities focusing on image building
- iv) Provide effective aftercare services
- v) Extend investment promotion activities by making use of networks with Cambodian embassies in investing countries, other IPAs, donors, international organizations, and others

7.4.2 Strategy by Function

- (1) Investment Information Services
- i) Establish a strategic system and network to continuously gather investment-related information and data.
 - ii) Enhance data processing and analysis functions, and prepare customized information.
 - iii) Formulate and periodically update the investment guidebooks.
 - iv) Periodically update information and data on the website.

- v) Publish investment-related information and data.
 - vi) Establish a library for investment-related information and data.
 - vii) Update the QIP Manual for investors.
- (2) PR Activities
- i) Implement investment promotion via the website
 - ii) Set up units specialized in the investment promotion of target countries
 - iii) Build a mechanism for integrated investment promotion activities through the collaboration with other ministries and organizations
 - iv) Utilize more effectively the information obtained through investment seminars
 - v) Implement strategic invitations for investment missions
 - vi) Prepare investment promotion visual tools such as video, DVD, etc.
 - vii) Hold investment seminars on its own initiative
 - viii) Extend investment promotions to targeted industries
 - ix) Extend support to encourage promotion activities by provincial governments
- (3) Consultation and Aftercare Services
- i) Upgrade the reception desk by renovating the room and allocating full-time staff
 - ii) Accumulate consultation know-how and prepare consultation manuals
 - iii) Establish a close and firm network with other ministries, the private sector, and development partners and utilize them for consultation services
 - iv) Establish and provide effective aftercare services
 - v) Introduce an e-application system for QIP
 - vi) Provide useful information for the business activities of invested companies operating in Cambodia
- (4) Policy Advocacy
- i) Enhance the secretariat function of the G-PS Forum
 - ii) Review and analyze Cambodia's investment climate and to formulate a proposal for investment climate improvements
 - iii) Study the investment promotion policies of other countries and propose overall investment promotion policies
 - iv) Review and redesign incentives

7.5 Strategy for Strengthening of Management

7.5.1 Overall Strategy

CDC/CIB should implement management improvements by renovating all aspects of management with the following objectives:

- i) Formulate a clear mission for organization and to have it be shared among all managers and staff;
- ii) Create the organizational culture of a reformed new organization

becoming truly customer-oriented as a service provider;

- iii) Create a self-initiative based on professionalism among staff by promoting the delegation of authority and communication; and
- iv) Raise the social visibility of the new organization by establishing a management system that is appreciated by investors.

7.5.2 Strategy by Function

- | | |
|-------------------------------|---|
| (1) Management System | <p>For the creation of the organizational culture of a service provider</p> <ul style="list-style-type: none"> i) Communicate the vision of top management to staff ii) Minimize the decision process through reducing decision making steps and delegating of authority iii) Establish the basic attitudes of a service provider among managers and staff <p>For the establishment of a systematic method for better services in investment promotion</p> <ul style="list-style-type: none"> i) Prepare job flows and job descriptions for services to be enhanced and to be introduced ii) Introduce task management methods for improvement <p>For the improvement of the current conditions</p> <ul style="list-style-type: none"> i) Relocate offices to one location ii) Establish a visual identity to improve the public image of the new organization |
| (2) Budget and Finance | <ul style="list-style-type: none"> i) Develop an integrated budget plan based on the annual activity plan ii) Establish a budgeting process for the annual budget iii) Obtain the budget necessary for basic investment promotion services by diversifying financial sources |
| (3) Human Resource Management | <ul style="list-style-type: none"> i) Realize flexibility in human resource management ii) Formulate new career development plans iii) Formulate an HRD plan for the effective training of managers and staff based on required competencies iv) Introduce merit-based remuneration v) Implement job rotations for the right person in the right place vi) Make use of private sector experience |
| (4) IT Management | <ul style="list-style-type: none"> i) Supply a sufficient number of PCs to staff. ii) Expand internet access. iii) Establish the capability for the stable management of the website. iv) Promote information sharing within the organization by introducing an intranet. v) Improve database design and management capabilities. vi) Improve the IT capabilities of staff. |

7.6 Strategy for Organizational Reform

7.6.1 Target for Organization Reform

It is recommended to take the following measures to build an organizational foundation for enhanced investment promotion activities.

- i) Allocate more resource to investment promotion function in comparison with investment approval function
- ii) Acquire the investment promotion function “for all Cambodia”
- iii) Establish an “investors’ window” function that acts as a front-line for investors
- iv) Introduce a “checks and balance” mechanism between investment promotion and investment approval functions
- v) Implement an organizational renovation and create a good image as an investment promotion agency towards overseas investors and related organizations through the simplification of management layer and decision process, establishment of basis for more flexible human resource management, establishment of governance, etc.

The implementation of organizational reform will be a clear message to investors that the Cambodian government leaders fully commit to improve investment climate and call for investment from both domestic and global investors.

7.6.2 Proposed Process of Organizational Reform

(1) Time Frame of Organizational Reform

a. Short-term organizational reform

An organizational reform in the short-term should be implemented reflecting the current situation and problems of CDC and CIB with various issues to be resolved and improvements made despite institutional and political constraints that exist simultaneously. Short-term reform is to be implemented in a realistic manner, but with consideration of the medium- and long-term goals for the further restructuring of CDC as a whole in the future.

b. Medium- and Long-term organizational reform

The long-term target of organizational reform is a full-fledged IPA like EDB in Singapore, OBOI in Thailand, and others. This organization consists of well-developed investment promotion function and investment approval function. At this stage, the investment promotion function with “Investor Window” organization will acquire high-level capabilities in investment promotion and establishes a fair reputation. At the same time, the coexisting CIB and CSEZB under CDC will be simplified into one organization. The investment approval administration would attain a better level of transparency and governance. The Option 5 of organizational reform shown in Chapter 6 is a sample of full-fledged IPA.

- (2) Process of Organizational Reform
- An organizational reform will be prepared and implemented through the following steps:
- Step 1: To build a consensus on the necessity of organizational reform among the CDC Chairman, Vice Chairmen, and relevant Ministers
- Step 2: To make a declaration by CDC Chairman that RGC initiate preparation work of organizational reform of the country's investment promotion agency
- Step 3: To formulate a taskforce team under the responsibility of the Vice Chairman (in charge of CIB)
- Step 4: To draw a road map, details of reform, a new organizational chart, necessary implementation procedures, and time schedule with a reference to this Master Plan
- Step 5: To adopt the above-mentioned road map through the CDC Vice Chairmen and relevant Ministers
- Step 6: To obtain the approval of the Prime Minister
- Step 7: To implement organizational reform with necessary legal procedures (Drafting and enactment of the new Sub-Decree)
- (3) Possible Organization Structure
- In Chapter 6, the Study Team presents the five options as models for organizational reform that are considered most appropriate under the current conditions of Cambodia. These options will serve as a basis for discussion and consideration by the taskforce team to be formed by CDC/CIB. The Study Team discusses the advantages and disadvantages of each option in Chapter 6. It is recommended for the taskforce to utilize the discussions in Chapter 6 in examining a organization reform.

8. Action Plan for the Strengthening of Investment Promotion

The Study Team proposes the Action Plan with 16 Actions to put the strategies proposed in M/P into action.

- 8.1 Policy of Action Plan
- The Action Plan has been formulated from the following viewpoints:
- i) To target three key issues; organization, management, and activities;
 - ii) To focus on the short-term and/or urgent issues;
 - iii) To implement step-by-step actions from the basics up to higher levels; and
 - iv) To realize optimum results for enhancing investment promotion for investors.
- 8.2 Composition of Action Plan
- The proposed Action Plan consists of 16 actions.
- The 16 Actions are largely categorized into two fields: i) actions to strengthen investment promotion services; and ii) actions to enhance its organization and management in order to establish a base for investment promotion functions.

The actions for the investment promotion function can be further classified into four areas; investment information services, investment promotion services, consultation services, and aftercare and policy advocacy.

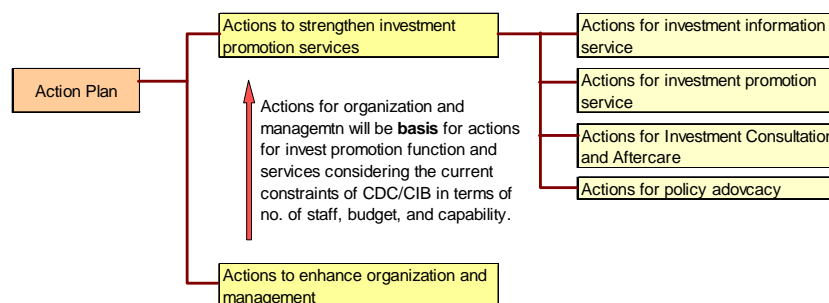


Figure 3 Composition of Action Plan

8.3 List of Actions

(1) Actions to Strengthen Investment Promotion Services

Investment Information Service

Action 1	Periodic updating of investment guidebook
Objectives	- To establish a mechanism to continuously collect investment-related information and to periodically update an investment guidebook in order to provide investment-related information in integrated form.
Action 2	Periodic updating of website
Objectives	- To update periodically and enrich the contents of website so that prospective investors can obtain necessary latest information/data in timely.
Action 3	Periodical update of QIP manual for investors
Objectives	To update a QIP manual for investors to improve its quality in a timely manner.
Action 4	Establishment of a library of investment-related information & data
Objectives	- To establish an investment information library as a tool for securing investors' access to reliable investment-related information/data under user-friendly environment.

PR Activities

Action 5	Setup of units specialized in investment promotion of target countries (to begin with a "Japan Desk")
Objectives	- To provide integrated investment promotion activities by establishing units specialized for specific target countries
Action 6	Improvement of investment seminar management
Objectives	- To obtain know-how and prepare manuals of how to manage investment seminars effectively so that CIB may produce the maximum results from seminars.
Action 7	Training of provincial governments in investment promotion
Objectives	To improve their investment promotion activities by provincial governments.

Consultation and Aftercare Services

Action 8	Upgrading of reception desk (Investors Desk)
Objectives	- To renovate and furnish the reception space in order to provide investors with better environment for individual consultation.
Action 9	Introduction of an investment approval tracking system
Objectives	- To make investors possible to obtain information on the progress of the applied QIP with an establishment of an information infrastructure.
Action 10	Establishment and capacity development of aftercare services
Objectives	- To design and establish a mechanism of providing continuously aftercare service to existing investors

Policy Advocacy

Action 11	Formulation of a proposal for investment climate improvement (to begin with “modification of investment-related laws and regulations”)
Objectives	- To make policy recommendations to improve investment climate in terms of investment-related legal scheme

(2) Actions to Enhance Organization and Management

Action 12	Preparation and implementation of organizational reform
Objectives	- To make a preparation and implement an organizational reform to enhance the investment promotion function of CIB to allocating more resource to investment promotion and establishing a window organization (unit) for all investors investing in Cambodia.
Action 13	Preparation of job descriptions and job flows to enhance investment promotion services
Objectives	- To prepare job flows, job descriptions and manuals for each of enhanced investment promotion service.
Action 14	Introduction of Task Management
Objectives	- To introduce an operation management system to manage planning, monitoring and appraisal of activities.
Action 15	Introduction of annual planning and budgeting mechanism including diversification of budget resource
Objectives	- To establish a sound and transparent budgeting procedures to strengthen investment promotion activities.
Action 16	Planning and implementation of training programs
Objectives	- To implement intensive training of staff based on total human resource management (HRM) system and human resource development (HRD) plan to enable enhanced investment promotion activities.

- 8.4 Time Frame of Action Plan
- It is assumed that the RGC and CDC would start preparations upon receiving the final report of the JICA Study Team.
 - The first five months will be spent on preparations for the reform and preparations for the investment promotion service to be strengthened.
 - After preparation, priority services (priority actions) will be started. Other services will be started after priority services have built a solid base.
 - During the preparation stage, the RGC and CDC will review, evaluate, and decide on the organizational reform. If the RGC and CDC choose the option of separating the investment promotion function to make it independent, whichever option is chosen, a proper period for preparation will be needed. In such case, a base for services including personnel, equipment, and know-how should have been established through capacity building by the time of implementing the reorganization.

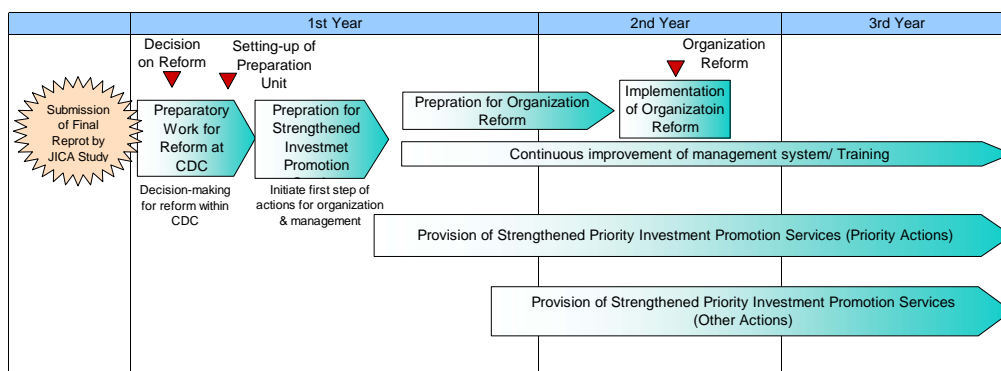


Figure 4 Time Frame of Action Plan

8.5 Preparation Stage During the preparation stage, after the decision for reform, Actions regarding organization and management (Action 12 – 16) should be initiated.

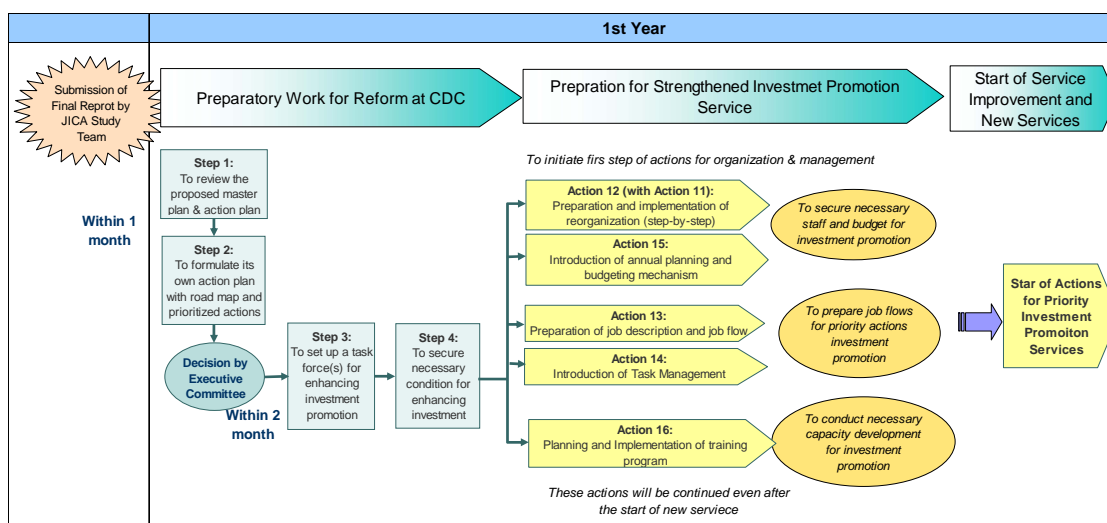


Figure 5 Activities during the Preparation Stage

8.6 Priority Actions Regarding Investment Promotion Services The Study Team has given priority to 11 actions for investment promotion services to be strengthened from the viewpoints of: i) urgency of investors’ requirements; ii) ease of initiation; iii) resource requirements; and iv) accumulated capabilities.

Priority of Actions

- Action 2 Periodic updating of website
- Action 4 Establishment of a library of investment-related information and data
- Action 5 Setup of units specialized in investment promotion of target countries (to begin with a “Japan Desk”)
- Action 6 Improvement of Investment Seminar Management
- Action 8 Upgrading of Reception Desk (Investors Desk)

Secondary priority actions

- Action 1 Periodic updating of investment guidebook
- Action 3 Periodic updating of QIP Manual for investors
- Action 7 Training of provincial governments on investment promotion
- Action 9 Introduction of an investment approval tracking system
- Action 10 Establishment and capacity development of aftercare services
- Action 11 Formulation of a proposal for investment climate improvement (to begin with the “modification of investment-related laws and regulations”)

8.7 Correspondence of Action Plan with Framework of M/P The Action Plan corresponds to the Framework of the M/P as shown in the following figure.

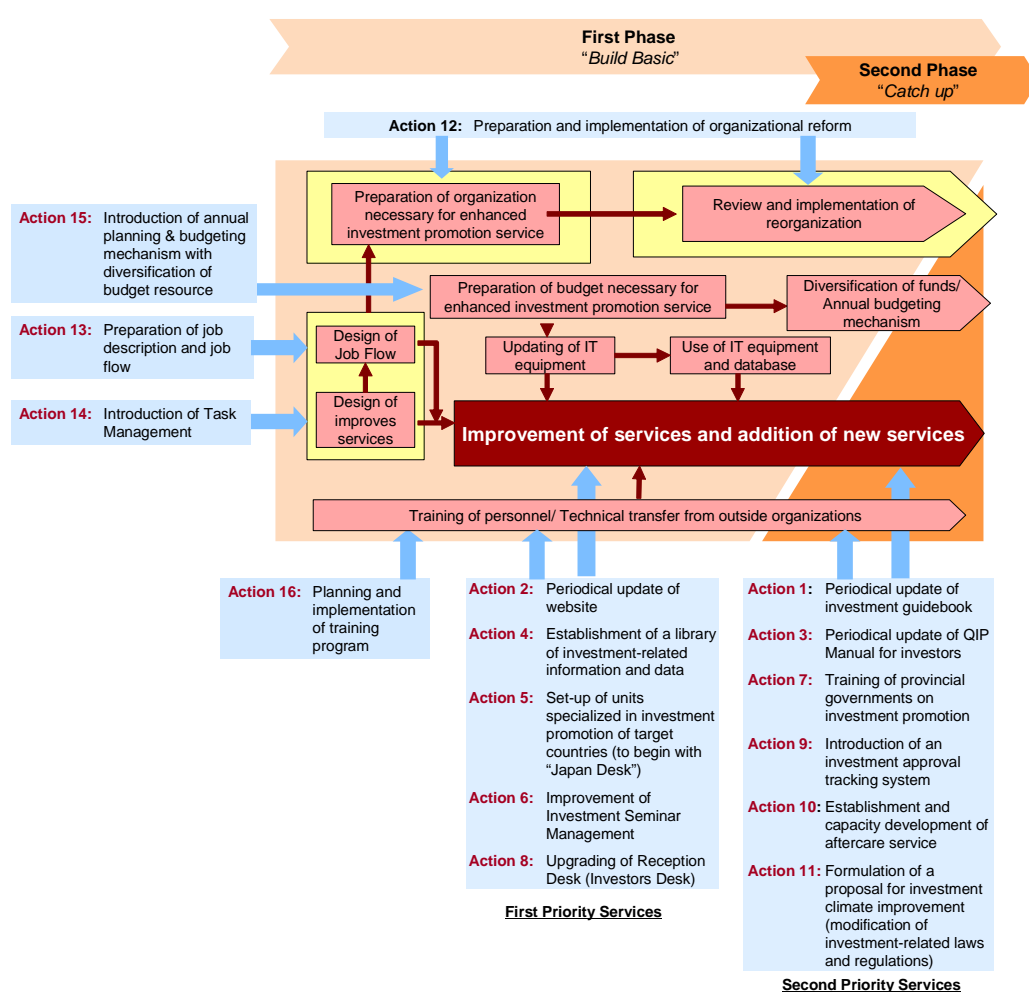


Figure 6 Correspondence of Action Plan with Framework of Master Plan

9. Implementation of Pilot Projects

The two pilot projects were implemented during the period beginning in September 2009 until February 2010.

- 9.1 Objectives of Pilot Projects
- To verify the viability of possible solutions for tackling the primary issues.
 - To improve the capacity of CIB staff through the implementation of the pilot projects.
 - To reflect the results of the projects and lessons in the M/P and Action Plan.
- 9.2 Selection and implementation of Pilot Projects
- Two pilot projects were chosen according to the above-mentioned objectives. These pilot projects were:
- Updating of the Cambodia Investment Guidebook; and
 - Application manuals for QIP.
- 9.3 Implementation of Pilot Projects
- The Study Team and the Working Group of CDC/CIB jointly conducted these two pilot projects.
- 9.4 Results of Pilot Projects
- The two pilot projects were completed according to the schedule and have largely achieved the expected outcomes.
- The updated Investment Guidebook was published in both English and Japanese in January 2010, and it is currently being distributed to prospective investors.
- The results of the pilot projects were presented at the Counterpart Meeting at CDC in February 2010.

Table 5 Outline of Two Pilot Projects

Pilot Project 1: Updating of the Cambodia Investment Guidebook	
Overall goal	CIB continues to provide information to foreign investors by updating the investment guidebook.
Project purpose	Updating the 2006 Cambodia Investment Guidebook to the 2010 Investment Guidebook. Improving CIB staff's understanding of the planning process and target of the Investment Guidebook, the kind and nature of customer-oriented information, which will be contained in the investment guidebook, and necessary preparatory work, data collection, and the publication process.
Summary of the Project	<p>A task force team was formulated to conduct the following work in collaboration with the JICA Study Team:</p> <ol style="list-style-type: none"> 1. Collecting, reviewing, and updating legal, economic and general information relating to Cambodia that would be required by potential investors; 2. Writing and compiling the 2010 Investment Guidebook as a tool for investment promotion activities and a learning model for CIB staff; 3. Preparing simplified, investment-related information or promotion materials through CIB staff by reviewing the updated Investment Guidebook; and 4. Providing CIB staff with workshops for improving their understanding of the objectives and preparation process up through the editing of the Investment Guidebook.

	An information source list for compiling the investment guidebook was prepared for future updating.
Pilot Project 2: Application manuals for QIP ‘Qualified Investment Project)	
Overall goal	CIB establishes an organizational mechanism for reviewing and improving the existing services in order to provide higher quality services based on a customer-oriented mindset relating to investors as an Investment Promotion Agency.
Project purpose	CIB managers and staff increased awareness concerning the need and importance of providing clear and transparent procedures for QIP applications to investors with improved service quality.
Summary of the Project	A task force team (Working Group: WG) was formulated to review and share information, and discuss and draw-up recommendations for QIP-related procedures. Through continuous discussion with the WG, drafts of both the “Operational Manual for Handling QIP Applications” (for internal use by CIB) and the “QIP Application Manual for Investors” will be prepared, which will serve as a starting point for CDC-CIB managers and staff to continually strengthen their capacity for providing “customer (investor)-friendly services”.

Summary Table 1/2

Current Issues of CDC/CIB and Necessary Actions		Master Plan for the Strengthening of Investment Promotion	
Level of Issues	Issues	Structure of Master Plan	Functional Strategy for Strengthening Investment Promotion Service
National Policy and Institutional Setting	<ul style="list-style-type: none"> - Insufficient cooperation of other line ministries to facilitate licensing - Slow progress of improving investment climate 		<p>4. Functional Strategy for Strengthening Investment Promotion Service</p> <p>(1) Investment Information Services</p> <ul style="list-style-type: none"> i) Establish a strategic system and network to gather continuously investment-related information & data ii) Enhance data processing & analysis function and prepare customized information iii) Formulate and update periodically investment guidebook iv) Update periodically information & data on website v) Publish investment-related information and data vi) Establish a library of investment-related information & data vii) Update a QIP Manual for investors <p>(2) PR Activities</p> <ul style="list-style-type: none"> i) Activate investment promotion via website ii) Set up units specialized in investment promotion of target countries iii) Build a mechanism for integrated investment promotion activities through the collaboration with other ministries and organizations iv) Utilize more effectively the information obtained through investment seminar v) Implement strategic invitation of investment missions vi) Prepare investment promotion visual tools such as video, DVD, etc. vii) Hold investment seminar with own initiative viii) Extend investment promotion according to targeting industries ix) Extend support to activate promotion activities by provincial governments <p>(3) Investment Consultation and Aftercare Services</p> <ul style="list-style-type: none"> i) Upgrade a reception desk by renovating place and allocating full-time staff ii) Accumulate consultation know-how and prepare consultation manuals iii) Establish close and firm network with other ministries, the private sector, and development partners and utilize them for consultation services iv) Establish and provide the effective aftercare services v) Introduce E-application system for QIP vi) Provide useful information for business activities of invested companies operating in Cambodia <p>(4) Policy Advocacy</p> <ul style="list-style-type: none"> i) Enhance the secretariat function of the G-PS Forum ii) Review and analyze Cambodia's investment climate and to formulate a proposal for investment climate improvement iii) Study investment promotion policies of other countries and propose overall investment promotion policy iv) Review and redesign incentives
CDC/CIB	<ul style="list-style-type: none"> - Weak function of "Promotion (facilitation)" than "Approval (administration)" of investment. - Non-existence of an investors' sole window for all investors investing in Cambodia. - Complex management layers of CDC/CIB - Lack of information sharing - Weak "check and balance" between the promotion and approval functions 	<p>Basic Policy for Strengthening of Investment Promotion Basic Policy for Improvement of Investment Approval (QIP Registration) Service Strategy for Organizational Reform Strategy for Strengthening of Management Strategy for Strengthening of Investment Promotion</p>	<p>(1) Investment Information Services</p> <ul style="list-style-type: none"> i) Establish a strategic system and network to gather continuously investment-related information & data ii) Enhance data processing & analysis function and prepare customized information iii) Formulate and update periodically investment guidebook iv) Update periodically information & data on website v) Publish investment-related information and data vi) Establish a library of investment-related information & data vii) Update a QIP Manual for investors <p>(2) PR Activities</p> <ul style="list-style-type: none"> i) Activate investment promotion via website ii) Set up units specialized in investment promotion of target countries iii) Build a mechanism for integrated investment promotion activities through the collaboration with other ministries and organizations iv) Utilize more effectively the information obtained through investment seminar v) Implement strategic invitation of investment missions vi) Prepare investment promotion visual tools such as video, DVD, etc. vii) Hold investment seminar with own initiative viii) Extend investment promotion according to targeting industries ix) Extend support to activate promotion activities by provincial governments <p>(3) Investment Consultation and Aftercare Services</p> <ul style="list-style-type: none"> i) Upgrade a reception desk by renovating place and allocating full-time staff ii) Accumulate consultation know-how and prepare consultation manuals iii) Establish close and firm network with other ministries, the private sector, and development partners and utilize them for consultation services iv) Establish and provide the effective aftercare services v) Introduce E-application system for QIP vi) Provide useful information for business activities of invested companies operating in Cambodia <p>(4) Policy Advocacy</p> <ul style="list-style-type: none"> i) Enhance the secretariat function of the G-PS Forum ii) Review and analyze Cambodia's investment climate and to formulate a proposal for investment climate improvement iii) Study investment promotion policies of other countries and propose overall investment promotion policy iv) Review and redesign incentives
Management	<ul style="list-style-type: none"> - Formulate investment promotion strategy - Establish job flows and prepare manuals - Introduce a management method to make efficient and effective daily work - Establish a transparent budget mechanism - Introduce a more flexible HRM system; - Conduct organization-wise training - Introduce IT equipment and a database 	<p>Basic Policy for Strengthening of Investment Promotion Basic Policy for Improvement of Investment Approval (QIP Registration) Service Strategy for Organizational Reform Strategy for Strengthening of Management Strategy for Strengthening of Investment Promotion</p>	<p>(1) Investment Information Services</p> <ul style="list-style-type: none"> i) Establish a strategic system and network to gather continuously investment-related information & data ii) Enhance data processing & analysis function and prepare customized information iii) Formulate and update periodically investment guidebook iv) Update periodically information & data on website v) Publish investment-related information and data vi) Establish a library of investment-related information & data vii) Update a QIP Manual for investors <p>(2) PR Activities</p> <ul style="list-style-type: none"> i) Activate investment promotion via website ii) Set up units specialized in investment promotion of target countries iii) Build a mechanism for integrated investment promotion activities through the collaboration with other ministries and organizations iv) Utilize more effectively the information obtained through investment seminar v) Implement strategic invitation of investment missions vi) Prepare investment promotion visual tools such as video, DVD, etc. vii) Hold investment seminar with own initiative viii) Extend investment promotion according to targeting industries ix) Extend support to activate promotion activities by provincial governments <p>(3) Investment Consultation and Aftercare Services</p> <ul style="list-style-type: none"> i) Upgrade a reception desk by renovating place and allocating full-time staff ii) Accumulate consultation know-how and prepare consultation manuals iii) Establish close and firm network with other ministries, the private sector, and development partners and utilize them for consultation services iv) Establish and provide the effective aftercare services v) Introduce E-application system for QIP vi) Provide useful information for business activities of invested companies operating in Cambodia <p>(4) Policy Advocacy</p> <ul style="list-style-type: none"> i) Enhance the secretariat function of the G-PS Forum ii) Review and analyze Cambodia's investment climate and to formulate a proposal for investment climate improvement iii) Study investment promotion policies of other countries and propose overall investment promotion policy iv) Review and redesign incentives
Services	<ul style="list-style-type: none"> - Enhance investment information services - Effective investment seminars/missions - Enhance consultation services through a front-line office as a single contact point (Investors' Window) - Introduction of aftercare services - Enhance the policy advocacy function 	<p>Basic Policy for Strengthening of Investment Promotion Basic Policy for Improvement of Investment Approval (QIP Registration) Service Strategy for Organizational Reform Strategy for Strengthening of Management Strategy for Strengthening of Investment Promotion</p>	<p>(1) Investment Information Services</p> <ul style="list-style-type: none"> i) Establish a strategic system and network to gather continuously investment-related information & data ii) Enhance data processing & analysis function and prepare customized information iii) Formulate and update periodically investment guidebook iv) Update periodically information & data on website v) Publish investment-related information and data vi) Establish a library of investment-related information & data vii) Update a QIP Manual for investors <p>(2) PR Activities</p> <ul style="list-style-type: none"> i) Activate investment promotion via website ii) Set up units specialized in investment promotion of target countries iii) Build a mechanism for integrated investment promotion activities through the collaboration with other ministries and organizations iv) Utilize more effectively the information obtained through investment seminar v) Implement strategic invitation of investment missions vi) Prepare investment promotion visual tools such as video, DVD, etc. vii) Hold investment seminar with own initiative viii) Extend investment promotion according to targeting industries ix) Extend support to activate promotion activities by provincial governments <p>(3) Investment Consultation and Aftercare Services</p> <ul style="list-style-type: none"> i) Upgrade a reception desk by renovating place and allocating full-time staff ii) Accumulate consultation know-how and prepare consultation manuals iii) Establish close and firm network with other ministries, the private sector, and development partners and utilize them for consultation services iv) Establish and provide the effective aftercare services v) Introduce E-application system for QIP vi) Provide useful information for business activities of invested companies operating in Cambodia <p>(4) Policy Advocacy</p> <ul style="list-style-type: none"> i) Enhance the secretariat function of the G-PS Forum ii) Review and analyze Cambodia's investment climate and to formulate a proposal for investment climate improvement iii) Study investment promotion policies of other countries and propose overall investment promotion policy iv) Review and redesign incentives

<p>Master Plan for the Strengthening of Investment Promotion</p> <p>5. Strategy for Strengthening of Management</p> <p>(1) Management System</p> <ul style="list-style-type: none"> i) Communicate the vision of top management to staff ii) Minimize the decision process through reducing decision making steps and delegating of authority iii) Establish the basic attitudes of a service provider among managers and staff <p>For the establishment of a systematic method for better services in investment promotion</p> <ul style="list-style-type: none"> i) Prepare job flows and job descriptions for services to be enhanced and to be introduced ii) Introduce task management methods <p>For the improvement of the current conditions</p> <ul style="list-style-type: none"> i) Relocate offices to one location ii) Establish a visual identity to improve the public image of the new organization <p>(2) Budget and Finance</p> <ul style="list-style-type: none"> i) Develop an integrated budget plan based on the annual activity plan ii) Establish a budgeting process for the annual budget iii) Obtain the budget necessary for basic investment promotion services by diversifying financial sources <p>(3) Human Resource Management</p> <ul style="list-style-type: none"> i) Realize flexibility in human resource management ii) Formulate new career development plans iii) Formulate an HRD plan for the effective training of managers and staff based on required competencies iv) Introduce merit-based remuneration v) Implement job rotations for the right person in the right place vi) Make use of private sector experience <p>(4) IT Management</p> <ul style="list-style-type: none"> i) Supply a sufficient number of PCs to staff. ii) Expand internet access. iii) Establish the capability for the stable management of the website. iv) Promote information sharing within the organization by introducing an intranet. v) Improve database design and management capabilities. vi) Improve the IT capabilities of staff. <p>6 Strategy for Organizational Reform</p> <ul style="list-style-type: none"> i) Allocate more resource to investment promotion function in comparison with investment approval function ii) Acquire the investment promotion function "for all Cambodia" iii) Establish an "investors' window" function that acts as a front-line for investors iv) Introduce a "checks and feedback" mechanism between "investors' window" and investment approval function v) Implement an organizational renovation and create a good image as an investment promotion agency towards overseas investors and related organizations through the simplification of management layer and decision process, establishment of basis for more flexible human resource management, establishment of governance, etc. 	
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<p>1. Structure of Action Plan</p>	
<p>2. List of Actions</p> <p>Actions for Investment Information Services</p> <p>Action 1 Periodical update of investment guidebook To establish a mechanism to continuously collect investment-related information and to periodically update an investment guidebook in order to provide investment-related information in integrated form.</p> <p>Action 2 Periodical update of website To update periodically and enrich the contents of website so that prospective investors can obtain necessary latest information/data in timely.</p> <p>Action 3 Periodical update of QIP manual for investors To update a QIP manual for investors to improve its quality in a timely manner.</p> <p>Action 4 Establishment of a library of investment-related information & data To establish an investment information library as a tool for securing investors' access to reliable investment-related information/data under user-friendly environment.</p> <p>Actions for PR Activities</p> <p>Action 5 Set-up of units specialized in investment promotion of target countries (to begin with "Japan Desk") To provide integrated investment promotion activities by establishing units specialized for specific target countries</p> <p>Action 6 Improvement of investment seminar management To obtain know-how and prepare manuals of how to manage investment seminars effectively so that CIB may produce the maximum results from seminars.</p> <p>Action 7 Training of provincial governments on investment promotion To improve their investment promotion activities by provincial governments.</p> <p>Actions for Investment Consultation and Aftercare Services</p> <p>Action 8 Upgrading of reception desk (Investors Desk) To renovate and furnish the reception space in order to provide investors with better environment for individual consultation.</p> <p>Action 9 Introduction of an investment approval tracking system To make investors possible to obtain information on the progress of the applied QIP with an establishment of an information infrastructure.</p> <p>Action 10 Establishment and capacity development of aftercare service To design and establish a mechanism of providing continuously aftercare service to existing investors</p>	

<p>Actions for Policy Advocacy</p> <p>Action 11 Formulation of a proposal for investment climate improvement (to begin with "modification of investment-related laws and regulations") To make policy recommendations to improve investment climate in terms of investment-related legal scheme</p> <p>Actions for Organization and Management</p> <p>Action 12 Preparation and implementation of organizational reform To make a preparation and implement an organizational reform to enhance the investment promotion function of CIB to allocating more resource to investment promotion and establishing a window organization (unit) for all investors investing in Cambodia.</p> <p>Action 13 Preparation of job description and job flow to enhance investment promotion function To prepare job flows, job descriptions and manuals for each of enhanced investment promotion service.</p> <p>Action 14 Introduction of task management system for effective provision of service To introduce an operation management system to manage planning, monitoring and appraisal of activities.</p> <p>Action 15 Introduction of annual planning and budgeting mechanism including diversification of budget resource To establish a sound and transparent budgeting procedures to strengthen investment promotion activities.</p> <p>Action 16 Planning and implementation of training program To implement intensive training of staff based on total HRM system and HRD plan to enable enhanced investment promotion activities.</p>	
<p>3. Time Frame of Action Plan</p>	

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Abbreviations and Acronyms

ACD	: Administration and Coordination Department
ADB	: Asian Development Bank
AFD	: Agence Française de Développement
APEC	: Asia-Pacific Economic Cooperation
ASEAN	: Association of South East Asia Nations
ASYCUDA	: Automated System for Custom Data
AUSAID	: The Australian Agency for International Development
BKPM	: Badan Koordinasi Penanaman Modal: Investment Coordinating Board, Indonesia
BOI	: Board of Investment, the Philippines
BOT	: Build-Operate-Transfer
BT	: Build-Transfer
BTO	: Build-Transfer-Operate
BUILD	: BOI Unit Industrial Linkage Development
C/P	: Counterpart
CDC	: Council for the Development of Cambodia
CEO	: Chief Executive Officer
CIA	: Cambodian Investment Agency
CIB	: Cambodian Investment Board
CIDA	: Canadian International Development Agency
CIPA	: Cambodian Investment Promotion Agency
CIPB	: Cambodian Investment Promotion Board
CMDGs	: Cambodia Millennium Development Goals
COM	: Council of Ministers
COO	: Chief Operating Officer
CRC	: Conditional Registration Certificate
CRDB	: Cambodian Rehabilitation and Development Board
CSEZB	: Cambodian Special Economic Zone Board
DAC	: Development Assistance Committee
DF/R	: Draft Final Report
DSS	: Duty Suspension Scheme
DTI	: Department of Trade and Industry
DTIS	: Diagnostic Trade Integration Study
EDB	: Economic Development Board, Singapore
EDP	: External Development Partners
EIF	: Enhanced Integrated Framework
EPA	: Economic Partnership Agreement
EPZ	: Export Processing Zone
EU	: European Union
F/R	: Final Report
FDI	: Foreign Direct Investment

FIA	: Foreign Investment Agency, Vietnam
FIAS	: Foreign Investment Advisory Service
FRC	: Final Registration Certificate
G-PSF	: Government-Private Sector Forum
GAD	: General Affairs Department
GATS	: General Agreement on Trade in Services
GDCC	: Government-Development Partner Coordination Committee
GDP	: Gross Domestic Product
GMAC	: Garment Manufactures Association in Cambodian
GMS	: Greater Mekong Sub-region
HRD	: Human Resource Development
HRM	: Human Resource Management
IC/R	: Inception Report
ICD	: Institutional Capacity Development
ICT	: Information and Communication Technology
IEAT	: Industrial Estate Authority of Thailand
IF	: Integrated Framework
IFC	: International Finance Corporation
IID	: Investment Information Department
IMF	: International Monetary Fund
IPA	: Investment Promotion Agency
IPP	: Investment Priority Plan
IRD	: Investors Relations Department
IT	: Information Technology
ITA	: Investment Tax Allowance
ITC	: International Trade Center
ITH	: Income Tax Holiday
IT/R	: Interim Report
IZ	: Industrial Zone
JBIC	: Japan Bank for International Cooperation
JETRO	: Japan External Trade Organization
JICA	: Japan International Cooperation Agency
LBF	: Lao Business Forum
LDCs	: Least Developed Countries
LOI	: Law on Investment
LPD	: Legal Procedure Department
M/P	: Master Plan
MAFF	: Ministry of Agriculture Forestry and Fisheries
MBPI	: Merit-Based Performance Incentives
MEF	: Ministry of Economy and Finance
MIDA	: Malaysian Industrial Development Authority, Malaysia
MIGA	: Multilateral Investment Guarantee Agency

MIME	: Ministry of Industry Mine and Energy
MITI	: Ministry of International Trade and Industry
MOC	: Ministry of Commerce
MOE	: Ministry of Environment
MOI	: Ministry of Interior
MOT	: Ministry of Tourism
MOU	: Memorandum of Understanding
MPI	: Ministry of Planning and Investment
MPWT	: Ministry of Public Work and Transportation
MoEF	: Ministry of Economy and Finance
NCI	: National Committee for Investment
NIS	: National Institute of Statistics
NSDP	: National Strategic Development Plan
OBOI	: Office of the Board of Investment, Thailand
ODA	: Official Development Assistance
OECD	: Organisation for Economic Co-operation and Development
OSAC	: One Stop Action Center
OSOS	: One Start One Stop Service Center
PDCA	: Plan-Do-Check-Action
PEID	: Project Evaluation and Incentive Department
PEZA	: Philippine Economic Zone Authority
PFI	: Policy Framework for Investment
PMD	: Projects Monitoring Department
PMIS	: Sub-Committee on Investment of the Provinces-Municipalities
PPD	: Public Private Dialogue
PRED	: Project Registration and Evaluation Department
PRID	: Public Relations and Investment Promotion Department
PSD	: Planning and Strategy Department
QIP	: Qualified Investment Project
RGC	: Royal Government of Cambodia
RS	: Rectangular Strategy
S/W	: Scope of Work
SC	: Steering Committee
SCCI	: State Committee for Cooperation and Investment
SEDP	: Socio-Economic Development Plan
SEZs	: Special Economic Zone
SME	: Small and Medium Enterprises
SOA	: Special Operating Agency
SPS	: Sanitary and Phytosanitary Standards
SWAp	: Sector-Wide Approach
TPO	: Trade Promotion Organizations
TRADE	: Trade Related Assistance for Development and Equity

UNCTAD	: United Nations Conference on Trade and Development
UNDP	: United Nations Development Programme
USA	: United States of America
USAID	: United States Agency for International Development
UXO	: Un-Exploded Ordnance
VAT	: Value Added Tax
VBF	: Vietnam Business Forum
VI	: Visual Identity
VND	: Vietnam Dong
WAIPA	: World Association of Investment Promotion Agency
WG	: Working Group
WTO	: World Trade Organization

CHAPTER 1 INTRODUCTION

1.1 Background of the Study

Promotion of Foreign Direct Investment (FDI) is one of the urgent issues in Cambodia needing to be addressed in order to fill the existing capital shortage gap as well as incorporate advanced technologies into production and management. Moreover, it is expected that FDI will be able to contribute to poverty reduction as a whole through the facilitating of private sector development within the country. With the legislating of the Investment Law in 1994, the Royal Government of Cambodia (RGC) has engaged in various efforts towards this end with the amendment of the Investment Law, establishment of Special Economic Zones (SEZ), and periodic implementation of dialog forums with the private sector. In response to these measures taken by the RGC, FDI from ASEAN and East Asian nations such as China, Korea, and Thailand to Cambodia has increased rapidly in recent years, which resulted in the total amount of FDI¹ in Cambodia increasing to US\$5.86 billion in 2009 from US\$ 0.16 billion in 2004.

FDI from developed countries has been limited, however, in particular with the number of applications for Qualified Investment Project (QIP) from Japan being only 23 as of the end of September 2009 with an accumulated investment amount of US\$ 148 million (only 2.5% of total FDI). The main factors for this stagnation are the “unattractive image of the country such as it being a land of landmines and inadequate infrastructure”, “an under-developed legal system and weakness in law enforcement”, and “complicated administrative procedures for licenses in Cambodia”.

In Cambodia, the Council for the Development of Cambodia (CDC) carries the responsibility for providing services as the window for FDI; however, it lacks in many respects and should be strengthened, particularly its weaknesses in investment-related data collection and dissemination, and investment promotion are urgent issues to be solved so as to attract further investment from developed countries.

Under these circumstances, the Royal Government of Cambodia requested the Government of Japan to carry out a development study “the Study on the Institutional Strengthening of Investment Promotion” (hereinafter the Study). In September 2008, Japan International Cooperation Agency (JICA) dispatched a preparatory Study Team to Cambodia to discuss the specific contents of the Study proposed by the RGC and both parties signed the Scope of Work (S/W) in December 2008. KRI International Corp. was assigned as the consulting firm implementing the study, which it began in February 2009.

¹ The amount of QIP approved by CIB on fixed assets basis is referred to as the amount of FDI in Cambodia in this report unless otherwise specified.

1.2 Objectives of the Study

The Study objectives are set as follows:

- i) To formulate a Master Plan (M/P) for the institutional strengthening of investment promotion of CDC including concrete measures for functional improvements to the organizational structure, FDI data collection and dissemination, and investment promotion services; and
- ii) To transfer relevant knowledge and skills for investment promotion to counterpart personnel through the formulation of the Master Plan and implementation of the pilot projects.

1.3 Study Framework

1.3.1 Executing Agency

The counterpart agency for the Study is CDC. Specifically, the Cambodian Investment Board (CIB) of CDC, which handles the private investment development of Cambodia, is the main executing agency for the Study. A Counterpart Team consisting of directors/deputy directors of all the departments of CIB was organized in order to cooperate with the JICA Study Team so as to provide necessary coordination between CIB and the related agencies during the study period.

For the purpose of facilitating collaboration and implementing the Study through a participatory approach, a Working Group (WG) was formulated comprised of deputy directors/chiefs of bureau of the eight departments of CIB. A Steering Committee (SC) consisting of representatives from CIB, other related ministries such as Council of Ministers, MOC, MOI, MPWT, MEF, MAFF, MOE, and Cambodian Chamber of Commerce was also organized for facilitating coordination among the relevant ministries and organizations, and for assuming responsibility over the general management of the Study.

1.3.2 Study Area

The study area encompassed primarily Phnom Penh; the city in which CDC is located. A comparative survey of neighboring countries' Investment Promotion Agencies (IPAs) and Investors were implemented in Thailand and Vietnam. Additionally, investment promotion seminars were held in Tokyo and Osaka in Japan.

1.3.3 Functions and Services to Be Strengthened

According to the Terms of References, the Study is targeted to: i) strengthen the functioning of CDC-CIB as the window for investment promotion in Cambodia; and ii) improve the services of CDC-CIB as an IPA for foreign investors, especially Japanese enterprises.

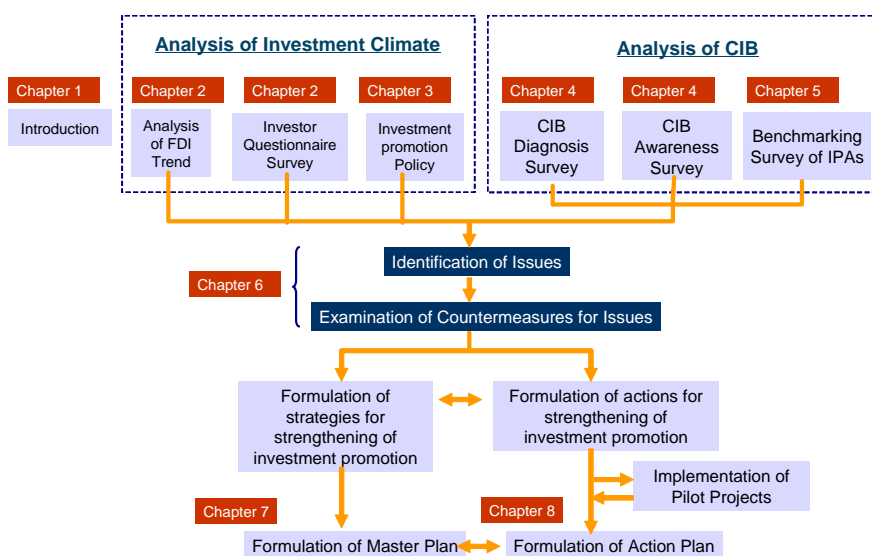
Strengthening of the function of CDC-CIB as the window for investment promotion includes the

functional improvement of the organizational structure, which would enable CIB to play a role as the focal point for all investment in Cambodia and to provide appropriate investment promotion services to all potential/existing investors.

Improving the services of CIB includes improvement of: i) investment information collection and the providing of services such as investment related laws and regulations in Cambodia; and ii) investment promotion services such as seminars held in Cambodia/overseas and receiving missions from abroad.

1.3.4 Study Framework

The following figure shows a schematic framework to analyze the current situation, identify the priority issues, and examine necessary measure to tackle the issues for the institutional strengthening of the investment promotion of CIB.



Source: JICA Study Team

Figure 1-3-1 Study Framework

The following analyses of current situation were conducted at the Phase 1 of the Study in order to identify the current situation of investment promotion function of CIB.

- i) Statistical analysis of FDI trend (Chapter 2);
- ii) Investor Questionnaire Survey targeting Japanese, Chinese and Korean investors (Chapter 2);
- iii) Literature research on investment promotion policy of Cambodia (Chapter 3);
- iv) Interview survey targeting CIB managers and staff (Chapter 4);
- v) CIB Awareness Survey (Chapter 4); and
- vi) Benchmarking survey of IPAs in the neighboring ASEAN countries (Chapter 5).

Based on the results of the current situation analysis, the Study Team identified the priority issues and examined necessary measures to tackle the issues (Chapter 6) from the viewpoints of national policy and institutional setting, organization of CIB, management of CIB and investment promotion services of CIB.

The Study Team formulated a master plan and an action plan for institutional strengthening the investment promotion based on the issue analysis.(Chapter 7 and Chapter 8).

1.4 Study Schedule

The Study was implemented according to the following time schedule:

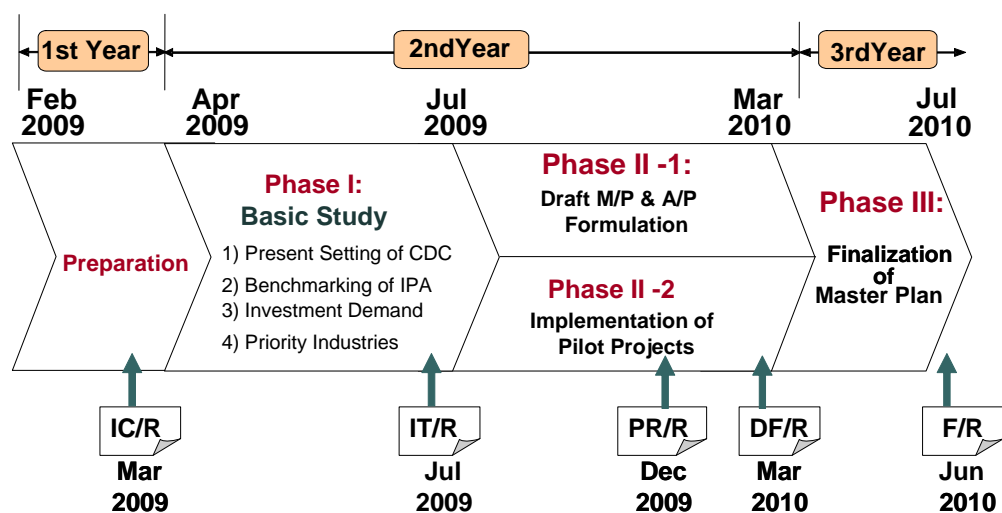


Figure 1-4-1 Schedule of the Study

The Study has been conducted in accordance with the following process:

<The First Year: Feb. 2009 - Mar. 2009>

- I. Preliminary Work in Japan
 - [1-1] Review of Existing Studies, Recommendations
 - [1-2] Preparation of Inception Report (IC/R)
- II. Preparation for Basic Study
 - [1-3] Explanation of IC/R

<Second Year: Apr. 2009 - Mar. 2010>

- III. Phase 1: Basic Study

- [2-1] Study on the Current Situation of Investment Promotion
- [2-2] Bench-mark Study regarding the Organization and Functions of IPA in Neighboring Countries
- [2-3] Survey on Investment Demand, and Potential Investment Companies
- [2-4] Analysis of Priority Industries of Cambodia
- [2-5] Compilation of the Basic Study
- [2-6] Preparation of Interim Report

IV. Phase 2: Pilot Project and Recommendations

- [2-7] Steering Committee (2nd)
- [2-8] Planning of Pilot Projects
- [2-9] Selection of Pilot Projects
- [2-10] Implementation, Monitoring, and Evaluation of Pilot Project
- [2-11] Preparation of Progress Report
- [2-12] Preparation of Draft Final Report (DF/R)
- [2-13] Discussion of DF/R

<Third Year: Apr. 2010 - Jul. 2010>

- [3-1] Steering Committee (3rd)
- [3-2] Investment Seminar in Tokyo and Osaka
- [3-3] Final Report Submission

1.5 Implementation of Pilot Projects

The Pilot Projects were implemented for the period beginning in September 2009 and ending in February 2010. CIB and the JICA Study Team agreed to implement the Pilot Projects in order to: (i) verify the viability of possible solutions for tackling the primary issues; (ii) improve the capacity of CIB staff through the implementation of the pilot projects; and (iii) reflect the results of the projects and lessons in the Master Plan and Action Plan with the collaboration of the Working Group.

Two pilot projects were implemented and are shown in the following table:

Table 1-5-1 Framework of the Pilot Projects

Pilot Project 1: Updating of the Cambodia Investment Guidebook	
Overall goal	CIB continues to provide latest information to foreign investors by updating the investment guidebook.
Project purpose	Updating the 2006 Cambodia Investment Guidebook to the 2010 Investment Guidebook. Improving CIB staff's understanding of the planning process and marketing target of the Investment Guidebook, the kind and nature of customer-oriented information, which will be contained in the investment guidebook, and necessary preparatory work, data collection and the publication process.

Summary of the Project	<p>A task force team was formulated to conduct the following work in collaboration with the JICA Study Team:</p> <ol style="list-style-type: none"> 1. Collecting, reviewing, and updating the legal, economic, and general information relating to Cambodia that would be required by the potential investors; 2. Writing and compiling the 2010 Investment Guidebook as a tool for investment promotion activities and a learning model for CIB staff; 3. Preparing simplified, investment-related information or promotion materials through CIB staff by reviewing the updated Investment Guidebook; and 4. Providing CIB staff with workshops for improving their understanding of the objectives and preparation process up through the editing of the Investment Guidebook. <p>An information source list for compiling the investment guidebook was prepared for future updating.</p> <p>The updated Investment Guidebook was published in both English and Japanese in January 2010. The guidebooks are currently being distributed to prospective investors as a comprehensive investment guidebook covering the latest information.</p>
Pilot Project 2: Application manuals for QIP ‘Qualified Investment Project)	
Overall goal	CIB establishes an organizational mechanism for reviewing and improving existing services in order to provide higher quality services based on a customer-oriented mindset relating to investors as an Investment Promotion Agency.
Project purpose	CIB managers and staff increase awareness concerning the needs and importance of providing clear and transparent procedures for QIP applications to investors with improved service quality.
Summary of the Project	A task force team (Working Group: WG) was formulated to review and share information, and discuss and draw-up recommendations for QIP-related procedures. Through continuous discussion with the WG, drafts of both the “Operational Manual for Handling QIP Applications” (for internal use by CIB) and the “QIP Application Manual for Investors” were prepared and served as a starting point for CDC-CIB managers and staff to continually strengthen their capacity for providing “customer (investor)-friendly services”.

1.6 Implementation of the Cambodian Investment Seminars in Japan

Based on the past achievements of the Study, the Cambodian Investment Seminars were held on the 24th of May 2010 in Osaka and the 26th of May 2010 in Tokyo in order to spur the interest of Japanese enterprises towards investing in Cambodia and improving CDC’s capability of seminar management; this under the auspices of the Japan International Cooperation Agency (JICA), ASEAN-Japan Center, Japan External Trade Organization (JETRO), Ministry of Economy Trade and Industry (METI) Japan, and the Council for the Development of Cambodia (CDC). The total number of participants, excluding participating staff members, was 306 (75 participants in Osaka; 231 participants in Tokyo). The detailed agendas of the seminars are attached hereto as Appendix 7.

Within the seminars, speakers from various organizations concerned with investment in Cambodia, from both Cambodia and Japan, provided the latest information on the Cambodian investment climate, including information on the legal framework and Special Economic Zone (SEZ), as well as current political and economic conditions. Moreover, the history of Japanese assistance to Cambodia and a success story of investment in Cambodia by a Japanese enterprise were presented to the participants.

Question-and-answer sessions were also provided after the presentations.

Four counterparts from the CDC, including the Vice Chairman of CDC/Senior Minister, who was invited as a keynote speaker, attended the seminars. The Cambodian Investment Guidebook 2010, published through the pilot project of the Study, was distributed to all participants as a textbook for investing in Cambodia.

According to the result of a survey, which had a response rate of 50%, conducted through a questionnaire distributed to the participants during the seminar, almost all of the participants were satisfied with the contents of the seminar. In addition, 52 respondents were interested in Cambodia as a destination for their investment in future, and 133 respondents wished to receive investment related information on Cambodia with seven enterprises applying for individual business consultations. Based on this, it can be said that the initial goal of the seminars has been achieved.

It is expected that the implementation of these seminars will be able to trigger the implementing of concrete actions by CDC utilizing investment promotion as a focal point for all investment in Cambodia, and initiated through follow-up activities with participants interested in the investment in Cambodia.

1.7 Study Team Member

The Study Team consisted of the following members.

<u>Name</u>	<u>Assignment</u>
Toshikazu TAI	Team Leader/ Organizational Development I (until 5th Site Study)
Kazuo MISHIMA	Team Leader/ Organizational Development I (from 6th Site Study)
Yoichi MATSUI	Investment Promotion
Yoshinori MIYAKE	Market Analysis (until 2nd Site Survey)
Hiroshi NAKANO	Market Analysis (from 3rd Site Survey)
Nobuhisa IWASE	Organizational Development II
Hikomichi HARA	Industrial Analysis I
Akihiko MORINAGA	Industrial Analysis II
Masami OKAWA	Project Coordination/Pilot Project (until 2nd year)
	Project Coordination/Interinstitutional Cooperation (from 3rd year)

CHAPTER 2 FDI TRENDS IN CAMBODIA

2.1 Trends of FDI to Cambodia

2.1.1 Investment Approved by CIB

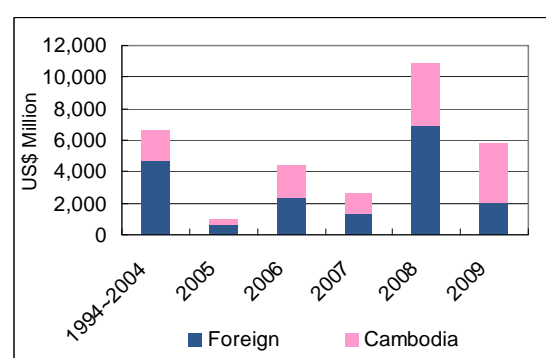
The Council for the Development of Cambodia approves investment projects for the granting of investment incentives based on the LOI, referred to as “Qualified Investment Project” or QIP, which may include both Cambodian capital and foreign capital (Table 2-1-1, Figure 2-1-1) ¹. The amount of investment is measured by “fixed assets”.

Table 2-1-1 Amount of QIP Approval by CIB

Unit: US\$ million

Year	Projects by Foreign Capital (a)	Projects by Cambodian Capital (b)	Total (b)	(a)/(b) (%)
1994 - 2004	4,729	1,894	6,623	71
2005	686	366	1,052	65
2006	2,358	2,081	4,439	53
2007	1,333	1,323	2,656	50
2008	6,956	3,932	10,888	64
2009	2,106	3,753	5,859	36
Total	18,168	13,349	31,517	58

Source: CDC



Source: CDC

Figure 2-1-1 Trend of Amount of QIP Approval by CIB

The amount of approved QIPs by foreign investors was US\$ 18,168 million among US\$ 31,517 million of total QIPs approved by CIB during 1994 - 2009. Thus, FDI accounted for 58% of total amount of QIPs. The share of FDI during 2005 - 2009 was 54%, decreased from 71% during 1994 - 2004.

The amount of FDI approves as QIPs fluctuates year by year. FDI increased to a record-high of US\$ 6,956 million in 2008 from US\$ 1,333 million in 2007. In 2009, FDI dropped to US\$ 2,106 million.

The sum of FDI approved by CIB during the five years from 2005 until 2009 is US\$ 13,430 million, 2.8 times the sum during the eleven years from 1994 until 2004.

2.1.2 CIB's QIP Approval by Country

Among total FDI approved as QIPs by CIB during the 16 year period ending in 2009, the largest investing country is China, which account for 22.3% or US\$ 7,024 million. Korea comes in as the second largest followed by Malaysia. Other major sources of FDI include the USA, Thailand, Taiwan,

¹ In addition to CIB, the Cambodia Special Economic Zone Board (CSEZB) and the Provincial/Municipal Investment Sub-committee (PMIS) also approve QIP projects. As for demarcation of these 3 organizations, please refer to Chapter 3.

Russia, and Singapore (Table 2-1-2 and Figure 2-1-3).

Malaysia, which was a dominant investor up until 2004 with a top ranking total QIPs of US\$ 1,907 million has decreased to 9th place ranking with US\$ 305 million in the recent five years while China and Korea, which were ranked 4th and 6th until 2004 each, have climbed to 1st and 2nd position over the last 5 years. Other countries which have been down ranked over the last 10 to 5 years are Taiwan (3rd to 11th), Hong Kong (7th to 16th), Canada (12th to 18th), and Australia (13th to 19th) while investment from Japan has remained at a lower ranking level with an accumulated investment amount of only US\$ 147 million or 0.5% of the total investment.

Table 2-1-2 Breakdown of CIB's Approval CIB by Country

Country	1994-2004 Total		2005-2009 Total		1994-2009 Total		
	US\$ Million	Rank	US\$ Million	Rank	US\$ Million	%	Rank
Cambodia	1,894	2	11,455	1	13,349	42.4%	1
China	409	4	6,615	2	7,024	22.3%	2
Korea	296	6	2,573	3	2,869	9.1%	3
Malaysia	1,907	1	305	9	2,212	7.0%	4
USA	363	5	742	4	1,105	3.5%	5
Thailand	203	9	541	6	744	2.4%	6
Taiwan	516	3	149	11	665	2.1%	7
Russia	2	16	615	5	617	2.0%	8
Singapore	234	8	363	8	597	1.9%	9
Vietnam	25	14	426	7	451	1.4%	10
Israel	0.3	17	302	10	302	1.0%	11
France	200	10	99	14	299	1.0%	12
Hong Kong	242	7	38	16	280	0.9%	13
Japan	19	15	128	13	147	0.5%	14
UK	98	11	47	15	145	0.5%	15
Saudi Arabia	nil	-	131	12	131	0.4%	16
Canada	66	12	28	18	94	0.3%	17
Australia	35	13	12	19	47	0.2%	18
Belgium	nil	-	33	17	33	0.1%	19
Other Countries	111	-	293	-	404	1.3%	-
Total	6,620		24,895		31,515	100%	

Source: CDC

Table 2-1-3 Breakdown of CIB's QIP Approval by Year and by Country

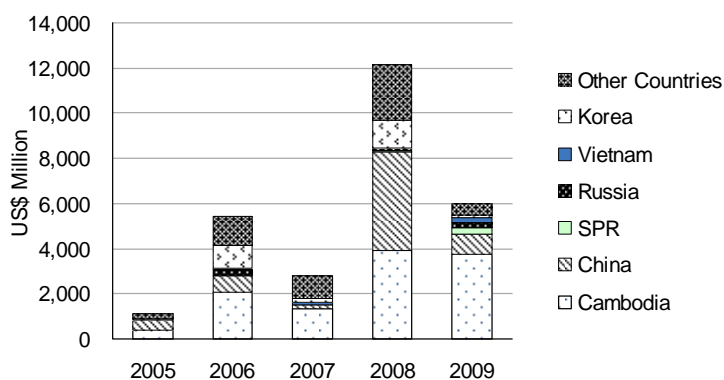
Unit: US\$ Million

Country	2005	2006	2007	2008	2009
Cambodia	366	2,081	1,323	3,932	3,753
China	454	717	180	4,371	893
Korea	56	1,010	148	1,238	121
Malaysia	26	28	241	3	7
USA	4	62	3	672	1
Thailand	81	100	108	74	178
Taiwan	13	48	40	21	27
Russia	nil	278	nil	102	235
Singapore	25	12	2	52	272
Vietnam	nil	56	139	21	210
Israel	nil	nil	2	300	nil
France	8	nil	35	6	50
Hong Kong	1	4	26	nil	7
Japan	nil	2	113	8	5
UK	6	4	26	6	5
Saudi Arabia	nil	nil	131	nil	nil

Country	2005	2006	2007	2008	2009
Canada	5	5	nil	16	2
Australia	6	nil	nil	3	3
Belgium	nil	33	nil	nil	nil
Other Countries	nil	nil	139	62	92
Total	1,051	4,440	2,656	10,887	5,859

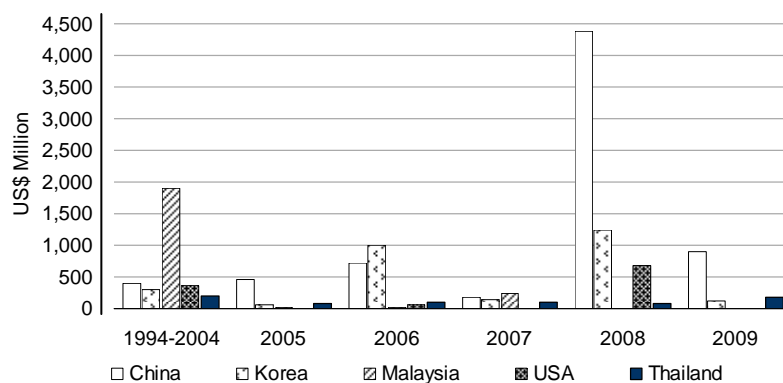
Note: Figures may not exactly equal totals because of rounding.

Source: CDC



Source: CDC

Figure 2-1-2 Amount of CIB's QIP Approval by Country



Source: CDC

Figure 2-1-3 Amount of CIB's QIP Approval to Leading Investing Countries

For Chinese, Korean, and Japanese investors, the following unique socio-economic contexts might be affecting these investment patterns.

Box 2-1 Socio-economic contexts of Chinese, Korean, and Japanese investors that might be affecting these investment patters

a. Context of Chinese investment: existence of strong ethnic networks

Traditionally, Chinese inter-ethnic networking has attracted investment from Chinese Malaysians, Chinese Singaporeans, Hong Kong Chinese, and Taiwanese. Currently, there exists a demographic of around thirty thousand people of Chinese origin residing in Cambodia. Familiarity with local conditions and this network has resulted in lower investment barrier in relation to new investment. Common language, culture, and geographical proximity also have contributed to the facilitating of Chinese investment in Cambodia. No other investors have enjoyed such a level of advantages as Chinese investors. The high share of investment by Chinese can be explained in that this trend in investment has been accelerated with their recent rapid growth and development of China.

b. Context of Korean investment: impact of the Presidential visit and policy

Investment from Korea to Cambodia has increased rapidly since 2006, triggered primarily by the visit of the President of Korea. Through the visit, the present Cambodian situation was widely reported and televised to the Korean public, which resulted in the changing of the public image of Cambodia and provided Korean investors with information on the investment potential of the nation.

Through this presidential visit, interest in investment in Cambodia grew, resulting in a sudden increase in Korean investment. In 2006, FDI from Korea recorded its highest amount at US\$ 1 billion and has maintained its second ranking position.

Another aspect of this increase in FDI to Cambodia may relate to the economic development stage of Korea, which began increasing its foreign investment in the late 1980's.

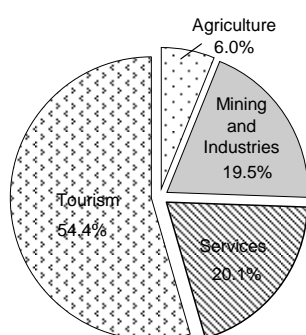
c. Context of Japanese Investment: business culture

The business culture of Japanese companies is relatively conservative compared with that of other regions. Japanese companies have a propensity to carry out in-depth research and investigations prior to investment and clarify any uncertainties. However, after the decision is made to invest, they are very quick to act and commit to their respective responsibilities. Investment with a long term perspective is also one of the characteristics of Japanese investors. Another aspect of the Japanese investor is that they have relatively weak incentives to invest in light industries in Cambodia such as garment and textiles in consideration of their prior established production bases. As for Japanese subsidiaries, they have tendency to depend on and follow their parents companies, while Chinese/Korean companies are more independent in their investment decisions.

2.1.3 CIB's QIP Approval by Sector

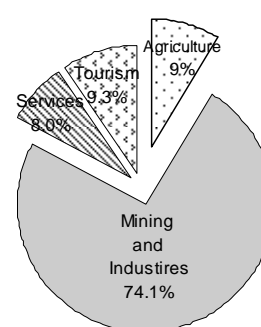
The tourism sector accounts for 54.4% of the cumulative total amount of QIPs approved by CIB owing to extensive investment in the sector during the earlier years and large amount approved since 2008. The service sector and the mining/industries sector place second and third with 20.1% and 19.5% of total FDI respectively. On the other hand, FDI in the agriculture sector has remained very limited, accounting for only 6.0% of the total.

In terms of project numbers, the mining/industries sector dominates investment with 1,149 projects, out of which 610 are in the garment industry, comprising 74.1% of the total 1,551 projects.



Source: CDC

Total: US\$ 31,521 million



Source: CDC

Total: 1,551 Projects

Figure 2-1-4 CIB's QIP Approval by Sector (Accumulated Amount)

Figure 2-1-5 CIB's QIP Approval by Sector (Accumulated Number of Projects)

Table 2-1-4 CIB's QIP Approval by Sector

Sector	1994 - 2004		2005 - 2009		1994 - 2009			
	No.	Amount US\$ Million	No.	Amount US\$ Million	Number		Amount	
					No.	Share	US\$ Mil	Share
1.Agriculture	76	317	57	1,587	133	8.6%	1,904	6.0%
2.Mining/Manufacturing	772	2,306	377	3,850	1,149	74.1%	6,156	19.5%
Energy	11	181	22	1,844	33	2.1%	2,025	6.4%
Food Processing	43	139	7	46	50	3.2%	185	0.6%
Garment	409	586	201	707	610	39.3%	1,293	4.1%
Mining	6	26	42	235	48	3.1%	261	0.8%
Petroleum	10	61	2	203	12	0.8%	264	0.8%
Shoes	25	45	23	96	48	3.1%	141	0.4%
Wood Processing	45	461	9	24	54	3.5%	485	1.5%
3. Services	84	1,717	40	4,609	124	8.0%	6,326	20.1%
Construction	18	804	8	2,247	26	1.7%	3,051	9.7%
Services	15	92	2	972	17	1.1%	1,064	3.4%
Telecommunication	14	189	10	793	24	1.5%	982	3.1%
4.Tourism	84	2,284	61	14,852	145	9.3%	17,136	54.4%
Hotel	60	759	20	1,406	80	5.2%	2,165	6.9%
Tourism	5	7	7	1,038	12	0.8%	1,045	3.3%
Total	1,016	6,625	535	24,896	1,551	100%	31,521	100%

Note: The sum of the sub-sectors does not match the amount of sector as figures for the minor sub-sectors are not included.
Source: CDC

The table below reflects the annual investment amount by sector over the past five years.

In 2005, the petroleum sector received approval for a US\$201 million Chinese project.

In 2006, two large approved construction sector projects from Korean and Cambodian companies totaled US\$2,075 million.

In 2007, the telecommunications sector received seven approved projects with a sum of US\$472 million. The major participants were companies from Norway, Kazakhstan, and Vietnam.

In 2008, a Cambodian construction project of US\$98 million dollars and three services projects led by a Korean company were approved, together amounting to US\$1,036 million dollars. A total amount of the tourism sector reached US\$8,776 million with the approval of 20 projects.

In 2009, the tourism sector remains the largest sector in Cambodia although the amount of FDI declined to US\$3,901 million.

Table 2-1-5 CIB's QIP Approval by Year and by Sector

Sector	2005		2006		2007		2008		2009	
	No.	Amount US\$ Million	No.	Amount US\$ Million	No.	Amount US\$ Million	No.	Amount US\$ Million	No.	Amount US\$ Million
1.Agriculture	4	26	20	505	9	371	5	95	19	590
2.Mining/Industries	89	841	64	987	93	338	66	726	65	958
Energy	4	78	5	596	2	11	6	494	5	665
Food Processing	1	5	1	4	2	21	1	4	2	12
Garment	54	120	42	145	45	205	37	147	23	90
Mining	11	182	1	3	19	31	4	4	7	15
Petroleum	1	201	nil	nil	nil	nil	nil	nil	1	2
Shoes	nil	nil	7	31	7	25	2	12	7	28
Wood Processing	1	1	nil	nil	4	7	nil	nil	4	16
3. Services	6	83	8	2,171	13	653	9	1,292	4	410
Construction	3	48	3	2,080	1	21	1	98	nil	nil
Services	nil	nil	1	5	nil	nil	1	967	nil	nil
Telecommunication	nil	nil	nil	nil	7	471	2	87	1	235
4.Tourism	6	103	9	777	14	1,295	20	8,776	12	3,901
Hotel	4	65	4	22	5	113	6	1,189	1	17
Tourism	1	34	nil	nil	nil	nil	3	858	3	146
Total	105	1,052	101	4,440	129	2,656	100	10,889	100	5,859

Note: The sum of the sub-sectors does not match the amount of sector as figures for minor sub-sectors are not included.

Source: CDC

2.2 Needs of Foreign Investors: Results of Survey on Potential Investors

2.2.1 Outline of Survey on Potential Investors

The Study Team conducted the Survey on Potential Investors with the purpose of identifying the interests of potential foreign investors; i.e., Japanese, Chinese, and Korean companies in Cambodia, Thailand, and Vietnam. The survey attempted to clarify the determining factors their investment decisions, their need for services relating to investment promotion and investment information provisions (for detailed results, please refer to Appendix 2). The survey was conducted over the period

from May to June 2009.

A questionnaire was distributed to 662 companies resulting in a total of 130 respondents at a 19.6% response rate comprising 59 Japanese companies, 48 Chinese companies, and 23 Korean companies.

Table 2-2-1 Number of Distributed and Responded Questionnaires

Nationality Location	No. of Questionnaires Distributed (a)				No of Questionnaires Responded (b)				(b)/(a)
	Japanese	Chinese	Korean	Total	Japanese	Chinese	Korean	Total	
Cambodia	11	44	18	73	10	29	12	51	69.9%
Thailand	204	100	45	349	24	17	3	44	12.6%
Vietnam	161	36	43	240	25	2	8	35	14.6%
Total	376	180	106	662	59	48	23	130	19.6%

Source: JICA Study Team

2.2.2 Profile of Responding Companies

The profiles of the responding companies are shown in Table 2-2-2 to Table 2-2-4 below. Nearly 50% of responded companies are labor-intensive or export-oriented. More than 40% of the respondents depend more than 50% of their sales on exports. By industry, the garment/textile and agro-industry account for approximately 60% of the total respondents. Simple electronics and simple machine processing represent around 30% of the total.

Table 2-2-2 Business Type of Responded Companies

Top 5 answers	Nationality	Japanese (No. of Companies)	Chinese (No. of Companies)	Korean (No. of Companies)	Total	
					No. of Companies	Share
Labor intensive		20	9	7	36	28%
Export oriented		8	10	6	24	18%
Technology intensive		7	2	3	12	9%
Import substitution		4	4	3	11	8%
Part of International division of labor		8	1	1	10	8%
Total Respondents		59	48	23	130	100%

Source: JICA Study Team

Table 2-2-3 Responded Companies with Exporting Ratio over 50 %

	Japanese (No. of Companies)	Chinese (No. of Companies)	Korea (No. of Companies)	Total (No. of Companies)
No. of Companies with Exporting Ratio over 50% (a)	31	20	4	55
<i>Of which, number in Cambodia</i>	3	14	2	19
<i>Of which, number in Thailand</i>	11	6	1	18
<i>Of which, number in Vietnam</i>	17	0	1	18
Total Respondents (b)	59	48	23	130
(a)/(b)	52.5%	41.6%	17.4%	42.3%

Source: JICA Study Team

Table 2-2-4 Classification of Responded Companies by Industry

	Cambodia (No. of Companies)		Thailand (No. of Companies)		Vietnam (No. of Companies)		Total (No. of Companies)	
Garment/Textile	34		6		4		44	34%
Agro-industry	6		11		14		31	24%
Simple electronics	2		14		5		21	16%
Simple machine processing	2		9		9		20	15%
Tourism	4		0		2		6	5%
Footwear	3		1		1		5	4%
Natural rubber	0		3		0		3	2%
Total Respondents	51		44		35		130	100%

Source: JICA Study Team

2.2.3 Major Findings

(1) The Results of Questionnaire Survey

The following are the major findings of the Questionnaire Survey to Potential Investors.

- i) The primary purposes of investment in Thailand and Vietnam were the *establishment of a manufacturing base* and *market cultivation* in relevant country locations.

Nearly half of the respondents in Thailand and Vietnam indicated that *the establishment of manufacturing base* was their primary purpose of investment. Secondly, *market cultivation* was indicated as the purpose for 16% of respondents.

Table 2-2-5 Primary Purpose of Investment in Thailand and Vietnam

	Japanese (No. of Companies)		Chinese (No. of Companies)		Korean (No. of Companies)		Total Respondents (No. of Companies)		
	Thai	Viet	Thai	Viet	Thai	Viet	Thai	Viet	Total
Establish Manufacturing Base	13	12	7	0	3	3	23	15	38
Market cultivation	5	4	3	1	0	0	8	5	13
Scale of economy	0	1	1	1	0	3	1	5	6
Risk dispersion	1	2	1	0	0	0	2	2	4
Resource & energy acquisition	1	1	0	0	0	2	1	3	4
As supporting industry	1	0	1	0	0	0	2	0	2
Invest or export to third country or homeland	0	0	1	0	0	0	1	0	1
Others	2	3	1	0	0	0	3	3	6
No Answer	1	2	2	0	0	0	3	2	5
Total Respondents	24	25	17	2	3	8	44	35	79

Source: JICA Study Team

- ii) Major factors for investment decision-making, pointed out by respondents in three countries, were *labor market conditions - low wages*, followed by *social and political stability* and *incentive policies*.

The questionnaire asked respondents locating in three countries what is a factor for the decision to investment. The factor which gained most votes was *labor market conditions - low wages* followed by *social & political stability* and *investment incentive policies for specific industrial sectors*. Japanese companies gave the highest score to the *low wages* followed by *labor quality*.

Chinese and Koreans companies also pointed out *low wages* as important factors. However, most Chinese companies chose *investment incentive policies for specific industrial sectors*.

Table 2-2-6 Basic Requirements for Business/Investment

Top 5 Factors		Nationality	Japanese (No. of Companies)	Chinese (No. of Companies)	Korean (No. of Companies)	Total	
						No. of Companies	Share
Top 5 Factors	Labor market conditions (low wage)		37	15	13	65	50%
	Social & Political stability		26	17	8	51	29%
	Investment incentive policies of specific industrial sectors		17	24	9	50	38%
	Labor market conditions (quality of labor force, vocational training, etc.)		27	7	5	39	30%
	Distribution conditions (distribution infrastructure)		19	12	4	35	27%
Total Respondents			59	48	23	130	100%

Note: Respondents were asked to select from multiple answer choices.

Source: JICA Study Team

iii) More than half of respondents intend to make new investment or expand current investment at their location.

Altogether 73 out of 130 (56%) respondents expressed that they have plans for new investment or expanding current investment in their invested country. Around 60% of respondents located in Cambodia have plans for new investment or expanding current investment.

Table 2-2-7 Plan of New Investment or Expansion Investment in Current Country

	Japanese (No. of Companies)	Chinese (No. of Companies)	Korean (No. of Companies)	Total (No. of Companies)
The number of respondents which answered "Have an Investment Plan" (a)	31	28	14	73
<i>Of which, number in Cambodia</i>	8	14	9	31
<i>Of which, number in Thailand</i>	8	12	2	22
<i>Of which, number in Vietnam</i>	15	2	3	20
Total respondents (b)	59	48	23	130
(a)/(b)	53%	58%	61%	56%

Source: JICA Study Team

iv) Nearly 30% of responded companies show interest toward investment in Cambodia in the future.

Twenty-four (24) companies (30% of total respondents) from Thailand (12 companies) and Vietnam (12 companies) have future investment plans or interest in such concerning Cambodia.

Table 2-2-8 Investment Plan or Interest in Cambodia for the Future

	Japanese (No. of Companies)	Chinese (No. of Companies)	Korean (No. of Companies)	Total (No. of Companies)
The number of respondents which answered "Have a Investment Plan in Cambodia" (a)	14	7	3	24
<i>From Thailand</i>	5	6	1	12
<i>From Vietnam</i>	9	1	2	12
Total respondents in both countries(b)	49	19	11	79
(a)/(b)	29%	37%	27%	30%

Source: JICA Study Team

- v) Primary purposes for future investment in Cambodia are *market cultivation* followed by *establishment of manufacturing bases* and *export to a third country or homeland*.

Of the 55 companies (including companies located in Cambodia) possessing plans or interest in investing in Cambodia, eighteen companies (33%) were thinking of Cambodia as a *market cultivation* location. Eleven companies (20%) chose *establish manufacturing base* and seven companies (13%) pointed out *export to 3rd country or homeland*.

Table 2-2-9 Primary Purpose of Investment Plan in Cambodia

	Japanese (No. of Companies)			Chinese (No. of Companies)			Korean (No. of Companies)			Total (No. of Companies)			
	Cam	Thai	Viet	Cam	Thai	Viet	Cam	Thai	Viet	Cam	Thai	Viet	Total
Market cultivation	0	3	4	6	2	1	2	0	0	8	5	5	18
Scale of economy	1	0	0	0	0	0	0	0	0	1	0	0	1
Risk dispersion	1	0	2	0	0	0	0	0	0	1	0	2	3
Establish manufacturing base	1	2	3	3	0	0	0	1	1	4	3	4	11
As a supporting industry	2	0	0	0	0	0	1	0	0	3	0	0	3
Technology acquisition or development	0	0	0	0	0	0	0	0	0	0	0	0	0
Resource & energy acquisition	0	0	0	0	0	0	0	0	1	0	0	1	1
Brand popularity	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax reduction	0	0	0	2	0	0	2	0	0	4	0	0	4
Export to 3rd country or homeland	0	0	0	3	0	0	4	0	0	7	0	0	7
Others	0	0	0	0	0	0	0	0	0	0	0	0	0
No Answer	3	0	0	0	4	0	0	0	0	3	4	0	7
Total	8	5*	9	14	6	1	9	1	2	31	12	12	55*

Note: The number of Japanese companies in Thailand disagrees with the figure in Table 2-2-8.

Source: JICA Study Team

- vi) The respondents expect in relation to investment in Cambodia *a quality of labor force, social and political stability, and a distribution infrastructure*.

The most reported factors concerning expectations in Cambodia are *a quality of labor force*, followed by *social & political stability*, and *distribution conditions related to distribution infrastructure such as airports, ports, roads, railways & accessibility to such infrastructures*.

Table 2-2-10 Expectation Factors in Cambodia

Factors	Nationality	Japanese (No. of Companies)	Chinese (No. of Companies)	Korean (No. of Companies)	Total	
					No. of Companies	Share
Top 5 Factors	Labor market conditions (quality of labor force, vocational training, etc.)	21	4	5	30	23%
	Social & Political stability	16	7	7	30	23%
	Distribution conditions (distribution infrastructures)	24	1	3	28	22%
	Existence of domestic supporting industries and natural resource industries (easy domestic procurement of components & raw materials)	17	4	2	23	18%
	Foreign representative staff's living environment in general	19	0	3	22	17%
Total responded companies in 3 countries		59	48	23	130	100%

Note: Respondents were asked to select from multiple answer choices.

Source: JICA Study Team

- vii) Respondents considered the current issues of Cambodia to be *social and political stability*, and *the existence of domestic supporting industries and natural resources industries and distribution infrastructure*.

In addition to *social and political stability*, *existence of domestic supporting industries and natural resource industries* is seen as a current issue in Cambodia with foreign companies hoping for easy domestic procurement of components and raw materials in Cambodia. Particularly for Japanese investors, *distribution conditions: distribution infrastructure* is also a major issue.

Table 2-2-11 Current Issues in Cambodia

Factors	Nationality	Japanese (No. of Companies)	Chinese (No. of Companies)	Korean (No. of Companies)	Total	
					No. of Companies	Share
Top 7 Factors	Social & Political stability	20	15	10	45	35%
	Existence of domestic supporting industries and natural resource industries (easy domestic procurement of components & raw materials)	28	9	5	42	32%
	Distribution conditions (distribution infrastructures: airports, ports, roads, railways, etc. & accessibility to such infrastructures)	26	9	4	39	30%
	Public Utility Charges (Electricity, Water, Gas, etc.)	13	11	9	33	25%
	Labor market conditions (quality of labor force, adequate opportunities for potential employees to acquire vocational training, etc.)	15	6	7	28	22%
	Industrial Park conditions (electricity black-out rate, duty to install private power generators)	13	10	5	28	22%
	Compliance (official procedures in general)	16	6	6	28	22%
Total responded companies in 3 countries		59	48	23	130	100%

Note: Respondents were asked to select from multiple answer choices.

Source: JICA Study Team

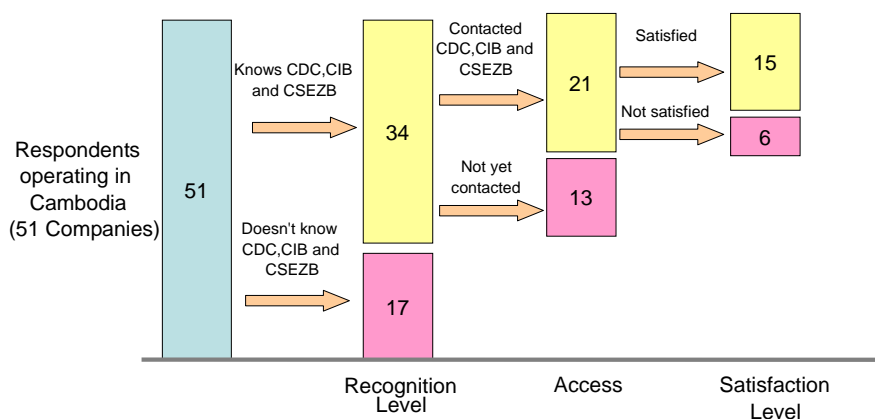
- viii) Among the respondents in Cambodia which have contacted with CDC/CIB/CSEZB (Cambodia SEZ Board), 71% of them are satisfied with its service.

Among 51 respondents operating in Cambodia, 34 respondents (67%) know CDC/CIB/CSEZB and 21 respondents (41%) have contacted or received its service. The rate of satisfaction for its service is 71% among the respondents in Cambodia which have utilized CDC/CIB/CSEZB.

Table 2-2-12 Recognition of Cambodian IPAs

Question	No. of Companies Answered "yes"												
	Japanese (No. of Companies)			Chinese (No. of Companies)			Korean (No. of Companies)			Total (No. of Companies)			
	Cam	Thai	Viet	Cam	Thai	Viet	Cam	Thai	Viet	Cam	Thai	Viet	Total
1. Know the existence of CDC/CIB/CSEZB?	9	0	1	17	0	0	8	0	2	34	0	3	37
2. Contacted with CDC/CIB/CSEZB or received service?	4	0	0	11	0	0	6	0	1	21	0	1	22
3. Satisfied with service of CDC/CIB/CSEZB?	0	0	0	11	0	0	4	0	0	15	0	0	15

Source: JICA Study Team



Source: JICA Study Team

Figure 2-2-1 Satisfaction Level for CDC/CIB/CSEZB

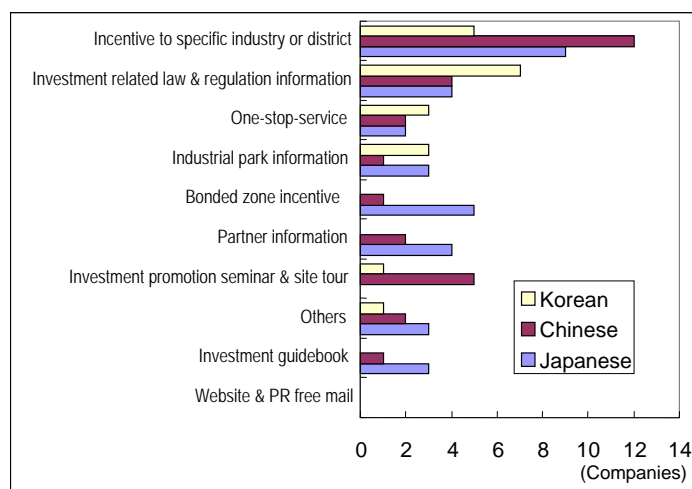
ix) The respondents would like to receive services such as *incentives to specific industries or districts*, and *information on investment related laws and regulations* from Cambodian IPA.

The most highly required incentives or services hoped to be provided by Cambodian IPA are *incentives to specific industries or districts* and *information on investment related laws and regulations*.

Table 2-2-13 Highly Required Incentives and Services from Cambodian IPA

Answer	Japanese (No. of Companies)	Chinese (No. of Companies)	Korean (No. of Companies)	Total (No. of Companies)
Incentive to specific industries or districts	9	12	5	26
Investment related information on laws & regulations	4	4	7	15
One-stop-service	2	2	3	7
Industrial park information	3	1	3	7
Bonded zone incentive	5	1		6
Partner information	4	2		6
Investment promotion seminar & site tour	-	5	1	6
Investment guidebook	3	1		4
Website & free PR e-mail	-	-	-	-
Others	3	2	1	6

Source: JICA Study Team



Source: JICA Study Team

Figure 2-2-2 Highly Requested Incentives and Services from Cambodian IPA

(2) The Results of Interview Survey

The Study Team conducted interviews with 85 companies located in Cambodia (36 companies), Thailand (29 companies), and Vietnam (20 companies).

Table 2-2-14 Breakdown of Interviewed Companies

	Interviewed Companies (No. of Companies)			
	Japanese Companies	Chinese Companies	Korean Companies	Total
Cambodia	10	16	10	36
Thailand	17	10	2	29
Vietnam	15	2	3	20
Total	42	28	15	85

Source: JICA Study Team

The interviewed companies provided their comments concerning the business environment of Cambodia. They specified negative aspects of Cambodia's business environment to be improved as follow:

- i) Insufficient infrastructure: electricity, water, transportation;
- ii) Necessary law enforcement: prevention of illegal import/export; abolishment of informal fees requested by government officials;
- iii) Lack of policies for encouraging small and medium enterprises (SMEs); and
- iv) Requests for IPA' services: Incentives, one-stop-services, partner information, enforcement of laws & regulations, website/free e-mail info.

The interviewed Japanese companies pointed out the following issues.

- i) Laws and regulations are not transparent. They should be more openly publicized;
- ii) The importation of materials and exportation of processed products is difficult;
- iii) Tax collection system not well established; and
- iv) Tourist visas should be abolished and the entrance fees for ancient monuments should be reduced.

The interviewed Chinese companies made the following comments:

- i) The over abundance of holidays in Cambodia makes productivity low. The productivity of Cambodian workers seems to be 30% lower than that in Vietnam;
- ii) Job movement by workers is very frequent in Cambodia; and
- iii) Business environment in Cambodia is relatively poor compared with neighboring countries and advantages of operating in Cambodia are decreasing.

The interviewed Korean companies mentioned the following request:

- i) Tax reductions for garment industry should be implemented as it is the primary industry in Cambodia;

2.2.4 Lessons for CIB from the Survey on Potential Investors

The following lessons for future enhancement of investment promotion by CIB can be obtained from the results of survey on potential investors.

- i) Promotion activities for image building to remove the current negative image of a socially and politically unstable Cambodia would be crucial to attracting investors into Cambodia.
- ii) Good aftercare services should be provided to existing investors in order to attract re-invest in Cambodia as the results indicate that more than half of respondents intend to engage in new investment or expanded current invest within their current location.
- iii) Policy advocacy function reflecting the direct voices of investors should be strengthened in particular so as to nurture supporting industries, improve distribution infrastructure, and increase labor force quality.
- iv) Specific investment incentives based on investment policies or industrial policies should be examined in close communication with related ministries considering the needs of investors.
- v) Major rules and procedures related to investment should be provided to investors in a visible and transparent manner so as to avoid fueling distrust towards Cambodia.
- vi) Service functions providing comprehensive and clear investment-related information, in particular investment laws and regulations, should be established by CIB in order to remove the negative images of Cambodia in relation to transparency.
- vii) Investment consultations for investors are needed to be expanded in order to help them understand the current situation and potentials of Cambodia, which would result from actual investment in Cambodia.

2.3 Comparison of Investment Costs

2.3.1 Investment Cost Comparison with Neighboring Countries

To illuminate the current investment environment of Cambodia, a cost comparison survey among Cambodia (Phnom Penh) and neighboring countries such as Thailand (Bangkok), Vietnam (Hanoi), and Indonesia (Jakarta) was implemented during the study under the cooperation of CIB.

The double digit inflation affecting Asian countries in 2008 has pushed up wages and real estate prices in Vietnam, Thailand, and Indonesia. Cambodia is no exception to this phenomenon. It is not easy task to compare costs as the recorded time and places differ across the data panel. Yet, it is very important to establish a general picture of business costs which has been monitored constantly by reliable sources.

The necessary cost data of the target neighboring countries was collected from the global cost

comparative study by the JETRO (Japan External Trade Organization) published through the JETRO website in June 2009. The appropriate cost data for Cambodia was collected from various sources in Cambodia through the study team in collaboration with their CIB counterparts. It might be expected that the collected data of Cambodia showing the latest information may help complement the cost comparative study of JETRO.

It is also important for CIB to keep recording the collected data and update it annually so as to provide the latest information to potential foreign investors in Cambodia.

2.3.2 Weakness and Strength of Cambodia in Investment Costs

The comparison of the investment costs is presented in the following table. Detailed comparative data is attached in Appendix 3. Major findings on the competitiveness of Cambodia (Phnom Penh) are as follows:

- i) Items which are more competitive in Phnom Penh are the wages of workers, land costs, office fees and taxes;
- ii) Items which are most expensive in Phnom Penh are telecommunications fees, internet access fees, and electricity.

Table 2-3-1 Cost Comparison among 4 Cities in the Neighboring Countries

		Phnom Penh	Bangkok	Hanoi	Jakarta
Wage					
Worker (month) (US\$)		80.0	231.9-393.2	69.8-125.6	125.0-262.4
Engineer (month) (US\$)		200.0-400.0	314.0-675.2	88.3-208.5	181.2-483.3
Manager (month) (US\$)		400.0-600.0	1,103.0-2,050.8	335.5-736.1	538.8-1,170.2
Statutory Minimum Wage		50.0/month	5.87/day	62.1/month	103.5/month
Bonus		- *	1.7-3.0 month	1.0-2.0 month	1.0-3.0 month
Social Security	Employer	0.5%	12.0%	17.0%	4.2-5.7%
	Employee	0.5%	11.0%	6.0%	2.0%
Land & Office					
Industrial Estate Land Purchase(US\$/m2)		50 99 years use	75.5	No land purchase	40-50
Land Lease work shop (US\$/m2)		1.5 50 years lease	6.04	30-60 50 years** use	3.5-4.0
Office lease(US\$/m2)		12-15	19.6	25	23-26
Telecommunication					
Telephone Installation (US\$)		50	101	33.87-45.16	47.87
Telephone Charge (Monthly basic fee) (US\$)		10	3	1.6	6.1
International call per 3 minutes to Tokyo (US\$)	Weekday	2.70	1.8	1.21-1.44	2.88
	Weekend	2.16		0.85-1.0	
Internet (Monthly fee) (US\$)		220	27	186.3	31.88
Electricity fee for business use					
Extra charge per 1kwh (US\$)		0.175-0.191	0.08	0.049-0.098	0.09
Fuel per litter					

	Phnom Penh	Bangkok	Hanoi	Jakarta
Regular gasoline (US\$)	0.9	0.98	0.81	0.48
Light oil (US\$)	0.78	0.9	0.64	0.46
Tax				
Corporate income tax (%)	20	30	28	10%-30%
Value added tax (%)	10	7	40	35%
Exchange rate				
US\$1	4,178 Riels	33.13 Bhts	16,103 VND	9,400 Rp.

Note: 1. Data on Phnom Penh as of June 2009

2. Data on other 3 cities based on JETRO survey of 2008 which was published on its website in June 2009.

* The concept of bonus is not generally shared in Cambodia. Employees can only receive the allowance for returning to their hometowns before the Khmer New Year, etc.

** Construction period is deducted.

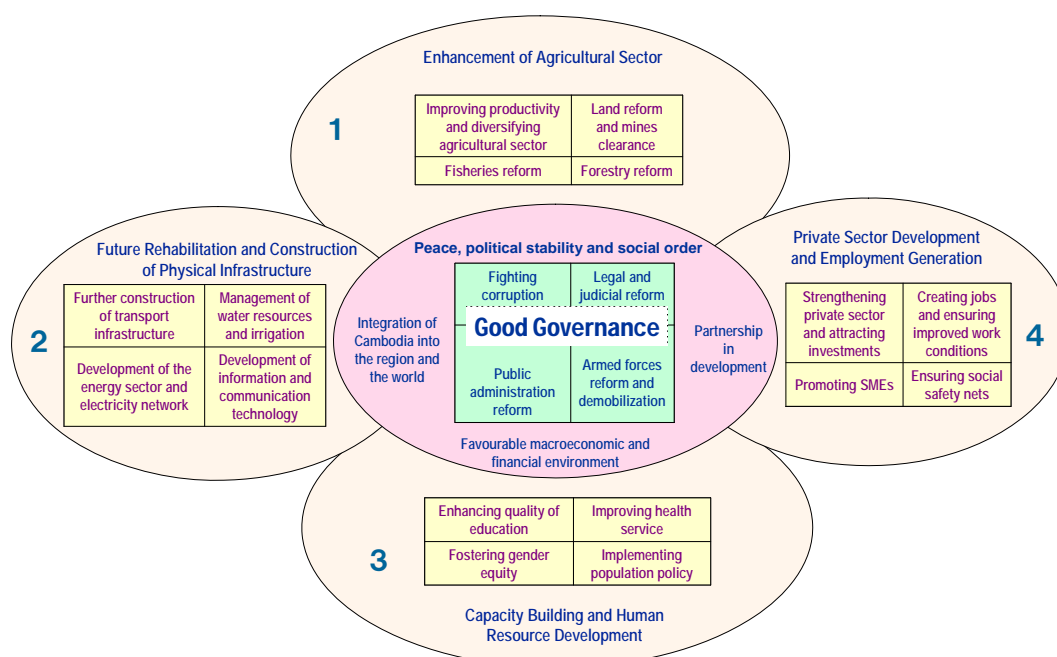
Source: CDC (data for Phnom Penh) and JETRO

CHAPTER 3 INVESTMENT PROMOTION POLICY IN CAMBODIA

3.1 National Development Policy and Investment Promotion

3.1.1 Overview of Rectangular Strategy and NSDP

The Rectangular Strategy (RS), a long-term framework for the Cambodian’s socio-economic development with the motto of “for Growth, Employment, Equity, and Efficiency”, was originally developed in 2004 by the RGC for the third legislature¹ to be its comprehensive strategy for the future (refer to Figure 3-1-1).



Source: RGC, July 2004

Figure 3-1-1 Rectangular Strategy

The core of RS is to establish “Good Governance” through the implementing of various reforms so as to achieve expeditiously socio-economic progress in the country’s priority sectors listed as the four interlocking pillars of the RS, namely: 1) enhancement of the agriculture sector; 2) further rehabilitation and construction of infrastructure; 3) private sector development and employment generation; and 4) capacity building and human resource development.

The National Strategic Development Plan (NSDP) 2006-2010 launched in August 2006 is a five-year development policy at the national level that has been developed with the aim of elaborating and implementing the comprehensive RS by the Ministry of Planning of the RGC with extensive

¹ Following the third general election in 2003, RGC for the third legislature of the National Assembly served between 2003 and 2008.

consultations held with key stakeholders to agree upon its priority goals². Prior to NSDP, RGC implemented two five-year development plans, namely the First Socio-Economic Development Plan 1996-2000 (SEDP I) and Second Socio-Economic Development Plan 2001-2005 (SEDP II). Thus, NSDP is the third of its kind, although the name has been changed from SEDP to NSDP. NSDP combines and synthesizes various policy instruments including the National Poverty Reduction Strategy (NPRS) and the Cambodia Millennium Development Goals (CMDGs)³ adopted in 2002 and 2003 respectively. NSDP is a single, overarching document that contains the country's clear priorities, goals, strategies and actions, and cost estimates for the period of 2006-2010. It is also a living document that can be amended and updated based on the annual review. The most important goals of NSDP are poverty reduction and the achievement of CMDGs through consistent macro-economic growth. There are a total of 43 macro and critical targets to be reached by 2010, including a sustainable economic growth of 6-7 percent per annum⁴.

RGC recognizes that even though Cambodia had made notable socio-economic achievements in years prior to the formulation of NSDP, they were mainly due to a favorable economic situation wherein any investment or expenditure caused spurring growth since the country was starting from ground zero⁵. RGC also admits that the past development tended to be spatially urban-based and sectorally uneven, leaving the country vulnerable to external shocks and leaving rural populations behind. In response to this, NSDP is meant to call for more proactive and direct strategies that can accelerate diversified economic growth by directing over 60% of resources to rural areas and promoting private sector development as the main engine of economic growth.

Since September 2008, RGC for the fourth legislature has been formed and has declared its pursuit of the "Rectangular Strategy Phase II (RS Phase II)" as its socio-economic policy. In order to retain consistency with the timeframe of RS Phase II, NSDP was chosen to be extended to 2013, while RS Phase II is counted on to accelerate the country's development for the next five years⁶. The draft of new NSDP, "NSDP Update", has been completed in May after the review for revision by relevant ministries under the leadership of the Ministry of Planning so as to reflect RS Phase II and the impacts of the global economic crisis since 2008. The new NSDP Update is scheduled to be announced by June 2010.

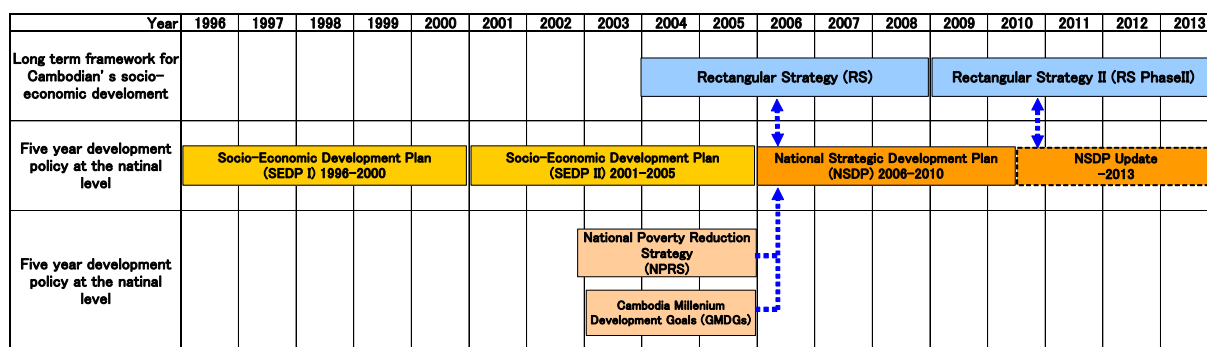
² The key stakeholders include government ministries and agencies, external development partners (EDP), and civil society organizations. NSDP, p.4

³ CMDGs are comprised of the following nine goals to be achieved by 2015; eradicate extreme poverty and hunger; achieve universal nine-year basic education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; forge a global partnership for development; and demining, UXO (un-exploded ordnance) and victim assistance. NSDP, p.35-36

⁴ See NSDP, p.39 for NSDP's Macro-goals and targets

⁵ NSDP, p.viii & 12

⁶ Mid-Term Review 2008 on NSDP, p.2



Source: JICA Study Team

Figure 3-1-2 National Development Strategies and Policies in Cambodia

3.1.2 NSDP and Investment Promotion

As evident from the above overview, RS and NSDP place significant emphasis on private sector development and investment promotion as the main engines for economic growth.

The importance of private sector development and investment promotion is reflected and reiterated in the Rectangular Strategy (RS) (see Figure 3-1-1) with “Private Sector Development and Employment Generation” being placed as the third pillar strategy of RS, which is, in turn, divided into the following four components: 1) strengthening the private sector and attracting investment; 2) promoting SMEs; 3) job creation and ensuring better working conditions for workers and employees”; and 4) establishment of social safety nets for civil servants, employees, and workers.”

NSDP also clearly states that “attracting private sector, both domestic and foreign is of utmost importance to accelerate the pace of economic development in Cambodia.” Furthermore, in order for the private sector to be developed, NSDP specifies RGC’s commitment to creating a regulatory framework and an investment climate conducive to private sector development⁷. Key strategies and actions instrumental to such commitment as identified in NSDP include:

- a) Operation of an expeditious facilitation mechanism with a “single window” for all private investor requirements from the government; and
- b) Removal of impeding factors raised in the Investment Climate Survey⁸ such as poor governance, regulatory burdens, and weakness in judicial and legal areas⁹.

Since NSDP lays out its plans, strategies, and actions sector-wise, as opposed to ministry-wise, it does not describe the detailed duties and responsibilities of government agencies or line ministries relevant

⁷ NSDP, xiii and p.43

⁸ The Investment Climate Assessment was a Study conducted by the World Bank in 2004, which is described in Chapter 2.3. World Bank, Cambodia: “Seizing the Global Opportunity: Investment Climate Assessment and Reform Strategy for Cambodia (Report No. 27925-KH)”. 2004 August

⁹ NSDP, p.66

to private sector development and investment promotion. However, CIB of CDC is mentioned in NSDP as the focal point for attracting and regulating private sector investment in Cambodia. Strategies and actions articulated in NSDP for investment promotion and related areas are summarized below.

Table 3-1-1 Strategies and Actions in NSDP for Investment Promotion¹⁰

Investment Promotion and Trade Facilitation
<ul style="list-style-type: none"> • Increase economic integration of Cambodia in the economies of the region and the world. • Create and implement Special Economic Zones (SEZs) that can attract FDI and create jobs. • Operate a single window as an expeditious facilitation mechanism for trade and all private investor requirements. • Facilitate trade that creates linkages between and among the local industries and consumers and attract investments in potential sectors such as agriculture, agro-processing, and handicrafts. • Promote Cambodian products as well as access to various external markets for unique and high quality Cambodian products, including processed agricultural products, fisheries products, and labor services. • Streamline trade customs inspections avoid delays and of inherent costs. • Help establish Export Processing Zones (EPZs) to promote export-oriented processing and manufacturing. • Recognizing tourism as the next sector following the garment industry for boosting economic growth and creating employments; taking various measures and initiatives for the promotion of the tourism sector.
Governance, Institutional Capacity, and Regulatory Framework
<ul style="list-style-type: none"> • Continuously strengthen the legal framework for enterprises including laws, regulations, and institutional capacity. • As identified in the Investment Climate Survey¹¹, effectively and speedily remove the factors impeding private sector growth, such as poor governance, regulatory burdens, and weakness in the judicial and legal environment. • Remove the current uncertainty and unpredictability caused by the above factors as they dissuade potential investors. • Reduce business entry barriers such as the high cost of registration and license fees. • Develop needed infrastructure and increase the availability of skilled manpower through technical, vocational education.
Private Sector Development
<ul style="list-style-type: none"> • Continue open dialogue with the private sector through the Private Sector Forum and the Steering Committee for Private Sector Development in order to address the concerns of the private sector. • Promote business membership organizations and strengthen their advocacy capacity. • Take various initiatives to foster SMEs that can provide linkages to trade and larger enterprises. • Increase the availability of rural credit.

Source: JICA Study Team; prepared based on NSDP¹²

Other initiatives taken by the RGC to facilitate private sector development include the launching of the Government-Private Sector Forum (G-PSF) in 1999 and of the Steering Committee for Private Sector Development in 2004. The G-PSF is described in the proceeding section. The latter is defined as being responsible for proposing and implementing measures to improve investment climate, trade facilitation, and private sector development, and is chaired by the Senior Minister/Minister of Economy and

¹⁰ Categorization was done for clarification purpose only, and some strategies are subject to overlap among these categories.

¹¹ World Bank, "Private Sector Development Strategy for Cambodia: Investment Climate Assessment", 2003

¹² NSDP, p.65-69

Finance with the Senior Minister/Minister of Commerce as Deputy Chairman, and the Governor of the National Bank of Cambodia and the Ministers of MIME, MAFF, MPWT and MOT as Members, and the Secretary General of CDC, as its Secretary¹³.

3.1.3 Government-Private Sector Forum (G-PSF)

The Cambodian G-PSF is the country's main platform for public-private sector dialogue. It was launched by the RGC in 1999 to improve the investment climate. Through the G-PSF, representatives from the government and private enterprise meet regularly to raise issues, share points of view, and collaborate in developing "private enterprise-friendly" policies, laws, and regulations. This ongoing dialogue aims at improving the business environment, leading to greater foreign and domestic investment, and contributing to sustainable economic growth. The G-PSF, known through its nationally televised meeting, is basically twice a year held every six months, bringing together the Prime Minister, key cabinet ministers concerned with economic development, and business leaders. Recently, the 15th G-PSF was held on 27th April 2010. Since these twice-annual Forums have the status of cabinet meetings, the Prime Minister can make binding decisions that resolve private sector problems. While the CDC acts as the General Secretariat for the G-PSF, IFC of the World Bank Group, with financial support from the Australian government through AusAID, has operated a bureau with secretarial and coordinating functions for the whole G-PSF process since 2002. The CDC, functioning as the Secretariat with responsibilities as the focal point for contact between the eight technical working groups setup under the Forum and for collecting all reports in order to prepare a summary report for the Prime Minister who chairs the whole G-PSF process¹⁴. The eight working groups consist of:

- i) Agriculture and Agro-industry;
- ii) Tourism;
- iii) Manufacturing and SMEs;
- iv) Laws, Taxation, and Governance;
- v) Banking and Financial Services;
- vi) Energy, Infrastructure, and Transport;
- vii) Export Processing and Trade Facilitation; and
- viii) Industrial Relations.

¹³ NSDP, p.25

¹⁴ "Cambodia G-PSF", Council for the Development of Cambodia, and G-PSF Website (<http://www.cambodia-gpsf.org>)

3.2 Institutional Framework for FDI Promotion

3.2.1 Basic Policy for FDI Promotion

(1) Non-discriminatory Policy

Since the economic rehabilitation and recovery days of Cambodia, the RGC has been FDI as a major engine for economic development and has prepared and implemented a series of laws and regulations to encourage private sector investment based on promotional policies. In pursuing such a vital mission of FDI promotion, the emphasis has been placed on the non-discriminatory policy in which domestic and foreign, private sector investment are given equal status, except on the topic land ownership, and regulated under the unified investment law. Article 8 of the Law on the Amendment to the LOI of 2003 (hereinafter referred to as “2003 LOI”) stipulates “a foreign investor shall not be treated in any discriminatory manner for reason only of the investor being a foreign investor, except in respect to the ownership of land as set forth in the Land Law”.

(2) Freedom of Investment

FDI in Cambodia is also being provided considerable freedom in investment activities. According to the provisions of Section 1 of the “Negative List” contained in “Sub-Decree No.111 on the Implementation of the Law on the Amendment to the LOI” of September 27, 2005, there are no investment fields which are open only to the domestic private sector but prohibited for FDI. Unlike in most other countries in the region, FDI providers in Cambodia are not required to obtain any investment licenses in order to set up their business unless they seek investment incentives. They are expected only to follow the same procedures as the domestic businesses do for establishing companies and starting operations.

(3) Flexible and Investor-friendly Policy

Under the 2003 LOI, fiscal and non-fiscal investment incentives are provided to both foreign and domestic investment projects in the same manner and, when the project is registered as a qualified investment project, a minimum 3-year tax holiday is automatically provided. The unified corporate tax rate of 20% is applied to foreign and domestic corporations under the Law on Tax and the social insurance, which the investors have to bear, also currently remains marginal. The RGC has also been quite flexible in cooperating with the private sector, especially in assisting them in maintaining their competitive edge in the export market. Although such assistance often comes in an ad hoc form of Sub-Decree, Ordinance or Prime Minister’s or Minister’s letter, the RGC claims they try their best to meet the investors’ needs in a flexible and timely manner.

(4) Policy Effect

As a result of such efforts of the RGC, it perceives that “private sector investment and involvement are growing at a rapid pace as evident from the micro-economic and monetary indicators thereby affirming the increasing confidence and comfort of the private sector in engaging in Cambodia” in “Mid-term Review 2008 on National Strategic Development Plan 2006 - 2010”, published by the RGC in November 2008. The private sector investment is estimated to have increased from US\$ 1,227.4 million in 2006 to US\$ 1,822.7 million in 2008 and was projected to increase up to US\$ 2,308.4 million in 2010. Among private sector investment, FDI¹⁵ was US\$ 475 million in 2006, jumping up to US\$ 682 million in 2008, and is projected to increase further to US\$ 825.7 million in 2010. To the contrary, however, the ratio of FDI in private sector investment is estimated to have decreased from 38.7% in 2006 to 35.7% in 2010.

3.2.2 Transition of Legal Framework for FDI Promotion

In 1989, the first Investment Law of Cambodia in the post-war era was enacted, however, it was said that the Law was made based on socialistic ideals and did not compliment a free economy system. Following Directive No.536 dated October 19, 1993 of the Cabinet of the Prime Ministers on the adoption of a market economy, the second “LOI” was adopted by the National Assembly on August 4, 1994, as the first investment law targeting FDI based on free economy mechanisms.

The LOI of 1994 provided investors with the following incentives:

- i) 9% corporate tax;
- ii) Tax holiday up to 8 years;
- iii) Non-taxation on the distribution of dividends or profits or proceeds of investments; and
- iv) 100% import duties exemption on construction materials, means of production, equipment, intermediate goods, raw materials, and spare parts used by export-oriented projects, projects located in the Special Promotion Zones, etc.

Nevertheless, it was pointed out by many investors that the 1994 LOI was complicated, nontransparent, and not effectively applied. Under such circumstance, the RGC, the World Bank, and the International Monetary Fund (IMF) jointly took the initiative to modify the Law. According to the Joint IMF-World Bank Statement of April 4, 2001, circulated at the “Workshop on Revisions to the LOI” held in Phnom Penh, the main objective of the changes was to provide a transparent system with minimal administrative discretion that would provide adequate incentives for investment, codified under the Law on Taxation. The goal was to have appropriate incentives for investment (foreign or domestic), while also reducing the large revenue leakages inherent in the prevailing system. The 2003 LOI was

¹⁵ Actual capital inflow from “Mid-term Review on National Strategic Development Plan 2006-2010”

thus enacted in March 2003.

3.2.3 Current Legal Framework for FDI Promotion

(1) Basic Law and Regulations

The basic Cambodian legal framework regulating the private sector investment and its promotional activities currently consist of the following:

- i) The 2003 LOI: Promulgated on March 24, 2003. The Law aimed to bring transparent, non-discretionary, automatic and predictable principles into investment-related activities;
- ii) “Sub-Decree on the Establishment of the Sub-Committee on Investment of the Provinces-Municipalities of the Kingdom of Cambodia” (hereinafter referred to as “PMIS Sub-Decree”): Issued on February 9, 2005 to regulate the licensing scheme for investments of less than US\$ 2 million;
- iii) “Sub-Decree No.111 on the Implementation of the Law on the Amendment to the LOI” (hereinafter referred to as “Sub-Decree on Implementing LOI”): Issued on September 27, 2005 to implement the 2003 LOI;
- iv) “Sub-Decree No.148 on the Establishment and Management of the Special Economic Zones” (hereinafter referred to as “SEZ Sub-Decree”): Issued on December 29, 2005 to introduce the SEZ scheme into Cambodia;
- v) “Sub-Decree No.149 on the Organization and Functioning of the CDC”): Issued on October 3, 2008 to revise the preceding “Sub-Decree No.147 on the Organization and Functioning of the CDC”.

(2) The 2003 LOI

a. Qualified Investment Project

The 2003 LOI introduced the concept of a QIP, to which the investment incentives will be automatically granted. Under the 2003 LOI, the investment incentives shall be granted on a project-wise, not on the company-wise, basis. To be admitted as a QIP, an investor must submit an Investment Proposal to CDC or the PMIS and receive a Final Registration Certificate (hereinafter referred to as “FRC”) under the 2003 LOI. Should the investment amount be less than US\$ 2 million, the Investment Proposal is submitted to the PMIS.

b. Automatic Approval of QIP

The 2003 LOI also introduced the automatic approval system of QIP. Within 3 working days of the receipt of the Investment Proposal, a Conditional Registration Certificate (hereinafter referred to as “CRC”) or a Letter of Non-Compliance is issued to the applying Investor. The CRC specifies the

approvals, authorizations, clearances, licenses, permits or registrations required for the QIP to operate and the CRC also confirms the incentives that the QIP is entitled to under Article 14 of the 2003 LOI. If CDC or PMIS fails to issue a CRC or a Letter of Non-Compliance within 3 working days, the Investment Proposal is deemed to be registered and CDC or PMIS must issue a CRC to the Investor immediately.

Should the investment project fall into any of the following categories, CDC submits for approval by the Council of Ministers (hereinafter referred to as “COM”):

- i) Investment capital of US\$ 50 million or more;
- ii) Projects that involve politically sensitive issues;
- iii) Projects that involve the exploration or the exploitation of mineral or natural resources;
- iv) Projects that may have negative impacts on the environment;
- v) Project that have long-term strategies; or
- vi) Infrastructure concessions.

CDC or PMIS has the right to postpone the registration of specific Investment Projects relating to national interests or which are environmentally sensitive that require processing through the One-Stop Mechanism of CDC or PMIS, and who will notify the Applicant of the specific grounds within 3 working days of the submission of the Investment Proposal.

c. QIP Application Process

The QIP application process through the obtaining of the FRC is shown in Table below.

Table 3-2-1 Application Process for QIP

Party to Take Action	Process	Condition/ Remarks
Applicant	Submission of the Investment Proposal to the CDC or PMIS	Use of a completed Application Form Payment of Application Fee of 7 million Riels
CDC or PMIS	Issuance of “Conditional Registration Certificate” (CRC) if the Investment Proposal contains all the required information, and the proposed activity is not on the Negative List and not related to national interests/ environmental sensitive	To be Issued within 3 working days after the submission of the Investment Proposal. The CRC specifies the approvals, authorizations, clearances, licenses, permits, or registrations required for the QIP to operate as well as the government entities responsible to issue such approvals, etc. The CRC confirms the incentives to which the QIP is entitled and recognizes the status of the legal entity.
	Issuing of the “Letter of Non-Compliance”. If the Investment Proposal does not satisfy the above condition.	The Letter of Non-Compliance should clearly state the reasons for the Investment Proposal not being accepted and additional information necessary to allow CDC or PMIS to issue the CRC.
	If a CRC or Letter of Non-Compliance is not issued within 3 working days, the CRC shall be considered automatically approved.	

Party to Take Action	Process	Condition/ Remarks
CDC or PMIS	Obtains all of the licenses from relevant ministries-entities listed in the CRC on behalf of the Applicant.	All government entities responsible for issuing an authorization, clearance, license, permit or registration listed on the CRC must issue those instruments no later than the 28th working day from the date of the CRC. Any government official who, without proper reason, fails to respond to an Applicant's request by this deadline shall be punished by law.
CDC or PMIS	Issuance of the "Final Registration Certificate" (FRC)	To be issued within 28 working days from the issuance of the CRC. The date of issuance of the FRC shall be the date on which the QIP commences.

Source: JICA Study Team

d. One-Stop Service

CDC or PMIS is expected to provide a one-stop service for obtaining all of the licenses from the relevant ministries-entities listed in the CRC on behalf of the Investor. They issue an FRC together with their necessary licenses listed in the CRC to the Investor within 28 working days of the issuance of the CRC. Upon submitting the Investment Proposal, the Investor has to pay an application fee of 7 million Riel, which represents the administration fees for securing the approvals, authorizations, licenses, and registrations from all relevant ministries and entities including stamp duties.

e. Limitations on Foreign Investment

There is no sector closed only to foreign investment, although investment activities in 4 areas listed in Section 1 of ANNEX 1 ("Negative List") of the "The Sub-Decree No.111 on the Implementation of the Law on the Amendment to the LOI" are prohibited for both Cambodian and foreign entities. Land ownership by foreigners is also prohibited by the Constitution, Land Law, and Investment Law.

f. Investment Guarantees

The 2003 LOI provides investment guarantees as follow:

- i) A foreign investor shall not be treated in any discriminatory manner by reason only of the investor's being a foreign investor, except in respect to ownership of land;
- ii) The Royal Government will not undertake a nationalization policy that would adversely affect the private property of investors in Cambodia;
- iii) The Royal Government shall not fix the price or fee of the products or services of a QIP; and
- iv) The Cambodian Government shall permit investors to purchase foreign currencies through the banking system and to remit abroad these currencies for the purpose of payment for imports and repayment of principle and interest on international loans, payment of royalties and management fees, remittance of profits, and repatriation of invested capital.

g. Investment Incentives

QIPs are entitled to the following investment incentives:

- i) QIPs may elect to receive a profit tax exemption or use a special depreciation;
- ii) Profit tax exemption (Selective): A tax holiday period is 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 comes first;
 - Priority Period: To be determined by the Financial Management Law. This period varies according to the investment amount and the investment field such as light industry, heavy industry, tourism industry, agriculture and agro-industry, or backbone infrastructures: 0 - 3 years;
- iii) An annual Certificate of Obligation Satisfaction has to be obtained by the QIP to be entitled to the “Profit Tax Exemption”;
- iv) Special depreciation (Selective): 40% special depreciation allowance on the value of new or used tangible property used in production or processing activities of the QIP; and
- v) Duty free import of production equipment, construction materials, etc. as shown in the Table 3-2-2 below;

Table 3-2-2 Duty-Free Import for QIPs

Type of QIP	Commodities to be imported free of duty
Domestically oriented QIPs	Production equipment, construction materials, and production inputs to be used in the production of exports goods.
Export oriented QIPs (except those which elect or which have elected to use the Customs Manufacturing Bonded Warehouse mechanism)	Production equipment, construction materials, raw materials, intermediate goods, and accessories.
Supporting Industry QIPs	Production equipment, construction materials, raw materials, intermediate goods, and production input accessories. In cases where the Supporting Industry QIP fails to supply 100% of its manufactured products to the export industry or directly export its products, the QIP shall pay the customs duties and taxes on production inputs for the quantity that has not been supplied to the export industry or directly exported.

Source: JICA Study Team

- vi) It is said that the zero % rate of Value Added Tax (VAT) is being applied since 1999 to certain sub-sectors, namely garment and footwear manufacturing, on their imported production input and production materials as an ad hoc preferential treatment to improve their competitive edge in the international market;
- vii) A QIP located in a designated SPZ or EPZ: To be entitled to the same incentives and privileges as other QIP stipulated in the 2003 LOI;

- viii) A QIP shall be entitled to 100% exemption on export taxes, except for activities as stipulated in laws in effect; and
- ix) 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 CDC or PMIS.

(3) The SEZ Sub-Decree

a. Nature of the SEZ

The SEZ scheme was introduced to improve and solve the problems and vulnerabilities of Cambodia relating to vague land ownership, weak infrastructure and lengthy QIP approval procedures, and to promote private sector investment; especially FDI.

According to the stipulations of the SEZ Sub-Decree, the Cambodian 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 should have a Production Area which may have a Free Trade Area, Service Area, Residential Area, and/or Tourist Area, and must have land of more than 50 hectares with precise locations and geographic boundaries.

b. Managing Body of the SEZ Scheme and One-Stop Service

“Sub-Decree No.147 on the Organization and Functioning of the CDC” was issued on December 29, 2005 to restructure CDC and a new wing of the CDC called the Cambodian Special Economic Zone Board (hereinafter referred to as “CSEZB”) was set up as a “One-Stop Service” organization in charge of the development, management, and supervision of the operations of the SEZ. CSEZB is responsible for setting up a Special Economic Zone Administration (hereinafter referred to as “SEZ Administration”) in each SEZ to provide a one-stop service to zone investors.

c. Qualification and Procedures for locating in an SEZ

A Zone Investor in any SEZ must submit an Investment Proposal to the SEZ Administration for obtaining a QIP status. The SEZ Administration has the duty of deciding on the registering of the Investment Proposal and on the issuance of the FRC according to the procedures for investment registration set forth in the 2003 LOI and Sub-Decree on implementing the LOI. Until the SEZ Administration is set up in the SEZ, such submissions must be made to the CSEZB. Unless the Investor obtains a FRC, the Investor is not permitted to locate in the SEZ.

d. Incentives

As defined in the 2003 LOI 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 under the Law.

The incentives to be granted to the Zone Developers and Zone Investors are summarized in Table 3-2-3 below.

Table 3-2-3 Incentives in the SEZ

Beneficiary	Incentives
Zone developers	<ul style="list-style-type: none"> - 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 LOI. - The import of equipment and construction materials to be used for infrastructure construction in the zone shall be allowed and exempted from import duties and other taxes. - The Zone Developer may obtain a land concession from the State for establishing the SEZ in areas along the border or isolated regions in accordance with the Land Law, and may lease this land to the Zone Investors.
Zone investors	<ul style="list-style-type: none"> - Are entitled to the same incentives for customs duty and tax as other QIP. - Incentives of a VAT at a rate of 0% shall be obtainable unless the Production Output is sent to the domestic market. The amount of tax exemption for every import shall be recorded. In case the Production Outputs are sent into the domestic market, the Zone Investor shall pay the amount of Value Added Tax as recorded in comparison with the quantity of export.
Common	<ul style="list-style-type: none"> - 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. - Prohibition of discriminatory treatment as foreigners, prohibition on nationalization, and prohibition on price fixing.

Source: JICA Study Team

The VAT is not be levied on imported construction materials, production equipment, or production inputs for Export QIP, or on the imported construction materials or production equipment of Domestic QIP located in an SEZ.

e. Approved SEZs under the SEZ Sub-Decree

The Cambodian government has so far approved the following 21 SEZs under the SEZ Sub-Decree.

Table 3-2-4 List of Approved SEZ in Cambodia

Name	Area	Location
Neang Kok Koh Kong SEZ*	335 ha	Mundul Seyma Destrict, Koh Kong Province
Suoy Chheng SEZ	100 ha	Mundul Seyma Destrict, Koh Kong Province
S.N.C SEZ	150 ha	Khan Prey Nob , Preah Sihanouk Province
Stung Hao SEZ	192 ha	Stung Hav District, Preah Sihanouk Province
N.L.C SEZ	105 ha	Srok Svay Teab, Sray Rieng Province
Manhattan SEZ*	157 ha	Chantrea District, Svay Rieng Province
Poi Pet O'Neang SEZ*	467 ha	O' Chhrov District, Banteay Meanchey Province
Doung Chhiv Phnom Den SEZ	79ha	Kiri Vong District, Takeo Province
Phnom Penh SEZ*	350 ha	Phnom Penh and Ang Snuol District, Kandal Province
Kampot SEZ	100 ha	Kampot district, Kampot Province
Sihanoukville SEZ 1	178 ha	Stung Hav District, Sihanoukville City

Name	Area	Location
Tai Seng Bavet SEZ*	99 ha	Bavet District, Svay Rieng Province
Oknha Mong SEZ	100 ha	Srea Ambel District, Koh Kong Province
Goldfame Pak Shun SEZ*	80 ha	Sa Ang District, Kandal Province
Thary Kampong Cham SEZ*	142 ha	Memot District, Kampong Cham Province
Sihanoukville SEZ 2*	1,114 ha	Prey Nob District, Preah Sihanouk Province
D&M Bavet SEZ	118 ha	Chantrea District, Svay Rieng Province
Sihanoukville Port SEZ	70 ha	Methapheap District, Preah Sihanouk Province
Kirisakor Koh Kong SEZ	1,750 ha	Kirisakor District, Koh Kong Province
Kampong Saom SEZ	255 ha	Khan Stung Hav, Sihanoukville City
Pacific SEZ	107 ha	Svay teap District, Svay Rieng

Note: * SEZ where investors are in operation or constructing their factories.

Source: The CSEZB

Currently only 8 SEZs have investors in the operation or in the factory construction stage. Those FDIs are in the field of manufacturing or the assembling of garments, motorbike and bicycle assembly, footwear, metal products, packaging and food, or agricultural products.

3.2.4 Bilateral Legal Framework for Investment Promotion between Japan and Cambodia

“Agreement Between Japan and the Kingdom of Cambodia for the Liberalization, Promotion and Protection of Investment” (hereinafter referred to as “Japan-Cambodia Investment Agreement”) was signed between former Japanese Prime Minister Abe and Cambodian Prime Minister Hun Sen on June 14, 2007 and came into effect on July 31, 2008. Japan-Cambodia Investment Agreement is said to have attained the highest guarantee for the investment freedom and protection among the existing Japanese investment agreements and EPA agreements.

Japan-Cambodia Investment Agreement includes the provisions to set up the basic rules for promoting, smoothing, and protecting the bilateral investment as follows:

- i) Equal treatment of the investors in each country;
- ii) Most favorable treatment without exception;
- iii) Prohibition of request for the performance, e.g. to export a given level or percentage of goods or services; to achieve a given level or percentage of domestic content, etc.;
- iv) Investment protection between the investors and the State (Umbrella clause);
- v) Obligation to endeavor to provide a reasonable opportunity for comments by the public before the adoption, amendment, or repeal of regulations (Public comment clause); and
- vi) Measures and efforts to prevent and combat corruption.

The first Japan-Cambodia Joint Committee Meeting under the Agreement as well as the first Japan-Cambodia Public and Private Sector Joint Meeting was held in Phnom Penh on August 11th, 2009. The second Public and Private Sector Joint Meeting was held in December 17th, 2009.

3.2.5 Organizational Framework for FDI Promotion

(1) Transition of the Organizational Framework of Cambodia for FDI Promotion

Following the enactment of the first LOI in Cambodia in 1989, the “National Committee for Investment (NCI)” was established under the Ministry of Planning in 1990. The NCI was said to be a Vietnamese style organization based on the socialist economic system. In 1993, upon the establishment of the RGC following the first general election, the NCI was moved under the supervision of the Council of Ministers and restructured and renamed as CDC.

Under the “Sub-Decree on the Organization and Functioning of the CDC” dated on June 26, 1995, the CDC was defined as the executive agency of the RGC to be the “Etat Major” and the “one-stop service” of the RGC responsible for the rehabilitation, development, and investment activities. The Cambodian Investment Board (hereinafter referred to as “CIB”), as one of the two wings of the CDC, was assigned to be responsible for the supervision and promotion of private sector investment, while the Cambodian Rehabilitation and Development Board (hereinafter referred to as “CRDB”), as the other one wing of the CDC, was responsible for the public sector investment.

The CIB had eight departments as it does at this time, and the “Information and Documentation Department” existed at the initial stage. The “Information and Documentation Department” was later merged into the “Public Relations and Investment Promotion Department” and “Investment Project Monitoring Department” was established. However, the organizational changes of CIB have only been marginal until present. CIB was also made responsible for the initiation and coordination of the management of special promotion zones.

On December 29, 2005, the “Sub-Decree No.147 on the Organization and Functioning of the CDC” was issued and the CSEZB was established as the third wing of the CDC to be in charge of the development, management, and supervision of operations of the SEZ.

As a result, although the Cambodian investment law was amended considerably based on the 2003 LOI and Sub-Decree on implementing LOI of 2005 and, under the PMIS Sub-Decree, the provincial/municipality government came to deal with the private sector investment projects less than US\$ 2 million, CIB still plays a major role in regulating, monitoring and promoting private sector investment.

Major changes in the organization and functions of CDC, as shown in some of the Sub-Decrees relating to the CDC’s organization and function, are summarized in Table 3-2-5 below.

Table 3-2-5 Major Change in the CDC Organization and Function

	Sub-Decree of June 1995	Sub-Decree No.147 of December 2005	Sub-Decree No.149 of October 2008
No. of Chairman	2	2	1
No. of Vice Chairman	1	3	4
No. of Members	8 (Incl. Secretary Generals of the CDC, CRDB and CIB)	38 (Incl. Secretary Generals of the CDC, CRDB and CIB, Governor of National Bank , Commander-in-Chief of the Royal Cambodian Armed Forces, Commissioner General of the National Police, Director General of Cambodian National Petroleum Authority, Provincial Governors, President of Phnom Penh Chamber of Commerce, etc)	17 + 1 (Secretary) (Incl. Governor of National Bank, Chairman of Supreme National Economic Council. The Secretary General of the CDC became non-member and “Secretary” for the CDC board.)
Board	CRDB: Responsible for public sector investment CIB: Responsible for private sector investment	CRDB: Responsible for public sector investment CIB: Responsible for private sector investment CSEZB: Responsible for SEZ development and private sector investment into the SEZ	Ditto
Department of CIB	1.Public relations and promotion of private sector investments 2.Investment project evaluation and Incentives 3.Environmental impact assessment 4.Inter-ministerial coordination 5.Strategic planning of private sector investments 6.Legal procedures and other matters relating to the LOI 7.Information and documentation 8.Administration	1.Public relations and investment promotion 2.Project evaluation and incentives 3.Environment assessment 4.Inter-ministerial coordination 5.Strategic planning 6.Legal procedure and investment law 7.Project monitoring 8.Administration	Ditto
Department of CSEZB	None	Policy and planning Operation and management Project registration and study Administration	Policy and planning Operation and management Project registration and study Administration

Note: Department names in English are the ones confirmed at the Working Group meetings based on the descriptions in the "Unofficial English Translation of the Sub-Decree No.149". These names will be used consistently throughout this Study.

Source: JICA Study Team

(2) Current Organizational Framework for FDI Promotion

“Sub-Decree No.149 ANK.BK (RGC) on the Organization and Functioning of the CDC” of October 2008 is the currently prevailing regulation to provide an institutional framework for CDC.

Under this Sub-Decree and the PMIS Sub-Decree, CIB, CSEZB and PMIS are defined a responsible

for managing, supervising and promoting private sector investment. CIB deals with private investment projects located outside of an SEZ, CSEZB handles those located inside of an SEZ and SEZ development projects, and PMIS manages projects of less than US\$ 2 million. CSEZB deals directly with the SEZ developers but indirectly with the investors who locate in the SEZ through the SEZ Administration. Among CIB, CSEZB, and PMIS, there is no department or section specialized and concentrating on only promotional activities except for the Public Relations and Private Investments Promotion Department of CIB. Applicants (investors) go directly to the Investment Project Evaluation and Incentives Department to submit the Investment Proposal and receive the FRC.

The Sub-Decree No.149 also stipulates that CDC must submit some investment projects for approval to COM as described in Chapter 3.2.3 (2) herein. In addition, Article 12 of Sub-Decree No.149 requires that CDC be responsible to COM for its actions. By being responsible for supervising CDC and approving the above mentioned vital investment projects, COM also plays a major role in FDI promotional activities in Cambodia.

The Sub-Decree implementing the LOI stipulates that CDC has the right to postpone the registration of specific investment projects related to national interests or which are environmentally sensitive and require processing through a One-stop Meeting of the CDC. Within such a One-stop Meeting, representatives from all relevant ministries or governmental institutions are called on attend in order to assess and make final decision on the Investment Projects. Through this approach, whole governmental organizations are also responsible for FDI promotion.

(3) Other Related Organizations for FDI Promotion

Since the 2003 LOI requires investors to register with the CIB, CSEZB, or PMIS only when they seek investment incentives and/or guarantees, non-QIPs are free from being involved with any of these agencies. Non-QIPs include the following:

- i) Investment activities eligible for the incentives but not reaching the minimum requirement defined in “Sub-Decree on implementing LOI”:
- ii) All kinds of commercial, import, export, wholesale, and retail activities including duty free shops;
- iii) Any transportation services by waterway, road, or air except for investment in the railway sector;
- iv) Tourism service providers, tourism agents, tourism information and tourism advertisement;
- v) Currency and financial business and services including banks, financial institutions, insurance companies, and all kinds of financial intermediation;
- vi) Activity related to newspaper and media including radio, television, press, magazines, movies, video production or reproduction, theatres, studios, and related activities;

- vii) Professional services;
- viii) Production and processing of wood products that use wood from natural forests with a legal domestic supplying source for raw materials;
- ix) Car parking;
- x) Warehouses facilities;
- xi) Provision of value added services for all kinds of telecommunication services;
- xii) Real estate development; and
- xiii) Exploration of gas, oil, and all kinds of mining including supply bases for gas and oil activities, etc.

Although they are not required to register with CIB, CSEZB, or PMIS, they may require approval, permission, or authorization from a line ministry. In this connection, the line ministries are also considered to be within the organizational framework of Cambodia for FDI promotion.

3.3 Investment Promotion Activities by Relevant Cambodian Government Ministries and Business Association

Besides CIB, some Cambodian government ministries have conducted various kinds of activities relating to investment promotion according to their mandates¹⁶. The main activities relating to investment promotion as well as the relevant published materials and useful Websites are summarized in the following tables organized by entity:

(1) Ministry of Commerce (MOC)

<i>Investment Promotional Activities</i>	
Activities Abroad	MOC is active in a variety of missions and events abroad primarily through the Trade Promotion Department. According to references and sources, officials of the Trade Promotion Department participated in the International Pretoria Show - International Fair Industrial, Commercial, and Agricultural Fair in September 2008 as well as the Mekong Trade Exhibition sponsored by METI and JETRO of Japan in 2006. It is reported that the Trade Promotion Department has participated in more recent activities abroad though no specific examples have been given. On the political level, MOC has sent official delegations abroad for securing agreements to benefit Cambodian investment including a delegation headed by the MOC Minister and relevant garment companies and associations to the US in November 2009 in an attempt to secure duty-free status for Cambodian products.
Domestic Activities	MOC participates in or handles directly the receiving of foreign delegations relating to trade and trade oriented investment most recently with the reception of delegations from Bhutan, Germany and the American Chamber of Commerce, Singapore (ACC Singapore) to name a few from 2009. MOC also participates in domestic investment promotion activities with the planned participation of the Trade Promotion Department in the May 2010 Cambodia Investment & Business Development (CIBD) Fair.

¹⁶ Investment promotion activities of CDC/CIB are described in Chapter 4.

Planned Investment Promotion Support Activities
MOC is continuing such activities as noted through the Department of Trade Promotion and it's receiving and dispatching of delegations. In terms of aftercare, services are provided by the relevant department based on the issue of the investor.
Relevant Online References and Resources
Trade Promotion Department Website of MOC: http://www.tpd.gov.kh/ MOC Primary Website (frequently unavailable due to new server system): http://www.MoC.gov.kh/ News Resources: http://www.khmernews.com , www.fibre2fashion.com/news/
Useful Materials for Investment Promotion
MOC currently distributes two primary Investor Promotion/Assistance documents through the Bureau of Business Registration, the Bi-lateral Trade Department, and the Department of Trade Promotion. One other document, Cambodian Promising Exports 2005, is purported to be in circulation, however, no hard or softcopy of the document has been found during the Study. It is important to note that all encountered materials and reported past projects have been implemented through the initiative and support of outside NGOs and international organizations.
The Handbook on Commercial Registration
The Handbook on Commercial Registration is provided primarily through the Bureau for Business Registration of MOC in hardcopy. The document was created with the cooperation of ADB with MOC and provides an overview of all practical business issues of a normal company as well as a CD containing a number of necessary forms. This document is distributed both at the Business Registration Bureau of MOC as well as at CDC.
The Handbook on Export Procedures: a practical guide for small and medium enterprises in Cambodia
The Handbook on Export Procedures was created by MOC through the support of IFC of the World Bank Group. The Handbook is only available in hardcopy form. The Handbook provides detailed information concerning the necessary documents and procedures with specific attention provided for, pharmaceutical Industry, forest Products, sand, garment Industry, produce, animal Products, handicrafts and cultural product industry, fine Arts, fishery industry, and precious stones/metals and jewelry
Cambodia Promising Exports 2005
As derived from comments and references made by press releases, articles, and interviewees, the Cambodia Promising Exports 2005 document contains an overview of Cambodia's promising export industries in terms of investment as well as specific exportable products for foreign markets. The document is listed as being available for order on the Trade Promotion Department website. It is uncertain whether this document was created solely through MOC or with an outside supporter.

(2) Ministry of Industry, Mines and Energy (MIME)

Investment Promotional Activities
Activities Abroad
MIME is not currently involved in or planning any type of foreign promotion activities or foreign Investment Promotion delegations though such activities were implemented 6 years earlier with missions having been sent to Japan, Malaysia, and Thailand. MIME states that they have limited their international missions and delegations as most investing nations have been sending their own delegations to Cambodia.
Domestic Activities
MIME receives a number of foreign delegations averaging 2-4 every year. The majority of delegations are from Asian countries such as Japan, Korea, Vietnam, Singapore, and China. For individual investors, MIME provides direct consultation. Aftercare services are mostly limited to monitoring and done through the General Department of Industry.
Current and Planned Investment Promotion Support Activities
Private Sector Promotion in Rural Areas (PSP)
PSP is a joint program of MIME and German Technical Cooperation (GTZ) begun in May 2005. The project aims to promote private sector development in rural regions through SME Promotion with some emphasis

<p>on international trade and FDI. The program supports business associations in Cambodia and organizes local trade fairs. The project has also sent a delegation to the RESALE 2008 (a German Trade Fair) for product and investment promotion activities. Additionally, the project has individually assisted the creation of several domestic companies through foreign investment. The project also organizes Public Private Partnerships and develops Single Window Service structures in provincial government locations for investors and new businesses.</p>
<p><i>Development of Policy Instruments for Supporting Priority Industry and SMEs</i></p> <p>This project is listed as being implemented through MIME and CDC according to the MIME website. The project is summarized as “the activity includes identification and formulation of appropriate policy instruments for providing investment incentives to selected priority industries and SMEs.”</p>
<p>Relevant Online References and Resources</p>
<p>Ministry of Industry, Mining, and Industry: http://www.mime.gov.kh/ Private Sector Promotion in Rural Areas (PSP): http://www.pspcambodia.org/</p>
<p>Useful Materials for Investment Promotion</p>
<p>Law on Administration of Factory and Handicraft (English)</p>
<p>MIME currently provides Investors with an English translation of the Law on Administration of Factory and Handicraft through both of the investment Bureaus. The document is a direct translation of the Khmer law and contains both English and Khmer versions.</p>
<p>Application for Factory and Handicraft Establishment</p>
<p>All relevant investors are given a copy of the Application for Factory Handicraft Establishment, which provides instructions and details relevant to the registering of industrial enterprises with MIME</p>

(3) Ministry of Agriculture, Forestry and Fisheries (MAFF)

<p>Investment Promotional Activities</p>
<p>Activities Abroad</p>
<p>MAFF is not currently, and has reportedly not in the past, engaged in any investment promotion or similar missions or delegations abroad. The reason given for this lack of activity is the reality of budget constraints and no personnel specifically allocated for that task area.</p>
<p>Domestic Activities</p>
<p>MAFF receives foreign as well as private company delegations relating to investment promotion though mostly in regards to Economic Land Concession. In recent years delegations in concerning agricultural investment have largely been from Middle East and Asian nations. However, MAFF does not have a specific window or service center for walk-in investor consultations, though consultations can be scheduled with officials directly or through connections.</p>
<p>Current and Planned Investment Promotion Support Activities</p>
<p><i>Economic Land Concessions (ELC)</i></p> <p>Currently, ELCs are the primary means of agricultural investment promotion activities with incentives for investment provided through the granting of concessions and the qualification of such concession projects for QIP status with CDC. ELCs are handled primarily by MAFF, but promotion and negotiations often involve CDC and COM as well as other ministries according to circumstances. MAFF provides a number of translated laws relating to ELCs, and sample contracts and procedural documents. MAFF provides an ELC promotional and clarification website solely for ELCs with a list of current ELC companies. No specific aftercare services were indicated though projects are continuously monitored by several departments.</p>
<p><i>AGROBIZ Cambodia</i></p> <p>The AGROBIZ Cambodia project is an investment promotion project advertising primarily through the AGROBIZ Cambodia website. The project is run by the Department of Agro-Industry of MAFF with the support of the WTO, FAO, TeleFood, and the World Bank. The website provides detailed agricultural investment information on several sectors including Oil Extraction, Feed, Soy Sauce, and Cassava Granule. Statistical and regulatory information is also provided though it is mostly a reposting of general information provided by other ministries covering general demographics, education, taxes, etc. However, the website also contains a “Tips” section providing detailed overviews of domestic supply chains for a number of</p>

agricultural products as well as production and technical advice.
References and Resources
Ministry of Agriculture, Forestry, and Fisheries: http://www.maff.gov.kh/ AGROBIZ Cambodia Project : http://www.agrobizcambodia.com/ Economic Land Concession Website of MAFF: http://www.elc.maff.gov.kh/
MAFF Library Additional resources are available to investors through the MAFF Library in the Agricultural Information and Documentation Center. This library primarily provides statistical and industry information. No specific investment promotion literature was observed.
Useful Materials for Investment Promotion
MAFF currently makes the following resources publicly available through their website. While the MAFF Library located at the Ministry itself contains sector specific information and statistics, there are reportedly no publications produced exclusively for potential investors.
Draft of Sub-Decree on Plan Quarantine (English)
Draft of Sub-Decree on Animal Sanitation (English)
Draft of Forestry Law (English)
Draft of Fisheries Law (English)

(4) Ministry of Economy and Finance (MEF)

Investment Promotional Activities
MEF primarily handles foreign aid, grants, and international loans. Officers of MEF state that all of MEF's investment promotion activities are handled through CDC.
Activities Abroad
None specifically relating to investment promotion.
Domestic Activities
MEF receives foreign delegations, however these are limited to international donors and state visits. Though investment discussions may be present in the course of these activities, it is not a primary aim of the reception.
Current and Planned Investment Promotion Support Activities
None applicable except for those initiated through CDC.
Relevant Online References and Resources
Ministry of Economics and Finance: http://www.mef.gov.kh/
Useful Materials for Investment Promotion
MEF states that all of its private sector investment promotion material activities are done through CDC.

(5) Ministry of Tourism (MOT)

Investment Promotional Activities
Activities Abroad
MOT sends delegations/missions abroad on a monthly basis primarily to tourism trade fairs throughout the world via the Marketing and Promotion Department. These missions are usually paired with participants from the Tourism Industry Department in order to achieve the dual task of increasing tourism to Cambodia as well as investment in Cambodia's tourism industry. According to the 2010 schedule, MOT will be conducting one mission a month for every month on average. Current destinations include tourism trade fairs in New York, Tokyo, Berlin, and in several Chinese cities.
Domestic Activities
Foreign and private delegations are received by MOT in relation to tourism investment. However, the

<p>amount of activities targeted at investment is limited outside of those for individual receptions and consultations. According to MOT structure, the Marketing and Promotion Department is tasked with handling potential investors while Tourism Industry Department is tasked with the licensing and monitoring of tourism investments. Investor consultations and aftercare are provided through the Marketing and Promotion Department as well as the Tourism Industry Department though no specific contact person for such services was given for the Tourism Industry Department.</p>
<p>Current and Planned Investment Promotion Support Activities</p>
<p>No specific support activities for investment promotion were implemented.</p>
<p>Relevant Online References and Resources</p>
<p>Ministry of Tourism: http://www.mot.gov.kh/</p>
<p>Useful Materials for Investment Promotion</p>
<p>MOT currently provides legal documents and MOT License information to potential investors through its website. However, all of this material is limited to Khmer. Statistical information on Cambodia Tourism is also provided online up to 2008. MOT produces a variety of hardcopy materials relating to the tourism industry through its own initiative and budget.</p>
<p>Cambodia: the 2010 Official Handbook of the Ministry of Tourism</p>
<p>This handbook of the MOT is targeted towards both investors and potential tourists with an overview of the available facilities, activities, and attractions of Cambodia, as well as a summary of many of the unique traditions and qualities of Khmer culture. This document does not provide specific investment related procedures or statistical information.</p>
<p>Tourism Statistics: Annual Report 2008</p>
<p>A general overview of all related tourism industry statistics held by MOT.</p>

(6) Council of Ministers (COM)

<p>Investment Promotion Activities</p>
<p>Activities Abroad</p>
<p>The activities of COM appear to be almost exclusively domestic with no foreign missions or delegations by any minister acting on behalf of COM being reported.</p>
<p>Domestic Activities</p>
<p>COM primarily handles the reception of foreign and private delegations, including delegations relating to investment in Cambodia. In October 2009 a delegation of Korean oil and agricultural investment companies was received. Within just the first two months of 2010, 4 delegations were received in relation to investments including Chinese and Italian delegations.</p>
<p>Current and Planned Investment Promotion Support Activities</p>
<p>While directly handling numerous investment related receptions, COM does not appear to be involved in any direct promotional activities according to the available online and contact information.</p>
<p>Relevant Online References and Resources</p>
<p>Council of Ministers: http://www.pressocm.gov.kh/</p>
<p>Useful Materials for Investment Promotion</p>
<p>As far as could be ascertained through contacts and available information, COM does not provide any type of hardcopy or softcopy investment materials.</p>

(7) National Bank of Cambodia (NBC)

<p>Investment Promotional Activities</p>
<p>Activities Abroad</p>
<p>Though NBC dispatches a number of delegations and missions each year, the context of these activities is</p>

strictly in the monetary and economic area. No investment specific delegations were reported
Domestic Activities
NBC receives foreign delegations such as the Central Bank of Nepal in 2009 and Vietnam in 2008 respectively.
Current and Planned Investment Promotion Support Activities
NBC has implemented workshops on Cambodia Private Credit Bureau. However, these workshops only indirectly dealt with investment issues with their primary focus being the development of bank lending to SMEs through Information Sharing System.
Relevant Online References and Resources
National Bank of Cambodia: http://www.nbc.org.kh/
Useful Materials for Investment Promotion
No investment promotional materials or promotion departments within NBC were located and it seems unlikely for NBC to play such a role as public access to NBC outside of the website is comparatively restrictive.

The business association of the garment sector in Cambodia, namely “the Garment Manufacturers Association of Cambodia (GMAC)”, is one of the most active business associations in Cambodia. The main activities of GMAC relating to investment promotion are as follows:

Promotional Activities of the Garment Manufacturers Association of Cambodia (GMAC)
Activities Abroad
Apart from collaborating with and being supported by a number of foreign organizations, GMAC does not appear to be engaged in any foreign mission activities for the garment sector. No government entity was found to be conducting any foreign investment promotion activities exclusively for the garment sector.
Domestic Activities
GMAC activities appear to be exclusively domestic based with a number of seminar and course activities (detailed in the proceeding section) and the conducting of industry specific surveys including wage surveys and industry growth surveys.
Current and Planned Investment Promotion Support Activities
GMAC provides and organizes a number of investor support events including a Global Trade Events and Their Impact on Cambodia seminar in November 2007 and a Seminar on Taxation in September 2009. Courses for investors and management have also been held with the most recent being a Practical Production Management Course held in October 2009.
Relevant Online References and Resources
Garment Manufacturer Association of Cambodia: http://gmac-cambodia.org/
Useful Materials for Investment Promotion
While the garment industry has been deemed to be an investment priority by the Cambodian Government, no specific government produced materials or programs were found in the area of garment industry investment promotion or support. However, the Garment Manufacturers Association of Cambodia (GMAC), which cooperates directly with the Cambodian government, does provide a number of investment promotion and support materials. 3rd party sources have indicated that MOC is the industry most involved in the garment industry, but no specific garment oriented activities of MOC were given or found.
GMAC 2008-2009 Publication
GMAC has produced the investor’s guidebook with detailed explanations of current industry statistics, governmental procedures, and current investment activities and issues.
GMAC Garment Industry Salary Survey
GMAC conducts a periodic Industry Salary Survey, which is made available to investors for reference and planning purposes.

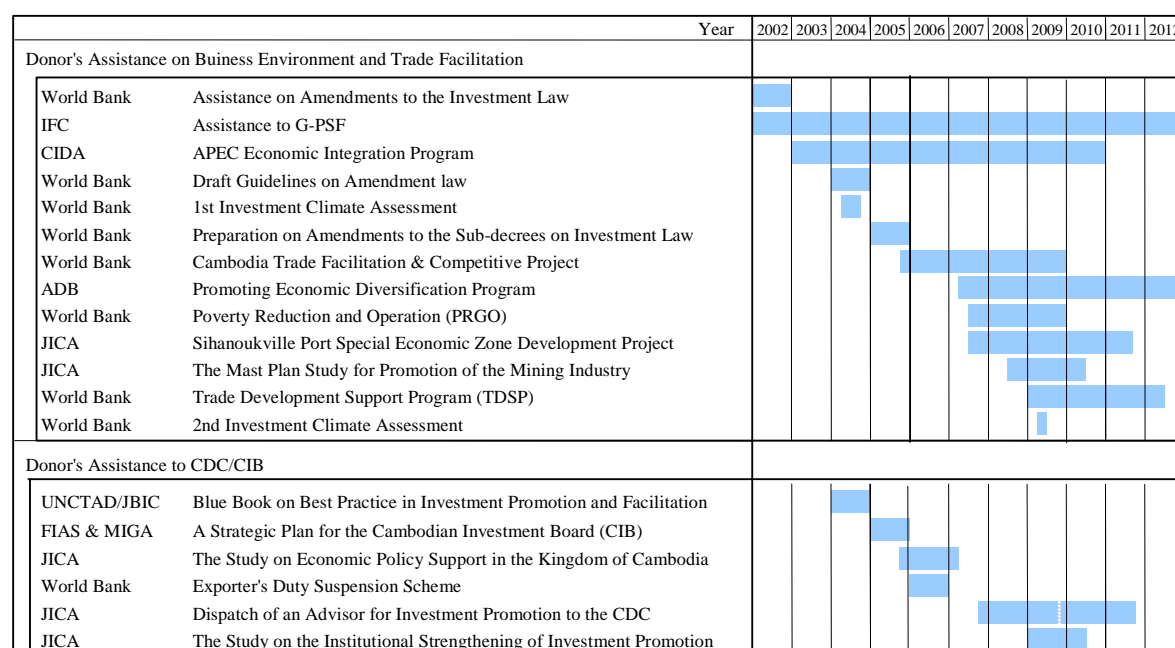
3.4 Donors' Assistance

3.4.1 Overview

As described in NSDP, the RGC places significant emphasis on private sector development and investment promotion. Thus, various donors have provided assistance in this area over years. Donors' assistance to Cambodia in this field can be categorized within one of the following two approaches:

- i) Enhancing the overall business environment and investment promotion within a large framework, particularly through assisting trade facilitation; and
- ii) Direct assistance to CDC in investment promotion, especially to the CDC/CIB as the government's leading agency for attracting and facilitating foreign and domestic investment.

Figure 3-4-1 shows major donor assistance in a time-series for each of the approaches noted above. Particularly, amid this critical time of responding to the negative impacts of the global economic crisis, external development partners (EDPs), including JICA, are expected to play key roles in assisting the RGC and its relevant ministries and agencies in promoting private sector investment more effectively¹⁷.



Source: JICA Study Team

Figure 3-4-1 Major Donor Assistance in Investment Promotion and to CDC/CIB

¹⁷ GDCC (Government-Development Partner Coordination Committee), "Development Partner's Background Paper on Mitigating the Adverse Impact of the Economic Crisis." 2009 April, p.7

3.4.2 Donors' Assistance in Enhancing the Business Environment and Trade Related Programs (excluding Japanese Assistance)

(1) Investment Climate Assessment by the World Bank Group

a. First Investment Climate Assessment¹⁸ (2004)

The World Bank conducted investment climate assessments in 2004 and 2009. The first study was conducted to assist the RGC in identifying and prioritizing policy reforms aimed at achieving three related objectives: to enable the private sector to lead growth; to help diversify the economy; and to strengthen the pro-poor trade strategy. Based on the study, “Twelve Point Plan: Government Commitments to Improve the Investment Climate and Trade Facilitation” was developed and was later adopted by the RGC through the Ministry of Commerce¹⁹. The implementation of the “Twelve Point Plan” has been incorporated in the Cambodia Trade Facilitation and Competitive Project as well as the “Trade Development Support Program (TDSP)”, which started in 2009 (see below).

b. Second Investment Climate Assessment²⁰ (April 2009)

The World Bank and IFC conducted the second investment climate assessment in 2009 and compiled the report “A Better Investment Climate to Sustain Growth in Cambodia.” The objectives of the second study were to: i) provide an up-to-date, fact-based analysis of the business environment; and ii) outline priorities for improving the business environment and suggest policy options. Based on the assessment, a recommendation matrix was developed and attached to the assessment report.

(2) Business Environment and Trade Facilitation Programs/Projects

a. World Bank: Trade SWAp and Trade Development Support Program

Following the increasing harmonization efforts of the donor community (see Box 3-1), the RGC launched a new framework for trade facilitation called the Trade Sector-Wide Approach (Trade SWAp) under the initiative of the Ministry of Commerce (MOC) in 2007. It was a framework intended to coordinate and unite all activities funded by donors in trade related areas for assisting the country in enhancing its trade potential, job creation, investment promotion, supply capacity and, hence, economic growth. With the momentum through which donor coordination and aid effectiveness are increasingly being emphasized, it is likely that this framework will continue to be supported by the RGC in the coming years with the active assistance and participation of various donors.

¹⁸ World Bank, Cambodia: “Seizing the Global Opportunity: Investment Climate Assessment and Reform Strategy for Cambodia (Report No. 27925-KH)”, 2004 August

¹⁹ NSDP, p.65

²⁰ World Bank and IFC, “A Better Investment Climate to Sustain Growth in Cambodia: Second Investment Climate Assessment”, 2009 April

Box 3-1 From “Integrated Framework” to “Trade SWAp”

Recognizing the importance of international trade in increasing employment and alleviating poverty in Cambodia, the RGC has worked since the 1990s to put in place policies that can facilitate the growth of exports. The first framework which the RGC pursued to enhance its international trade was the Integrated Framework (IF), established and assisted by the IMF, ITC, UNCTAD, UNDP, the World Bank, and the WTO. The main goal of the IF was to enhance the trade capacity of LDCs (Least Developed Countries) so as to integrate it into the multilateral trading system in order to reduce poverty. Since its adoption in 2001, the Cambodian IF has been reviewed, strengthened, and upgraded to the Enhanced Integrated Framework (EIF).

Meanwhile, developed countries had been taking additional steps to make their overall delivery of assistance more effective. The “2005 Paris Declaration on Aid Effectiveness” by members of the OECD Development Assistance Committee (DAC) laid out new guidelines to harmonize donors’ practices and increase the effectiveness of their aid. These new guidelines were brought together under the concept of the “Sector-Wide Approach” (SWAp). By that time, the RGC needed to adapt its own procedures and expand its own capacity in formulating and executing trade policy as well as coordinating external assistance, which at that point began to be fragmented. Thus, the RGC made the decision to adopt this new framework, Trade SWAp, under the leadership of MOC with the support of the UNDP, the World Bank, and the European Commission. Trade SWAp, as a vehicle to implement the DTIS (Diagnostic Trade Integration Study) conducted in 2007 by the MOC and UNDP, seeks to bring together activities in area of trade around a common monitoring framework and with a consolidated three-year-rolling reform plan.

Currently, the donor activities in the area of trade are coordinated and organized into the following three pillars of Trade SWAp:

Pillar 1: Reforms and cross-cutting issues;

Pillar 2: Product and services development; and

Pillar 3: Capacity building for trade.

The Enhanced Integrated Framework (EIF) has also been combined to be a part of Trade SWAp.

Source: Ministry of Commerce²¹ and the World Bank²²

²¹ MOC, “The Making of Cambodia's TRADE SWAp”. Retrieved from

<http://www.moc.gov.kh/TradeSwap/website/projects/page1.3.aspx?cat=2&sub=35&page=93>

²² World Bank, “Project Appraisal Document on a Proposed Grant in the Amount of US\$12.35 Million Equivalent to the Government of Cambodia For A Trade Development Support Program (Report number: 46752-KH)”, 2008 December. p.2.

On March 23, 2009, the launching of the Workshop on Trade Development Support Program (TDSP), a multi-donor trust fund (MDTF) program, was organized in Phnom Penh. TDSP is aimed at assisting the RGC in formulating and implementing effective trade policies and is a part of the Trade SWAp framework for the period of January 2009 to March 2012. Through TDSP, any projects identified under the three pillars of Trade SWAp can seek funding support from the MDTF. This US\$ 12.6 million program is administered by the World Bank and co-financed by the European Commission (EC), the Danish International Aid Agency (Danida), and the United Nations Industrial Development Organization (UNIDO). The program is comprised of four components including: (1) trade policy formulation and implementation; (2) performance monitoring; (3) strengthening institutional and human capacity; and (4) strengthening the implementation capacity of the MOC's Department for International Cooperation (D/ICO) or the program manager for the TDSP. A "Twelve-point Action Plan" developed in the Investment Climate Survey conducted in 2004 by the World Bank Group is to be implemented in this TDSP, including the Action Plan on trade facilitation and setting up the performance monitoring system to monitor the progress accurately²³. CDC is considered one of the agencies or line ministries eligible for participation in the Program, which means that CDC may receive funds for the strengthening of the organization through MDTF.

b. World Bank: Poverty Reduction and Growth Operation²⁴

With direct budget support, this operation is designed to assist the RGC in its implementation of NSDP 2006-2010 including growth and poverty reduction through an improvement in the investment climate, higher agricultural productivity, and more effective service delivery during the period of 2007-2009. The total budget support of the operation has amounted to US\$31 million, which has been co-financed by various development partners including a World Bank grant of US\$15 million and a Japanese ODA loan support of 1,000 million yen by JBIC. A series of proposed annual operations (PRGO-1, PRGO-2, and PRGO-3) selectively focusing on the following key reform areas: (1) private sector development; (2) public financial management; and (3) natural resource management (including land). In addition, there may be a possibility that CDC receives financial assistance from the fund in view of the wide scope of the key reform area; (1) private sector development. Annual disbursement for PRGO-1, PRGO-2, and PRGO-3 from donors to the Ministry of Economy and Finance (MEF) will take place based on the successful achievement of PRGO performance targets and indicators set by the World Bank.

²³ i-bid.

²⁴ World Bank, Program Document for a Proposed Grant, "In the Amount of SDR 9.8 million (US\$15 Million) Equivalent to Cambodia for a Poverty Reduction and Growth Operation", 2007 June

c. World Bank: Cambodia Trade Facilitation and Competitive Project²⁵ (2005 - 2009)

The objective of the US\$ 10.33 million project, conducted by the World Bank Group for the period between December 2005 and December 2009, is to support the RGC's strategy for promoting economic growth by reducing transaction costs associated with trade and investment, introducing transparency in investment processes, and facilitating the access of enterprises to export markets through the implementation of a Twelve Point Action Plan developed in the Investment Climate Survey 2004. The project consists of the following four components: (1) trade facilitation through the creation and application of an electronic "Single Window" based on the ASYCUDA²⁶ system and Single Administrative Documents (SAD); (2) Export Market Access Fund (EMAF), which finances technical support to the MOC's Department of Export Promotion; (3) the Private Participation in Infrastructure (PPI) and Investment Promotion Component; and (4) Legal Transparency Component which finances the establishment and maintenance of a Khmer language website for the final judgments of court cases; the establishment and maintenance of a website to ensure the electronic publication of all Cambodian commercial related laws and regulations; and training to utilize the established systems. The main counterpart is the MOC with various other relevant ministries involved.

d. IFC: Assistance to the Government-Private Sector Forum (G-PSF)²⁷ (2002)

IFC has assisted in developing Public Private Dialogue (PPD) initiatives in three South-East Asian countries: Cambodia's Government-Private Sector Forum (G-PSF), the Vietnam Business Forum (VBF), and the Lao Business Forum (LBF). In Cambodia, IFC, with financial support from AusAID, has provided a bureau with secretarial and coordinating functions for the whole G-PSF process since 2002 (see Chapter 3.1.3 also). The IFC coordinating bureau supports and works in close collaboration with the G-PSF Secretariat of CDC, which in turn manages the information flow and coordination for the government side, and provides the logistical and organizational support required for the Forum event. CDC, as the Secretariat, also functions as the focal point for contact between the eight technical working groups set up under the Forum and for the collection of all reports for the preparation of the summary report for the Prime Minister who chairs the entire G-PSF process.

G-PSF is intended to facilitate a dialogue and coordinate broadly between the RGC and the business community on investment climate issues ranging from policy to operational matters. IFC's support to the Secretariat at the CDC includes the establishment of a G-PSF website, where various reports from the working groups can be downloaded (<http://www.cambodia-gpsf.org>).

²⁵ World Bank, "Projects & Operations: Cambodia Trade Facilitation and Competitiveness." retrieved from <http://web.worldbank.org/external/projects/main?pagePK=64312881&piPK=64302848&theSitePK=40941&Projectid=P089196>

²⁶ ASYCUDA (Automated. System for Customs Data) is a software system developed by UNCTAD for developing countries to enable the automation of Customs functions.

²⁷ IFC, "Public-Private Dialogue: Impact Assessment of the Cambodian Government-Private Sector Forum: Result Summary", 2007 July.

e. World Bank: Assistance with the Investment Law and Policy²⁸

The Investment Climate Advisory Service (FIAS, formerly the Foreign Investment Advisory Service) of the World Bank Group assisted the RGC in: preparing an official position paper for proposed amendments to the Investment Law in 2002; preparing the implementation of regulations to the Amended LOI by producing draft guidelines in 2004; and the preparation of amendments to the Sub-Decrees in 2005.

f. UNDP: Assistance on PMIS (2009- TBA)

With recognition of the increasing assistance needs on the “Decentralization” issues of RGC, UNDP is in the planning and design stage of the capacity development program for PMIS in local regions. While PMIS’s responsibility and functions were defined in Sub-Decree No.17 of February 2005 relating to the registration of new companies as QIP with investment capital of less than US\$ 2 million, many of the PMIS have been shown to not be functioning as effectively as expected. As one important component of the assistance program for the institutional strengthening of regional governmental organizations, UNDP initiated an exploratory review of the possibility of implementing a project with government counterparts to provide both assessment and development capacity to several PMIS through pilot projects. Though the initial exploratory phase has been completed, implementation of the project has been placed on hold and will be re-considered for possible implementation in March 2011.

g. ADB: Promoting Economic Diversification Program²⁹ (2007 - 2012)

This program is being operated by ADB for the period from June 2007 through December 2012 with an amount of US\$ 52.0 million. By setting and monitoring various triggers for financial and technical assistance, the program is designed to accomplish the following: i) maintain macroeconomic stability for private sector development and growth through prudent fiscal policy; ii) improve the investment climate by strengthening investor protection, enhancing the environment for competition and innovation, and institutionalizing a regulatory impact assessment within the Government and other policy reforms aimed at reducing transaction costs and risks in Cambodia; and iii) improve trade policy and facilitation by continuing reforms to meet WTO legal requirements, renewing trade policy reforms, and enhancing trade facilitation by strengthening SPS (Sanitary and Phytosanitary Standards) management system and customs reforms. The program is comprised of three sub-programs: i) regulatory and strategic frameworks; ii) institutional capacity development for delivering public services to the private sector; iii) capacity development of the private sector to improve competitiveness. The line ministries and agencies involved include: the MEF, MOC, CDC, and MIME.

²⁸ IFC-FIAS, “Projects in Asia and Pacific (by Country)”, retrieved from http://www.fias.net/ifcext/fias.nsf/Content/FIAS_Projects_Asia_the_Pacific_Country

²⁹ ADB, Proposed Program Cluster, Loan for Subprogram 1, and Grant Kingdom of Cambodia: Promoting Economic Diversification Program. 2008 November

The activities of the CDC are embedded in sub-program (2), where CDC reviews the role and effectiveness of investment incentives.

- h. Canadian International Development Agency (CIDA): APEC Economic Integration Program³⁰ (2003 - 2010)

The objective of the project, implemented by the Canadian International Development Agency (CIDA) for a period between 2003 and 2010, is to assist 6 countries in South East Asia in complying with their WTO obligations (Thailand, Indonesia and the Philippines) and/or WTO accession requirements (Vietnam, Laos, and Cambodia), and to strengthen their capacity to take advantage of their WTO rights. The project focuses on trade in agricultural goods, trade facilitation, and customs administration; and the General Agreement on Trade in Services (GATS) and financial services. This is to enhance the knowledge and skills of government officials in these specific areas through focused training delivered regionally, and to develop and support thematic knowledge networks to enhance south-south dialogue.

3.4.3 Donors' Assistance to CDC/CIB

(1) Studies and Action Plans Developed for the CDC/CIB

- a. UNCTAD/JBIC: Blue Book on Best Practice in Investment Promotion and Facilitation: Cambodia³¹ (2004)

The project was jointly carried out by UNCTAD and JBIC to propose concrete measures that are actionable over a short-term of one year for the CDC/CIB to move the country towards best practices in investment promotion. The Book includes 10 actionable measures in the following three broad areas: (1) Regulatory framework for investment and impediments to investment; (2) Investment promotion strategy; and (3) Institutional development. The actionable measures include for example: developing facilitation and aftercare service units within CIB; and implementing a targeted investment promotion strategy. However, to date, the actions have not been effectively implemented by CDC/CIB.

- b. World Bank Group: A Strategic Plan for the Cambodian Investment Board (CIB)³² (2005)

Following assistance in the preparation and amending of the LOI between 2002 and 2005, the World Bank Group prepared a plan with the aim of supporting CIB in meeting its mandate as the lead government body responsible for investment promotion in 2005. FIAS and the Multilateral Investment Guarantee Agency (MIGA) assisted CIB in its strategic planning workshops through the facilitating

³⁰ CIDA, "Project Browser: APEC Economic Integration Program", retrieved from

<http://www.acdi-cida.gc.ca/cidaweb/cpo.nsf/vWebProjByNumEn/1FAE08C1F19766D3852572300041F9E3>

³¹ UNCTAD / JBIC, "Blue Book on Best Practice in Investment Promotion and Facilitation: Cambodia", 2004 December

³² World Bank Group, "A Strategic Plan for the Cambodian Investment Board", 2005

and providing of expertise via the dispatching of several staff and consultants. Then, based on the result of workshops, a report, “A Strategic Plan for the Cambodian Investment Board”, was compiled along with a planning matrix, which contained objectives, strategies, and actions to improve the investment promotional activities of the CIB, particularly of the Department of Public Relations and Promotion. The plan was to be financed by the World Bank Groups’ proposed Trade Facilitation Project at the time, along with additional funding to be made by FIAS. However, concrete actions based on the strategic plan have not been effectively implemented as of the present.

c. JICA: The Study on Economic Policy Support in the Kingdom of Cambodia³³ (2005 - 2007)

JICA conducted the Study from December 2005 to February 2007 to investigate the pros and cons of Cambodia, both from a macro and micro perspective, as a destination for investment by foreign private companies, including Japanese companies, and to formulate strategies and measures to expand investment from Japan and elsewhere for industrial development in Cambodia. The final report of the study included: an evaluation of the investment climate in Cambodia; a study of potential businesses; specification and sectoral study of potential investment; and the development of Action Plans to increase FDI for the industrial development of Cambodia. The study was also designed to facilitate the investment promotion activities of CIB and the capacity building of the personnel in charge of investment promotion and industrial development within the relevant government agencies. As a product of the study, “Cambodia Investment Guidebook 2006” was consolidated and made available both in English and Japanese languages at CDC³⁴.

(2) Technical Assistance to CDC/CIB in Investment Promotion

a. FIAS: Exporter’s Duty Suspension Scheme³⁵ (2006)

This project was designed to complement the “Trade Facilitation and Competitiveness Project” of the World Bank Group (see 3-3-2(2)3)). Under this project, FIAS assisted CIB in the design and implementation of the Duty Suspension Scheme (DSS) for exporters in the garment sector with co-funding from the Agence Francaise de Developpement in Phnom Penh. Under the DSS, materials imported for processing by garment exporters would not be subject to import taxes³⁶. A plan was also made to extend the DSS to the textiles and footwear sectors at a later stage after successful implementation in the garment sector was ensured. FIAS’ assistance included: (1) the design of DSS

³³ JICA “The Study on Economic Policy Support in the Kingdom of Cambodia”, 2007 March, retrieved from JICA Website: <http://lvzopac.jica.go.jp/external/library?func=function.opacsch.toshoshozodsp&view=view.opacsch.newschedsp&lang=eng&shoshisbt=1&shoshino=0000170989>, and <http://lvzopac.jica.go.jp/external/library?func=function.opacsch.toshoshozodsp&view=view.opacsch.newschedsp&lang=eng&shoshisbt=1&shoshino=0000170990>

³⁴ In fact, the guidebook was revised as “Cambodia Investment Guidebook 2010” through the pilot project conducted during this Study.

³⁵ FIAS, “Cambodia Investment Board: Duty Suspension Scheme” 2006 May & FIAS, “2006 EAP Annual Report”, p.7

³⁶ Eligible exporters/firms must apply to the CIB for the membership of DSS.

itself; (2) the preparation of an Exporter's Guide for the scheme; (3) the design and development of computer software necessary to administer the scheme; and (4) the initial implementation of the scheme including the training of selected CIB and Customs staff. The hardware/software to implement the system has been installed within CIB. To date, however, the system has not been managed or used in the effective manner originally intended.

b. UNCTAD/UNDP: Institutional Capacity Development (ICD) for CDC/CIB

With the aim of supporting the framework of Trade SWAp (pillar 3) and the Integrated Framework, this project has been laid out for the conducting of capacity building for two of the core CIB departments Project Evaluation and Incentive Department (PEID) and the Projects Monitoring Department (PMD), through UNDP's 5-step capacity building methodology. UNCTAD/UNDP has already implemented the project in four departments of the Ministry of Commerce (MOC) under its Trade Related Assistance for Development and Equity (TRADE) project and plans to expand the project to other line ministries subject to the Trade SWAp framework, hence CDC/CIB. However, the project has apparently faced some implementation difficulties in the context of CIB and has been put on hold pending further notice.

c. JICA: Dispatch of an Expert to CDC (2007 – 2011)

Following the recommendation of the Study on Economic Policy Support in the Kingdom of Cambodia conducted between 2005 and 2007, JICA has dispatched a Japanese advisor for investment promotion to CDC in 2007 for a two-year term to assist in the promoting of FDI through: the capacity building of CIB; coordination with relevant government agencies and ministries in the area of investment promotion; and expanding the information available to the investors. Following the predecessor, JICA has continually dispatched an expert to the CDC as an advisor on investment environment improvements for 2 years from October 2009 to October 2011.

d. IFC: Establishment of an Investor Aftercare Unit within CDC/CIB³⁷ (2009: TBA)

Following efforts to establish an IT investor tracking system since 2005, IFC intends to set up an Investment Aftercare Unit within the CDC/CIB to strengthen the CIB's functioning as an IPA (Investment Promotion Agency) particularly in the area of investor aftercare. The project is to assist CIB by providing: technical advice on developing and maintaining an aftercare unit; training and capacity building for key staff of CIB; PCs and necessary software; and long-term strategic planning. The project's long-term plan is to eventually incorporate the unit into the permanent organizational structure of CIB with its own staff and budget resources. While the plan was proposed in April 2009, the details are yet to be established.

³⁷ IFC, "Terms of Reference for the Establishment of an Investor Aftercare Unit within the CDC/CIB", 2009 April

3.4.4 Other Related Assistancess Provided by JICA

a. Sihanoukville Port Special Economic Zone Development Project³⁸ (2009 - 2011)

This project took over the initial Sihanoukville Port Special Economic Zone Development Project (Engineering Service), for which the Japan Bank for International Cooperation (JBIC) signed an ODA loan agreement (about 300 million yen) in March 2006. Now this project supports the primary construction work. The special economic zone, with an area of about 70 hectares at Sihanoukville Port, is being constructed with ODA loan support of approximately 3,651million yen. At the same time, assistance for the institutional strengthening of SEZ management by the Port Authority of Sihanoukville, including marketing promotion, is being provided.

b. The Master Plan Study for Promotion of the Mining Industry in the Kingdom of Cambodia (2008 - 2010)

The objective of the project is: (1) to formulate a roadmap for the promotion of the mining industry; (2) to improve geographical and mineral resource information for investment promotion; and (3) to transfer related skills and know-how to counterpart personnel. The project carries the aim of building the capacity of Ministry of Industry, Mines, and Energy (MIME).

³⁸ JFC/JBIC, “Developing an Attractive Investment Climate in the Mekong Sub-region: Comprehensive Support for a More Dynamic Investment Climate”, retrieved from <http://www.jbic.go.jp/en/report/jbic-today/2007/03/02-01/index.html>

CHAPTER 4 CURRENT SITUATION OF CDC/CIB

4.1 Structure of CIB

4.1.1 Overall Structure of CDC/CIB

CDC was established in 1994 with legitimacy from the LOI enacted on August 5, 1994. The responsibilities of CDC are as follows (Article 3 of LOI):

- i) CDC is the sole and One-Stop Service organization responsible for the rehabilitation, development, and the oversight of investment activities; and
- ii) CDC is the RGC's "Etat-Major" responsible for the evaluation and decision-making on all rehabilitation, development, and investment project activities.

At the time of establishment, two operational boards, CRDB and CIB, were set up under CDC. In December 2005, CSEZB was established under the CDC. The CSEZB is responsible for the "One-stop Service" of the development, management, and supervision of the operations of special economic zones according to Sub-decree No. 148 on the Establishment and Management of the Special Economic Zone.

The Sub-decree No. 149 on the Organization and Functioning of CDC dated October 3, 2008 defines the organization and function of CDC as a whole and its three subordinate boards, CRDB, CIB and CSEZB, as well as the General Secretariat of CDC.¹

According to the LOI and Sub-decrees, it is clear that CDC has the responsibility for the "One-stop Service mechanism" for three different aspects: i) the rehabilitation and development of the country through public investment with the assistance of external development partners (EDP) as the responsibility of CRDB, ii) the development of the country through private investment as the responsibility of CIB, and iii) the acceleration of development through private investment in SEZs as the responsibility of CSEZB.

The current organizational structure of CDC is shown in Figure 4-1-1. The daily operations of CDC are to be managed by the Executive Committee composed of the chairman and vice chairmen of CDC, and secretary generals of CDC, CRDB, CIB, and CSEZB. The current members of CDC are shown in Table 4-1-1².

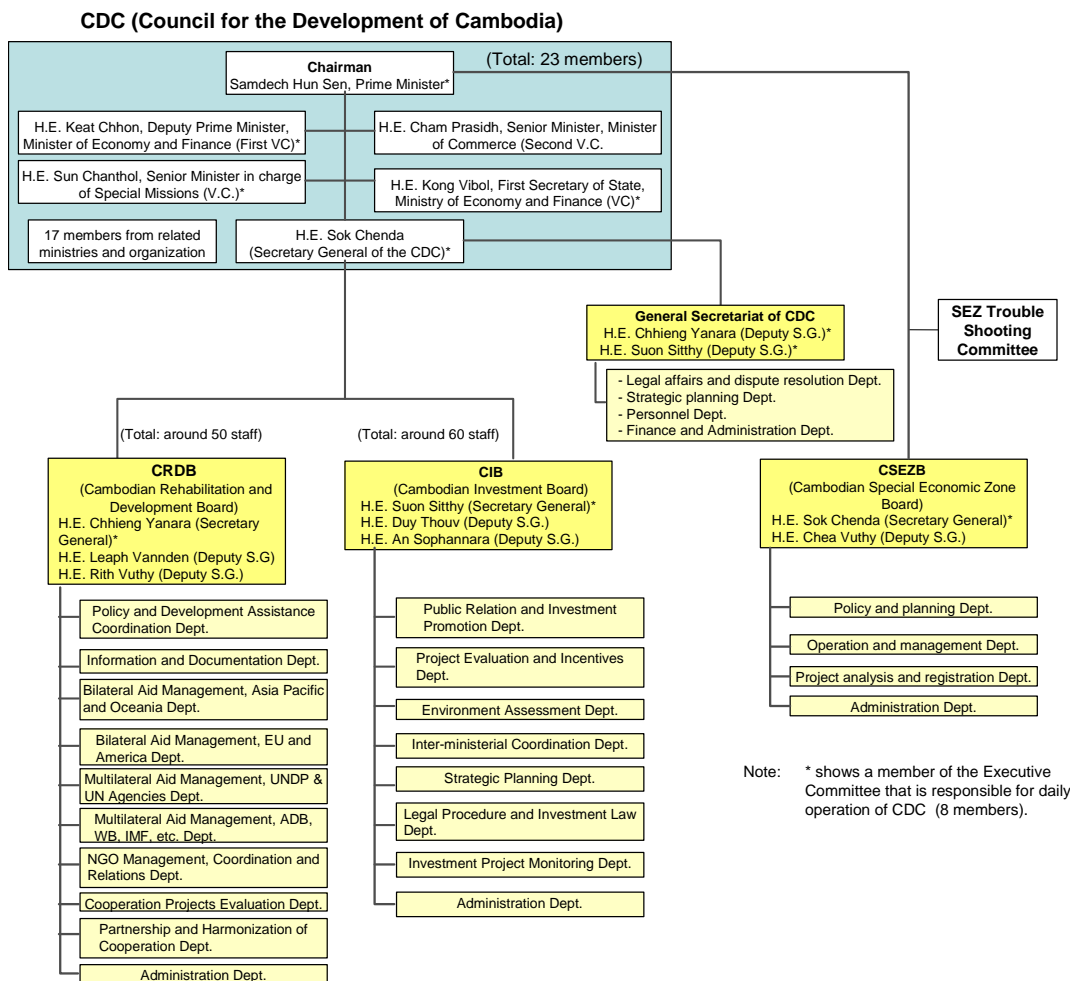
It should be noted that a substantial reorganization of CDC has not been implemented since its

¹ Article 5 of the LOI stipulates that the organization and functioning of CDC are specified by Sub-decree.

² Among the posts of CDC listed in the Sub decree No. 147 dated December 29, 2005, 22 posts currently do not exist in the organization of CDC.

inauguration except for the addition of CSEZB and increases in the number senior management position in CDC as well as some changes of CDC members³.

The first-ever permanent resident Vice Chairman was appointed and has taken his responsibilities since the enactment of the Sub-decree No. 149 on October 3, 2008. This Vice Chairman is in charge of both the daily operation of CIB, and promotion and public relations for private investments.



Source: JICA Study Team based on the materials of CDC and information from the LOI and Sub-decrees No. 148, 149 and other documents.

Figure 4-1-1 Organization of CDC

³ For example, the number of Vice Chairmen of CDC was increased to 2 in 1998, 3 in 1999 and 4 in 2008, although there was only one Vice Chairman under the Chairman of the CDC at the time of its establishment. While 43 CDC members were listed on the Sub-decree No. 147 enacted on December 29, 2005, the number of CDC members was reduced to 23 by the Sub-decree No. 149.

Table 4-1-1 Members of CDC (as of April 2010)

No	Name	Title	Position
1	Samdech Hun Sen	Prime Minister	Chairman*
2	H.E. Keat Chhon	Deputy Prime Minister, Minister of Economy and Finance	First Vice Chairman*
3	H.E. Cham Prasidh	Senior Minister, Minister of Commerce	Second Vice Chairman*
4	H.E. Sun Chanthol	Senior Minister in charge of Special Missions	Vice Chairman* (New)
5	H.E. Kong Vibol	First Secretary of State, Ministry of Economy and Finance	Vice Chairman*
6	Minister in charge of the Office of the Council of Ministers or his representative		Member
7	Minister of Interior or his representative		Member
8	Minister of Foreign Affairs and International Cooperation or his representative		Member
9	Minister of Water Resources and Meteorology or his representative		Member
10	Minister of Posts and Telecommunications or his representative		Member
11	Minister of Labor and Vocational Training or his representative		Member
12	Minister of Women Affairs or her representative		Member
13	Minister of Social Affairs, Veteran and Youth Rehabilitation or his representative		Member
14	Minister of Industry, Mines and Energy or his representative		Member
15	Minister of Planning or his representative		Member
16	Minister of Agriculture, Forestry and Fisheries or his representative		Member
17	Minister of Environment or his representative		Member
18	Minister of Public Works and Transport or his representative		Member
19	Minister of Tourism or his representative		Member
20	Minister of Land Management, Urban Planning and Construction or his representative		Member
21	Governor of National Bank or his representative		Member
22	Chairman of Supreme National Economic Council or his representative		Member (New)
23	Secretary General of the Council for the Development of Cambodia		Secretary*

Note: * shows a member of the Executive Committee of the CDC. In addition to the above 5 members except Secretary General of CDC, the Executive Committee includes 3 more members such as Secretary Generals of CRDB, CIB and CSEZB.

(New) show two new members who joined in October 2008.

Source: CDC

4.1.2 Structure and Functions of CIB

(1) Functions of CIB

The roles and responsibilities of CIB are stipulated in the Article 17 of the Sub-decree No. 149. They can be summarized as follows:

- i) Coordination and implementation of the “One-stop Service mechanism” for evaluating and approving application for QIPs;
- ii) Strategic planning and coordination for the promotion of overall private investment;
- iii) Marketing and promotion for potential investors;
- iv) Policy advocacy for the improvement of the legal framework for investment promotion; and
- v) Coordination and reporting for relevant people both inside and outside the government.

Box 4-1 Roles and Responsibilities of CIB Stipulated by the Sub-decree No. 149

- i) To serve as the “One-stop Service” mechanism and the “Etat-Major” of the RGC in the examination and approval of matters pertaining to investments as specified in Article 3 of the Law on the Amendment to the LOI of the Kingdom of Cambodia;
- ii) To study the “competitive advantage” of Cambodia in the international market, set the vision of private investment for Cambodia, and turn Cambodia into “Cambodia, Inc”. To cooperate with relevant ministries and institutions in preparing a strategy for private investments and set up projects for private investment;
- iii) To promote projects for private investment formulated by the RGC and inform the investors of such projects in accordance with the procedures as set forth in the internal regulations of CDC;
- iv) To coordinate the management of infrastructure concession projects;
- v) To initiate and make recommendations to the RGC on the preparation and amending of laws and regulations related to private investment so as to create favorable conditions conducive to private investment;
- vi) To prepare documents and regulations pertaining to private investments for domestic and international distribution; and
- vii) To produce and submit semi-annual and annual reports to the RGC for its review and its recommendations on corrective measures concerning private investments.

(2) One-stop Service Mechanism

The responsibility of “One-stop Service mechanism” is understood as the most important function among the various functions of CIB.

Articles 18 and 19 of the Sub-decree No. 149 define the relationship between CDC and the relevant ministries and other governmental institution as follows:

- i) CDC should be the “One-stop Service” of the RGC in examining and approving private investment projects including the exploration of petroleum, gas, and other natural resources although such projects are not eligible for incentives (QIP);
- ii) Relevant ministries and institutions should provide their opinion in the examination and approval of private investment projects through the “One-stop Service mechanism”; and
- iii) CDC and relevant ministries or institutions should undertake and implement their tasks with regard to private investment by coordinating through the “One-Stop Service mechanism”.

Furthermore, the “One-stop Service mechanism” of CDC for reviewing and approving private investment applied for through CIB is as follows (Article 33 of the Sub-decree No. 149):

- i) The Ministry of Economy and Finance, the Office of the Council of Ministers, the Ministry of Commerce, the Ministry of Planning, the Ministry of Mines and Energy and other relevant institutions should respectively appoint their own officials holding the rank of Chief of Department to assist CIB. Such officials should have the following qualifications.
 - being competent in his or her work;
 - having the delegation of authority from the head of his/her institution and having close

- contact with the head of his/her institution including, especially, reporting and requesting instructions and recommendations;
- being actively involved in CIB activities; and
 - being able to communicate in foreign language, particularly in English;
- ii) Other ministries and institutions of the RGC should also delegate a representative to participate in “One-Stop Service” but on an “Ad Hoc” basis upon the requests of the Secretary General of CIB when the competence of those ministries and institutions is relevant;
 - iii) The Secretary General of CIB should provide complete documentation to be reviewed and approved by the “One-Stop Service” meeting to all representatives of the relevant ministries and institutions one week prior to the meeting so that the heads of the relevant institutions can review such documentation and provide opinions through their respective representative;
 - iv) After preparing the necessary documentation, the Secretary General of CIB should put the projects or programs on the agenda of the “One-Stop Service” meeting for review and approval; and
 - v) The Secretary General of CIB should prepare and submit the documentation and information of the results of the “One-Stop Service” meeting to the Secretary General of CDC for submission to the Executive Committee’s meetings for review and approval.

The implementation procedures for the “One-stop Service mechanism” of CDC in reviewing and approving the matters pertaining both to rehabilitation and development (under CRDB) and to development through private investment at special economic zones (under CSEZB) are almost identical.

(3) Job Descriptions of Departments of CIB

Job descriptions for the eight departments of CIB, defined in the Sub-decree No. 149, and current allocation of human resources are as shown in the following table:

Table 4-1-2 Job Description for the Eight Departments of CIB (As of February 2010)

Department	Allocation of Staff	Job description
Public Relations and Investment Promotion Department	Director: 1 Deputy Director: 3 Chief of Bureau: 0 Contracted staff: 3 (Total: 7)	<ol style="list-style-type: none"> (1) Computerize all information and data relating to private investment and compile it for documentation and distribution; (2) Handle and coordinate matters related to Cambodia’s accession into the WTO and negotiations with other international organization regarding private sector investment promotion; (3) Arrange and manage all documentation regarding investment companies; (4) Arrange programs such as conferences, workshops, forums, and courtesies with foreign investors in cooperation with related CIB departments/institutions for promoting the law, attracting FDI, etc.; (5) Provide accurate and up-to-date information to prospective foreign and

Department	Allocation of Staff	Job description
		<p>local investors who seek business and investment opportunities in Cambodia;</p> <p>(6) Publicize the strategy of private investment relating to the government policy such as investment law, regulation, and other matters by coordinating and obtaining information from investors in order to enforce and attract FDI to Cambodia;</p> <p>(7) Facilitate investors by contracting relevant ministries/representatives for special information or consultation;</p> <p>(8) Coordinate ASEAN and AJC tasks; and</p> <p>(9) Conduct promotional activities in foreign countries in order to attract FDI to Cambodia.</p>
Project Evaluation and Incentives Department	<p>Director: 1</p> <p>Deputy Director: 3</p> <p>Chief of Bureau: 4</p> <p>Permanent staff: 0</p> <p>Contracted staff: 6</p> <p>(Total: 14)</p>	<p>(1) Examine investment proposals submitted by applicants;</p> <p>(2) Review and evaluate feasibility studies of the applied projects in terms of economic, financial, technical and environmental aspects;</p> <p>(3) Advise the applicants to correct mistakes in filling out and provide supplementary documents in cases where the applications are not duly completed;</p> <p>(4) Arrange and submit documents related to the investment proposals to the One-Stop Service meetings and/or CDC Executive Committee for further consideration and approval;</p> <p>(5) Examine the application proposals of private companies for custom's duty exemption in cooperation with the Project Monitoring Department, and submit them to inter-ministerial meetings for consideration and approval;</p> <p>(6) Prepare the agenda, documents, and invitation letters relating to One-Stop Service meeting to relevant ministries/institutions;</p> <p>(7) Handle and coordinate matters related to the private investment sector; and</p> <p>(8) Prepare monthly reports for CIB Secretary General, etc.</p>
<p>Environment Assessment Department</p> <p>*The department began operation in December 2008.</p>	<p>Director: 1</p> <p>Permanent staff: 0 (part-time)</p> <p>Contracted staff: 4</p> <p>(Total: 5)</p>	<p>(1) Work cooperatively with the Project Monitoring Department to examine investment locations and accurately provide suggestions for any work relating to the environment;</p> <p>(2) Monitor closely the operating of investment projects in order to ensure the efficiency of environmental management and direct those investment projects to adjust their environmental protection measure in cases where the systems are insufficient. All these controlling activities are done based on the technical principles suggested by the relevant ministries and authorized departments;</p> <p>(3) Encourage knowledge and agreement on environmental protection, report the initial economic impact on the environment (IEIA), or estimate the cost of full-scale impact on environment (EIA) of any investment project⁴;</p> <p>(4) Give suggestions to the management board of CDC/CIB concerning incentives for any investment company which has done a good job in protecting the environment and make that company a model for encouraging other companies to protect the environment;</p> <p>(5) Work cooperatively with relevant ministries as a CDC/CIB representative on environmental work;</p> <p>(6) Draft reports on the investment situation in every month, three months, six months, and twelve months for the Administration Department so that the Department can summarize the periodical Reports for the Deputy Secretary General at the end of every month; and</p> <p>(7) Control and solve any problems that Secretary General and Deputy Secretary General of CIB delegate to them.</p>
Inter-ministerial Coordination	<p>Director: 1</p> <p>Deputy Director: 2</p>	<p>(1) Prepare minutes and reports on the One-Stop Service and inter-ministerial meetings;</p>

Department	Allocation of Staff	Job description
Department	Chief of Bureau: 2 Permanent staff: 1 (Total: 6)	<ul style="list-style-type: none"> (2) Prepare invitation letters to relevant institutions on all matters concerning the private sector investments; (3) Examine application proposals for custom exemption of export-processing companies in the garment sector in cooperation with Project Monitoring Department, prepare agendas and documents, and submit them to inter-ministerial meetings for consideration and approval; (4) Handle and coordinate matters related to private sector investment such as the present and long-term strategy of private investment trends, etc., in order to readjust laws and regulations for improving private investment opportunities in Cambodia; and (5) Prepare monthly reports for CIB Secretary General, etc.
Strategic Planning Department *: In reality, the department is not functioning as defined.	Director: 1 (Part-time) Deputy Director: 1 (Total: 2)	<ul style="list-style-type: none"> (1) Initialize the present and long-term strategy for private investment in coordination with related departments, especially Legal Procedure and Investment Law Department, in order to readjust laws and regulations for improving private investment opportunities in Cambodia; (2) Prepare the strategy and action plans in order to promote and to attract the prospective investors, based on the global orientation, for improving requisite economic foundation, competitiveness, information and knowledge driven process; (3) Handle and coordinate matters relating to the drafting of Industrial Zone Law and regulations, etc.; (4) Assist in the preparation of suitable incentives and facilities to attract identified industries and factory location plans; (5) Evaluate all the applications for custom's duty exemption of private companies relating to the construction materials; and (6) Prepare monthly reports for CIB Secretary General.
Legal Procedure and Investment Law Department	Director: 1 Deputy Director: 1 Chief of Bureau: 1 Permanent staff: 1 Contracted staff: 1 (Total: 5)	<ul style="list-style-type: none"> (1) Work as CIB's legal advisor on all matters pertaining to the laws, regulations and other bilateral agreements in the national and international framework relating to CIB functions; (2) Coordinate, with relevant authorities, mediation for all the disputes regarding investment companies towards proper settlement; (3) Study and draw up laws, regulations, conventions, bilateral and multilateral agreements within the scope of CIB functions; (4) Initialize the present and long-term strategy of private investment trends in coordination with related departments, especially Strategic Planning Department, in order to readjust laws and regulations for improving private investment opportunity in Cambodia; (5) Record investment companies in the registered book of CDC and deliver investment license certificates to potential and active investors; (6) Review and provide approbation for the company memorandum and the articles of association; (7) Arrange company requests for shareholders transfers, changes of name and factory locations, and also give notice of canceling investment license to inactive investment projects; (8) Follow-up with Project Monitoring Department on non-active companies and regulate the notices for the cancellation or detection of CDC's registered companies; (9) Collect all information and data relating to private investment and compile them for documentation and distribution; and (10) Handle and coordinate matters relating to Cambodia's accession to WTO and negotiations with other international organizations regarding the private investment sector.
Project Monitoring Department	Director: 1 Deputy Director: 4	<ul style="list-style-type: none"> (1) Work cooperatively with the related ministries in order to regularly monitor any investment projects that received a license and incentives;

Department	Allocation of Staff	Job description
	Chief of Bureau: 3 Permanent staff: 4 Contracted staff: 4 (Total: 16)	<ul style="list-style-type: none"> (2) Monitor factories on location; (3) Check the documentation of proposed investment locations and the actual locations; (4) Check and revise official documents concerning production activities, exports, imports, the number of machines, tools, and the use of raw material. For import requests, as the government is in charge of import tax as well as requests for license, enlarging the production line, changing location, and the depositing of money; (5) Check on any point that technicians require ; (6) Draft reports on the results of monitoring and investment to Secretary General of CIB with conclusion and some suggestions for problem solving; (7) Collect data on investment activities and performance, and allow the assessing of the national policy and the efficiency of CIB organization as well as other rules and regulation for private investment; (8) Cooperate with other relevant departments of CIB to collect data and monitor any unusual operation of companies and make reports to Secretary General when necessary; (9) Check the request for depositing funds of any investment project by directly observing and calculating the percentage the of project implementation; (10)Join all inter-ministerial meetings to monitor and audit any unusual implementation of investment projects; (11)Collect necessary data in order to audit the income tax exemption of companies; (12)Draft reports on the investment situation every month, three months, six months, and twelve months to Administration Department so that the Department can summarize the periodical Reports to the Deputy Secretary General at the end of every month; and (13)Control and solve any problem that Secretary General and Deputy Secretary General of CIB hand over.
Administration Department	Director: 1 Deputy Director: 1 Chief of Bureau: 1 Contracted staff: 5 (Total: 8)	<ul style="list-style-type: none"> (1) Manage staff and engage in general administration within CIB 's framework; (2) Record all letters in a registered book, make copies, and send letters, notification, circulation and other materials that are sent out to the respective destinations; (3) Receive all application proposals for investment projects and for the custom's duty exemptions of private companies, and deliver them to the relevant departments such as Project Evaluation and Incentives Department and Inter-ministerial Coordination Department; (4) Organize programs related to conferences, workshops, forums, courtesies and other events with investors and delegations, etc.; (5) Submit brief monthly reports to CIB Secretary General; and (6) Handle and coordinate matters relating to private sector investment, etc.;

Source: JICA Study Team based on hearings and discussions through Working Group activities.

As seen above, comparatively large numbers of human resources are allocated to two departments; the Project Evaluation and Incentives Department and the Project Monitoring Department. The Strategic Planning Department is seen as not currently working effectively as it lacks any full-time managers or staff. The Environment Assessment Department has been established and began activity with a Director and a couple of staff very recently although the name of the department was proposed at the time of the establishment of CIB more than 10 years ago.

In short, although there is a clear definition of the eight departments of CIB by Sub-decree, there

seems to be some differences and gaps between their current operational activities and the originally expected functions, depending on the department. According to the Questionnaire Survey by the JICA Study Team, most of the managers and staff of CIB believe that CIB functions as an IPA although there is room for strengthening and improving their major functions as an effective IPA such as policy advocacy, image building, investment services/facilitation, and targeting and investment generation⁴.

All the directors and permanent staff are on secondment from such relevant ministries as the Council of Ministers, the Ministry of Economy and Finance and the Ministry of Planning. Most of them have worked for CDC for a substantial length of time and they seem to spend most of their work time on CDC activities. However, their sense of belonging to CDC and motivation vary.

4.2 Current Situation of Investment Promotion Services and Activities

4.2.1 Investment Information Service

(1) Information for FDI Promotion

Information service is one of the major services of IPAs. CIB is similarly expected to collect data and information relating to FDI for its own policy making and for information service to investors.

However, currently there is no comprehensive or integrated information found inside CIB, for example, data and information on: i) overseas investors; ii) global or regional industrial development; iii) FDI tendencies in the region or ASEAN countries; iv) business environment of the competing countries; and v) socio-economic data on Cambodia. Even though such information has been collected and stored in CIB, it appears to be scattered throughout different offices and is not available for the free use of CIB staff.

Most investment promotional materials have been initiated and completed by various development partners and/or the private sector. For example, various investment guidebooks have been compiled and published by development partners or the private sector. Major guidebooks for investment in Cambodia are listed in Table 4-2-1. All, except “Cambodia’s Investment Potential”, were made by development partners or the private sector. The “Cambodian Investment Guidebook” was compiled by JICA Study Team and published with assistance of JICA in 2006.

However, CIB has not updated these guidebooks from that date due to the incapability of updating and insufficient resources. The guidebooks were updated by JICA Study Team through one of the pilot projects in this Study and published with the assistance of JICA in January 2010 as a comprehensive investment guidebook covering the latest information on hand.

⁴ Details and results of the Questionnaire Survey are described on Chapter 5.

Table 4-2-1 Investment Guidebooks of Cambodia

Name	Author/Compiler/Publisher	Year
Cambodia Investment Guide	ASEAN-Japan Center	2001
Cambodia's Investment Potential	Hing Thoraxy/ JICA	2003
An Investment Guide to Cambodia	UN (UNCTAD) & International Chamber of Commerce (ICC)	2004
An Investment Guide to Cambodia (Chinese Version)	UN (UNCTAD) & International Chamber of Commerce (ICC)/ Chinese Daily	n.a.
New Business Opportunities for EU Companies in Cambodia: An Investor's Guidebook	EUROPEAID CO-OPERATION OFFICE	2005
Cambodia Investment Guidebook (English and Japanese Version)	JICA Study Team on Economic Policy Support/ JICA	2006
Cambodia Investment Guidebook (Chinese Version)	JICA Study Team on Economic Policy Support/ Chinese Daily (translation)	2007
Investment Environment of Cambodia: Current Situation and Outlook of Food-processing Industry (Japanese)	JBIC	2007
Investment Guidebook: The Kingdom of Cambodia (Japanese Version)	Mitsubishi Tokyo UFJ Bank	2008
Cambodia Investment Guidebook (English and Japanese Version)	CDC/the JICA Study Team on the Institutional Strengthening of Investment Promotion	2010
Cambodia Investment Guidebook (Chinese Version) (To be Published)	CDC/the JICA Study Team on the Institutional Strengthening of Investment Promotion/ Chinese Embassy (translation)	TBD
Cambodia Investment Guidebook (Korean Version) (To be Published)	CDC/the JICA Study Team on the Institutional Strengthening of Investment Promotion/ KOTRA (translation)	TBD
Cambodia Legal & Investment Guide	Dirksen Flipse Doran & Le (DFDL)	Every year
Invest in Cambodia	Commonwealth Communication Ltd.	Every year

Source: JICA Study Team

The CDC Website had been updated and maintained with the assistance of ASEAN-Japan Center up until March 2009. However, as the contracted term has expired, the ASEAN-Japan Center has transferred the website to CDC.

(2) Information on Prospective Industries

So far, no comprehensive information on Cambodian industries has been collected, compiled, or printed by CIB itself.

Several development partners have conducted and published reports on industries in Cambodia. Nonetheless, such reports are not provided at CIB offices, including the Department of Public Relations and Promotion of Private Investments, where prospective investors may first visit in their search for investment-related information.

Through the “Study on Economic Policy Support” conducted by JICA from December 2005 until February 2007, the in-depth analysis was made on the Cambodian garment industry, agricultural/fisheries/food-processing industry, footwear industry, electric/ electronics industry and machinery industry but it has not be open to the public. The World Bank and IFC published “A Better Investment Climate to Sustain Growth in Cambodia: Second Investment Climate Assessment” in April 2009, in which the investment climate has been assessed primarily through a survey of 500 firms during the period between October 2007 and February 2008. UNDP also published “Cambodia Country Competitiveness: Driving Economic Growth and Poverty Reduction” in 2009, in which Cambodian agriculture, garment/light industry, tourism, information and communications technology, and construction sectors were analyzed.

Information on project sites is vital to prospective investors. In this regard, several development partners also published reports on potential projects sites. Although these reports would be of great help to prospective investors in examining their project site, these reports are not available through CIB.

IFC and the Asia Foundation published “Summary Report of the Provincial Business Environment Scorecard in Cambodia” in April 2009 and USAID also completed the “Provincial Profiles” on 6 key provinces of Cambodia for distribution.

(3) Legal Information

No legal information has been made available at CIB, except a small booklet which contains the 2003 LOI and related sub-decrees. In fact, prospective investors require a range of information on laws and regulations relating to the investment, enterprise, tax, labor, land, construction, export-import, environment, and any other issue involved in business. Currently, there is no specific section of CIB providing (or collecting) all these laws and regulations in an open manner for prospective investors.

(4) Statistics

The statistic also has great importance when prospective investors create investment and business strategies and plans. Investment-related statistics have been compiled by CDC. Nevertheless, none of them is ready to be provided to investors at the offices of CIB. There is no information center or library carrying these statistics.

In 2008, the National Institute of Statistics (NIS) conducted the “General Population Census” and published the summary report. NIS also published the results of “Nation-wide Establishments Listing of Cambodia 2009” with technical assistance of JICA. The Ministry of Tourism published “Annual Report on Tourism Statistics 2008”. Trade statistics are regularly issued by the CED and NIS.

4.2.2 PR Activity

At the moment, CIB is unable to hold any investment seminars on its own initiative due to the lack of an activity budget, which leads to a lack of experience and deficiency in the planning/management skills of CIB staff.

In recent years, investment seminars of Cambodia, in which members of CIB have participated, have been held as listed below with all of them being sponsored by developing partners or private sectors. Some seminars were also held in Nanning, China at the invitation of the Chinese Government.

Table 4-2-2 Recent Investment Seminars of Cambodia

Name of Seminar	Year	Sponsor	City
Cambodia Private Sector Investment Seminar	November 2007	Private firm in Bangkok	Phnom Penh
Cambodia Investment Environment Seminar	December 2007	ASEAN-Japan Center/ JETRO-Singapore	Singapore
Mekong Region Investment Environment Seminar	January 2008	ASEAN-Japan Center	Tokyo
Cambodia Investment Environment Seminar	September 2008	Japanese Chamber of Commerce, Bangkok	Bangkok
Cambodia Investment Environment Seminar	October 2008	ASEAN-Japan Center	Tokyo, Nagoya, Fukuoka
Cambodia Investment Seminar	June 2009	JICA/ASEAN-Japan Center	Tokyo, Nagoya, Fukuoka
Cambodia Investment Seminar	May 2010	CDC/JICA/ASEAN-Japan Center/JETRO	Tokyo, Osaka

Source: JICA Expert at CIB and JICA Study Team

CIB also receives various investment missions from other countries. On such occasions, the Public Relations and Investment Promotion Department is in charge of corresponding, preparing information for distribution, and arranging meetings.

4.2.3 Investment Consultation

While investors examine their investment plan, on top of collecting the publicized information, they may often require personal consultations regarding the investment climate, sub-sector situation, data and information, QIP application procedures, etc. Currently, there is no specific location and/or person assigned to such a mission inside of CIB. Some staff may give consultation but this takes place only periodically through personal relations.

JICA is now dispatching to CIB an investment expert to transfer the know-how of such consultations and to assist mainly Japanese investors in finding solutions regarding their investment projects.

4.2.4 Processing of QIP Approval

CIB deals with QIP applications for the projects located outside of SEZs and with investment capital

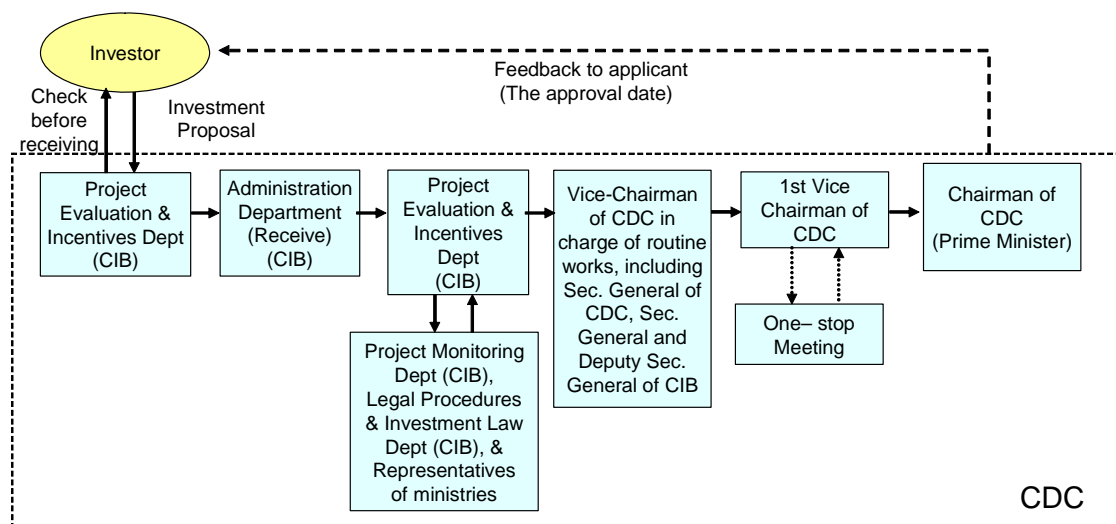
more than US\$ 2 million as shown in the table below.

Table 4-2-3 Investment Application and Approval Procedures

Type of Project	To Whom Applications Should Be Submitted	Organization Responsible for Approval
QIP Project	(1) Projects which; a. have investment capital of US\$ 50 million or more; b. involve politically sensitive issues; c. involve the exploration and the exploitation of mineral and/or natural resources; d. may have negative impacts on the environment; e. have a long-term strategy; or f. involve infrastructure concessions.	CIB
	(2) Projects outside of SEZ (other than (1))	CIB
	(3) Projects inside of SEZ (other than (1))	CSEZB
	(4) Project less than US\$ 2 million (other than (1))	PMIS
Non-QIP Project	No application required	No approval required

Source: JICA Study Team

The QIP application and processing procedure is shown in the figure below.



Note: The whole process is completed within either 3 working days for “routine” projects or 14 working days for all other projects.

Source: CIB

Figure 4-2-1 QIP Application Process

A CRC has to be issued within 3 working days of the receipt of the investment proposal and an FRC within 28 working days of the issuance of the CRC under the 2003 LOI and Sub-Decree implementing the LOI. However, according to the interview survey with the Department of Projects Evaluation and

Incentives, approximately 80% of the QIP-applied projects receive a FRC within 28 working days. As for the other 20% of QIP applicants, an FRC is issued more than 28 working days after the date of the CRC.

Although the Law and Sub-Decree clearly stipulates that CDC should obtain all of the approvals, authorizations, or licenses from relevant ministries-entities listed in the CRC on behalf of the applicant, CDC fails to collect and provide such licenses.

4.2.5 Monitoring and Aftercare Service

Under the current organization structure, the Project Monitoring Department is in a position of handling monitoring and aftercare. However, the scope of the department is limited.

The Project Monitoring Department engages mainly in checking the compliance of the investment project with the investment application and tax exemption as granted in Master List, monitoring and following up with investment projects after approval throughout the full-term of the incentives. It also collects data on non-active companies and regulates the notices for processing their cancellation or deletion from CDC's company registry.

4.2.6 Networking

Acting as the General Secretariat for the G-PSF, the top management of the CDC, but not of CIB, successfully established a close relationship with the private sector, especially FDI providers. As the issues concerning investment are often examined in the Working Group on “Law, Taxation and Good Governance”, CDC’s top management is periodically invited for discussion and, on such occasions, establishes a network with FDI providers such as members of the International Business Club.

CIB has also frequent contacts with some of the international or foreign organizations such as IFC, JICA, JETRO, UNDP, UNCTAD, USAID, ASEAN-Japan Center, etc. The main purpose of contacting them is to discuss policy matters or obtain their assistance in various fields relating to the investment promotion activities.

On the other hand, CIB seems to have yet to establish a close and stable network with foreign IPAs, Trade Promotion Organizations (TPO), or private sector associations in foreign countries. Contact with them still remains ad hoc and periodic.

4.3 Current Situation of Organization and Management

4.3.1 Organization

(1) History of Organizational Change

There has been no substantial reorganization with the purpose of improving investment promotion services since the establishment of CDC and CIB up to present.

(2) Balance between Investment Approval (Administration) and Investment Promotion (Facilitation)

The functions and organizational structure of CIB seem to focus more on one-stop service relating to approval of investment projects as opposed to investment promotion services targeting investors. Among the eight CIB departments, departments such as the Project Evaluation and Incentives Department and the Project Monitoring Department have a relatively large number of human resources and are seen to have a certain power in the organization.

(3) Management Layer

As shown on the organizational structure of the CDC, there are many layers of management as well as many high officials and managers. Although clear decision-making procedures for “One-Stop Service mechanism” are defined by the Sub-decree, it remains evident that making a smooth and quick decision is difficult under this heavy organizational structure.

At the same time, appropriate responsibility sharing between CDC as the Board and CIB as secretarial organization for private investment promotion is to be further clarified.

4.3.2 Management

(1) Policy and Strategy

Strategic action plans for investment promotion are sometimes discussed and announced. However, these policies and plans tend to be formulated only occasionally without a consistent and sustainable long-term strategy.

In the past, several donor organizations including JICA proposed recommendations on strategic action plans for CIB on different occasions. CIB has not initiated many of these recommendations for investment promotion up to the present.

Most recently, at the GDCC meeting⁵ held in April 2009, the major direction and key actions for investment promotion in different timeframes were explained by the Vice Chairman of CDC in charge of private investment as illustrated in Box 4-2 below.

**Box 4-2: Issues and Actions for Investment Promotion Announced at the
GDCC Meeting in April, 2009**

Background:

Global economic crisis has affected the level of FDI into Cambodia, which has also created an opportunity for CIB to rethink and retool itself in order to retain existing investment and attract more FDI into the country. The management of CIB will work with external development partners (EDPs) to address the following key actions and challenges.

Short-term Issue and Actions:

Cambodia is not immune to factory closings, particularly in the garment sector, the country's leading export engine. Retaining existing investment is a key challenge, which calls for CIB's necessity for implementation of the following actions with provisions of technical assistance and resources by EDPs:

- a) Design and install the Investment Tracking System;
- b) Train and provide equipment to the newly-created Investor Aftercare Unit; and
- c) Update of the CIB Website

Medium-term Issue and Actions:

Effective investment promotion strategy and resources are very critical in attracting FDI, which calls for CIB's necessity for implementation of the following actions with provisions of technical assistance and resources by EDPs;

- a) Preparation of the investment promotion strategy at the national, provincial, and municipality levels;
- b) Preparation of materials and brochures for investment promotion;
- c) Creation and support of the Information Technology Unit;
- d) Dispatch of a full-time and long-term international experts for investment promotion to CIB; and
- e) Assessment of the existing capacity of CIB staff and design of a comprehensive capacity improvement program.

Long-term Issue and Actions:

- a) Implementation of the Study with the cooperation of the JICA Study Team for the institutional strengthening of the investment promotion agency in Cambodia.
The outcome of the Study will help the government to position itself for making decision and transforming the investment promotion agency in Cambodia into a more effective institution; and
- b) Building of a new facility for CIB

⁵ GDCC: "Government-Donors' Coordination Committee"

(2) Planning and Budget

The article 35 of the Sub-decree No. 148 stipulates that CDC should have its own cadres of civil servants and its own budget.

A budget for investment promotion based on actual activity plan is currently not being prepared in a consistent and integrated manner. Budget planning and management are not well established at CIB. None of the departments of CIB have ever formulated total budget plan for both operational and capital expenses with their activity plan wither for a fiscal year or for the medium-term.

The budget of CDC announced in the National Budget Table for 2009 was 4,750 million Riel (US\$ 1.2 million). However, management through accounting is conducted by the secretariat of CDC, and the Study team was unable to access the detailed information about the budget and accounting. The budget seems to be spent for operational expenses of CDC as a whole such as salaries for contracted staff, utility costs, and office supplies. The salary and compensation for directors and permanent staff of CDC who are seconded from relevant ministries are supplied by those seconding ministries, and they are not included in the CDC budget.

(3) Human Resource Management

All permanent government officials have been seconded by relevant ministries with their salaries by their seconding agencies. Most of CIB managers and staff have long worked for CIB and concentrate their working time on their respective responsibilities within CIB. There is also many contracted staff.

There is limited rotation of managers and staff among different departments. Performance of the activities by individual staff, departments, and CIB as a whole has not been periodically reviewed in an integrated manner.

An overall plan for human resource development has never been prepared. Therefore, although several donors provide various training opportunities to CIB managers and staff, training tends to be on a spot-basis and most staff does not want to participate in those opportunities.

4.4 CIB Awareness Survey

4.4.1 Outline of the CIB Awareness Survey

The Study Team and the counterpart team of CIB decided to conduct a questionnaire survey (CIB Awareness Survey) targeting directors, managers, and staff of CIB.

The objective of CIB Awareness Survey is to assess their awareness of CIB responsibilities, functions, structure, and management. The Survey was also expected to provide a good opportunity for each respondent to reconsider CIB's real situation, expected functions as an IPA, and directions for future improvement.

The Survey was conducted between May and June 2009 with the support of the Working Group members. The questionnaire was distributed to all CIB managers and staff who have more than 3-year work experience at CIB regardless of whether permanent or contracted (51 persons), including the directors of eight departments. Forty-three (43) individuals responded to the questionnaire. The results of the CIB Awareness Survey were discussed and reviewed by the Working Group members, and then reported to and shared among counterpart personnel of CIB (see Appendix 1).

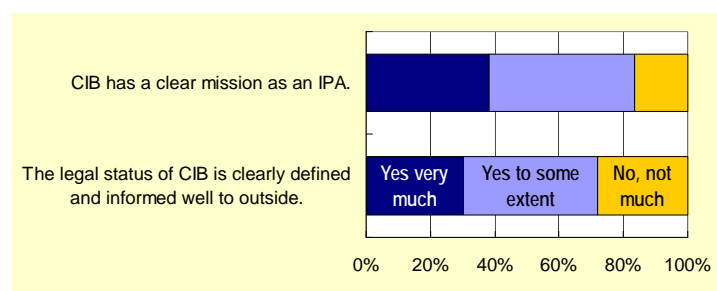
4.4.2 Major Findings of the CIB Awareness Survey

(1) Roles and Functions of CDC/CIB

a. Roles and Functions as a Whole

- i) There is room for improving the legal status of CIB as an IPA

More than 80% of the respondents believe that CIB has a clear mission as an IPA. However, only close to 30% recognize CIB’s legal status as being clearly defined and informed to the outside.



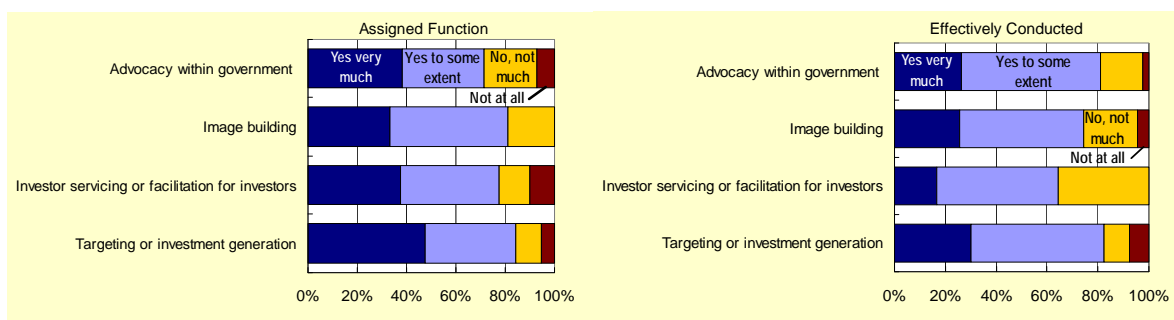
Source: JICA Study Team

Figure 4-4-1 Results of CIB Awareness Survey: Mission and Legal Status

- ii) There is no clear distinction between the importance of the four roles of an IPA. However, the evaluation of the performance of investor servicing and facilitation is relatively low.

Approximately 80% of the respondents regard the four role of IPA, i.e., advocacy, image building, investor servicing/facilitation, and targeting or investment generation as tasks of CIB. As it were, relatively fewer respondents considered policy advocacy as being a task of CIB.

As for the evaluation of how effectively these four roles are conducted, the evaluation of investor servicing/facilitation was deemed low.



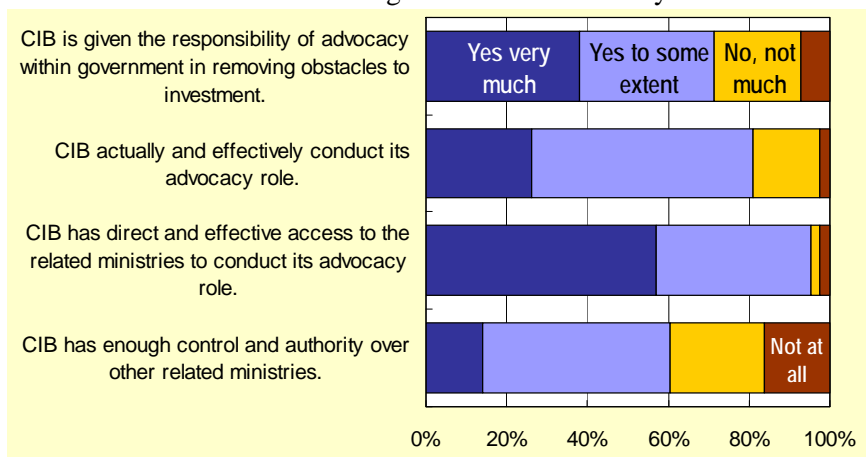
Source: JICA Study Team

Figure 4-4-2 Results of CIB Awareness Survey: Evaluation of Function

b. Policy Advocacy

- i) Weak control of related ministries is considered an obstacle in conducting the role of policy advocacy.

Almost 80% evaluate CIB as effectively conducting its advocacy role. However, nearly 40% consider that CIB does not have enough control and authority over other related ministries.



Source: JICA Study Team

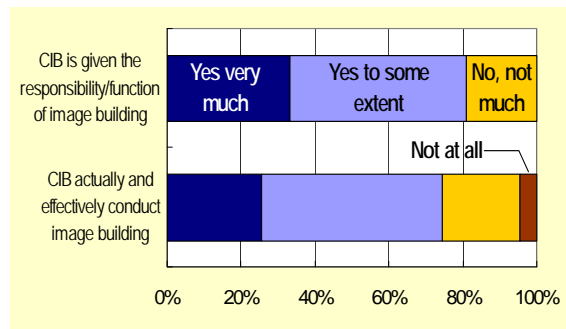
Figure 4-4-3 Results of CIB Awareness Survey: Evaluation of Policy Advocacy

c. Image Building

- i) Activities for image building to promote Cambodia as an investment destination are insufficient and need to be strengthened. However, this recognition is weak among CIB.

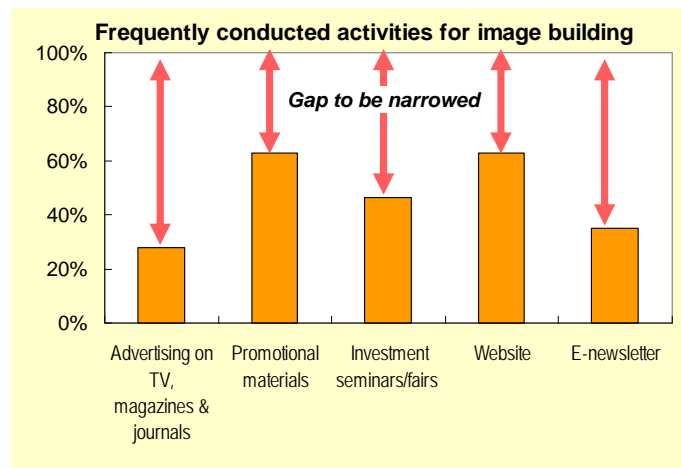
Approximately 60% regard CIB as frequently conducting activities for image building such as preparation of promotional materials and operating of websites (Figure 4-4-5). However, these questions should receive 100% positive answer because other IPAs usually make a conscious effort for image building. CIB should put more focus on such activities as promotion material, seminars, website, etc. However, the recognition of this within CIB is weak. As for question regarding image building and activities to be strengthened, each activities gained rather low score. The recognition of necessity of strengthening activities is

weak among CIB.



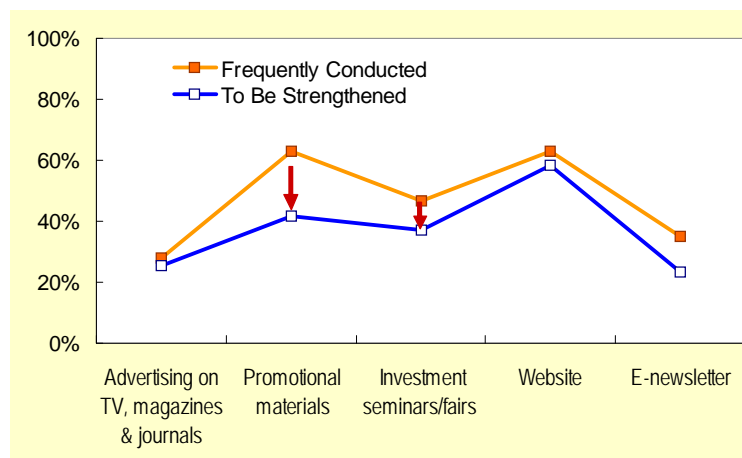
Source: JICA Study Team

Figure 4-4-4 Results of CIB Awareness Survey: Evaluation of Image Building



Source: JICA Study Team

Figure 4-4-5 Results of CIB Awareness Survey: Frequently Conducted Activities for Image Building



Source: JICA Study Team

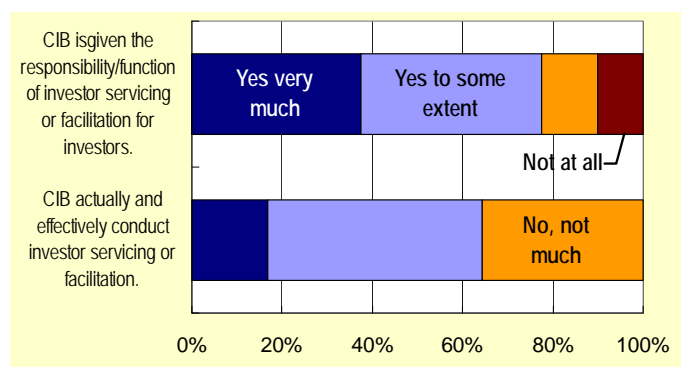
Figure 4-4-6 Results of CIB Awareness Survey: Frequently Conducted Activities for Image Building and Activities to Be Strengthened

d. Investor Services and Facilitation

i) Performance of investor services and facilitation is evaluated as weak.

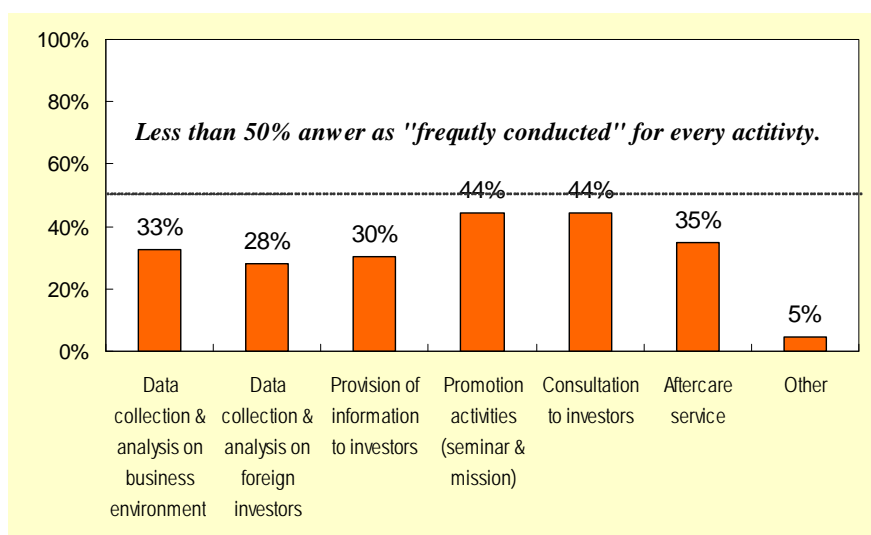
Evaluation of frequent conducting of activities is less than 50% for all the questioned activities. Investment promotion and consultation received relatively good evaluations.

As for the question of what functions should be strengthened, 40% to 50% of respondents point to data collection and analysis, and aftercare services as functions to be strengthened. On the other hand, only around 30% consider that investment promotion and consultation should be strengthened.



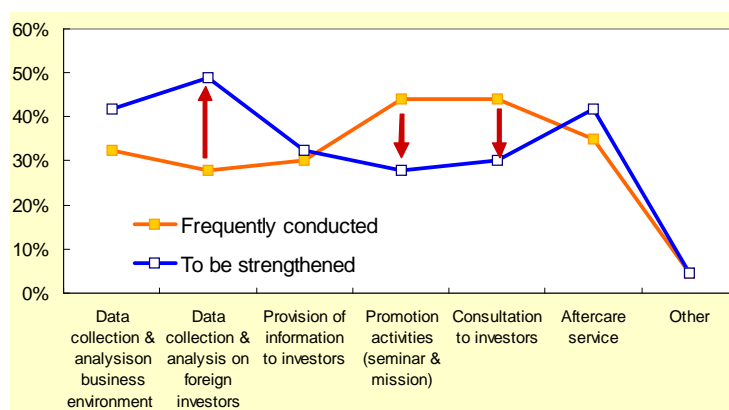
Source: JICA Study Team

Figure 4-4-7 Results of CIB Awareness Survey: Evaluation of Investor Services and Facilitation



Source: JICA Study Team

Figure 4-4-8 Results of CIB Awareness Survey: Frequently Conducted Investors Services and Facilitation



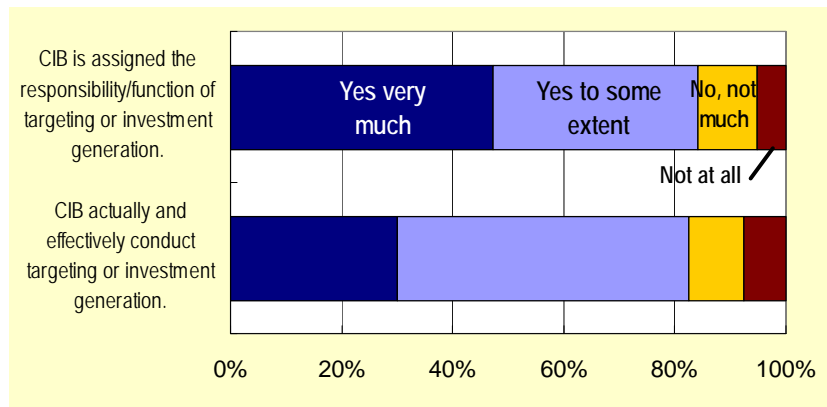
Source: JICA Study Team

Figure 4-4-9 Results of CIB Awareness Survey: Frequently Conducted Investors Services and Facilitation and Investors Services and Facilitation to Be Strengthened

e. Targeting and Investment Generation

- i) Relatively good evaluations were given to targeting and investment generation.

More than 80% of respondents gave positive answers to targeting and investment generation. However, it should be noted that only 30% of respondents consider CIB as conducting targeting and investment generation realistically and effectively.



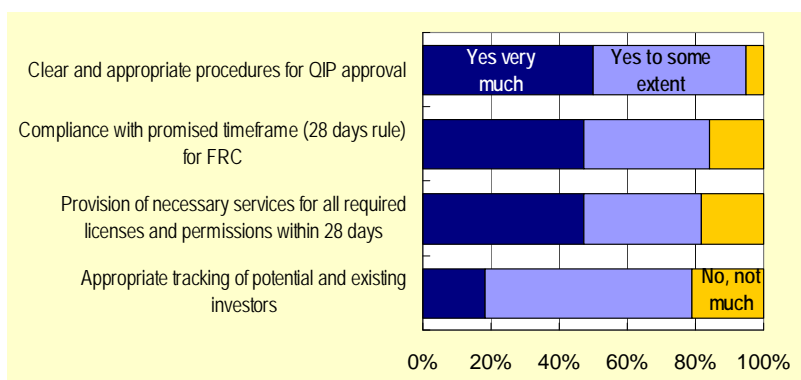
Source: JICA Study Team

Figure 4-4-10 Results of CIB Awareness Survey: Evaluation of Targeting or Investment Generation

f. QIP Evaluation and Approval

- i) Evaluation of the QIP evaluation and approval was relatively high.

More than 80% of respondents gave positive answers for QIP procedures, compliance with 28-days time framework, and service for requiring licenses and permits. However, nearly 20% are doubtful of the 28-days time framework, and service for requiring licenses and permits. Less than 20% are fully satisfied with the tracking of inventors.



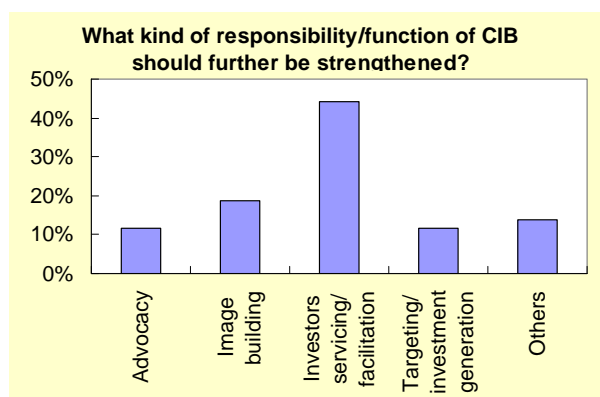
Source: JICA Study Team

Figure 4-4-11 Results of CIB Awareness Survey: Evaluation of QIP Evaluation and Approval

g. Functions to Be Strengthened

- i) More than 40% of respondents considered investor servicing and facilitation as an important function to be strengthened.

A total of 44% of respondents recognized that investor servicing and facilitation should be further strengthened. However, the score for image building is too low.



Source: JICA Study Team

Figure 4-4-12 Results of CIB Awareness Survey: Function to Be Strengthened

(2) Organizational Issues of CIB

a. Organization and Management

- i) Many consider the organizational structure of CIB as almost appropriate.

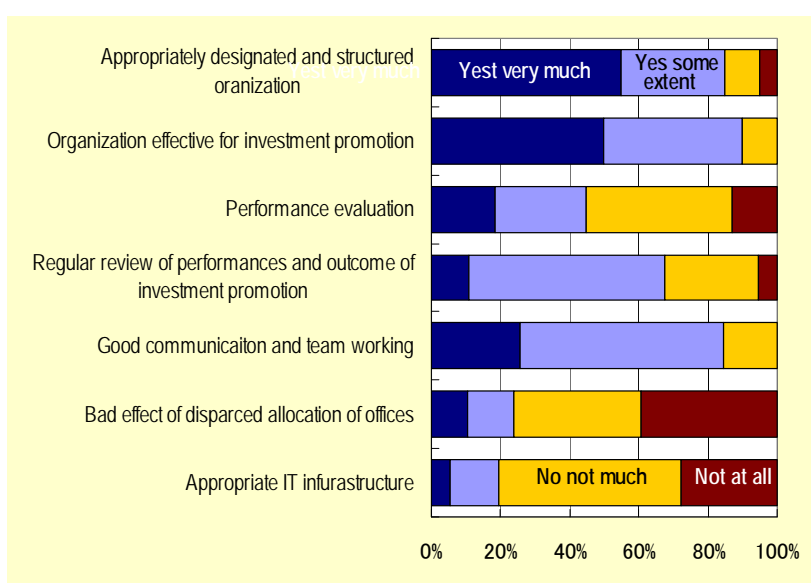
Around 90% of respondents regard the organization structure of CIB as appropriately designed and effective for investment promotion.

- ii) There is room for the improvement of the evaluation mechanism in CIB.

The answers of “Yes, very much” was less than 20% of the total for performance evaluation and regular reviews of the performance of investment promotion. It can be said that performance reviews of individuals, departments, and CIB as a whole are not sufficiently conducted.

- iii) Poor infrastructure is a big issue in the operation of CIB.

Many consider issues of infrastructure of CIB such as dispersed allocation of offices and poor IT infrastructure as currently causing adverse effect on effectiveness and efficiency of operation.



Source: JICA Study Team

Figure 4-4-13 Results of CIB Awareness Survey: Organizational Issues of CIB

b. Human Resource Management

- i) Training is the key issue of human resource management.

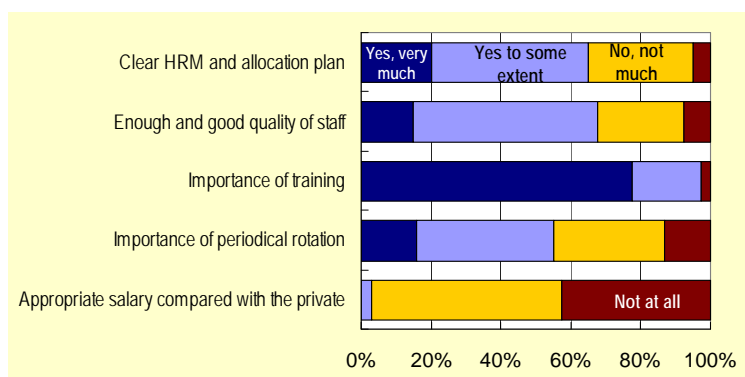
Nearly 80% of respondents answered that training for managers and staff is very necessary and important.

- ii) Most of the respondents are not satisfied with their salary level.

Almost all respondents think that the salary range of CIB staff is not appropriate compared to similar positions and qualifications in the private sector.

- iii) As for human resource allocation and periodical rotation, most of the respondents see it as neither important nor necessary.

Answers to questions asking about human resource allocation and periodical rotation, the shares of “Yes, very much” and “Not at all” are relatively low.

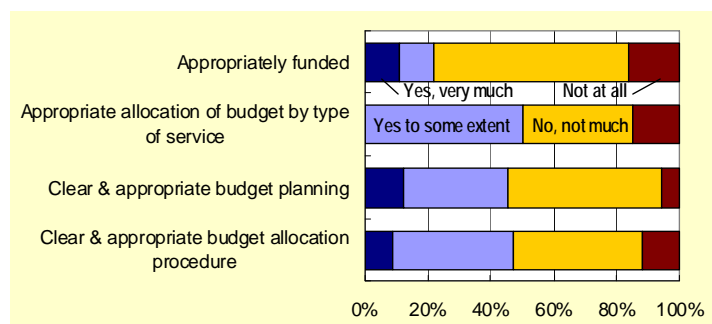


Source: JICA Study Team

Figure 4-4-14 Results of CIB Awareness Survey: Evaluation of Human Resource Management

c. Budget

- i) Evaluation of the budget was outstandingly low compared with other categories.
- ii) Nearly 80% of respondents consider CIB as not being appropriately funded for its activities. More than half of respondents regard the budget allocation among types of service and budget planning and allocation procedures as inappropriate.



Source: JICA Study Team

Figure 4-4-15 Results of CIB Awareness Survey: Evaluation of Budget

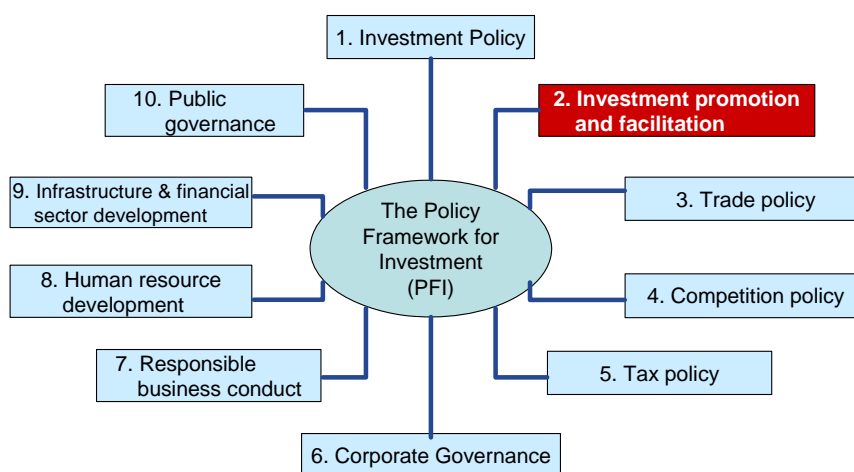
4.5 Evaluation of CDC/CIB Based on PFI Analysis

4.5.1 What is PFI?

The Policy Framework for Investment (PFI) has been developed in order to mobilize private investment via a task force set in the Organisation for Economic Co-operation and Development (OECD) and representing 60 OECD member and non-member countries, business sectors, and international organizations.

PFI is a tool providing a checklist of important policy issues for the development of a better investment environment, which addresses some 82 questions for governments in 10 policy areas (see Figure 4-5-1) to help them design and implement good policy practices for attracting and maximizing the benefits of investment. Endorsed by the OECD member country ministers in 2006, the PFI has been used by developing countries as a comprehensive investment policy tool.

The Study Team regarded the PFI as an important analytical tool, in particular Chapter 2 “Investment promotion and facilitation” of the PFI, for assessment of investment promotion and facilitation in Cambodia.⁶ The situation of functional and organizational issues on investment promotion at CIB were questioned, reviewed, and analyzed according to the PFI based on the findings in the preceding chapters.



Source: OECD (www.oecd.org/daf/investment/pfi)

Figure 4-5-1 PFI Structure and its Ten Chapters

The overall framework of PFI and the method of its utilization for assessing and analyzing the strengths and weakness of CIB were explained to and shared among both top managers (Counterpart members) and major staff (Working Group members) of CIB at the initial stage of the Study.

4.5.2 Results of PFI Assessment

Given the assessment of issues described on the previous chapters, the Study Team made a PFI assessment on investment promotion and facilitation. The PFI assessment also stands on the bases of the results of CIB Awareness Survey and its subsequent discussions at the Working Group as well as direct observations and research by the JICA Study Team.

⁶ Chapter 2 of the PFI consists of nine questions from 2.1 to 2.9. The Study Team prepared the Questionnaire of the CIB Awareness Survey utilizing the two questions on them as the main questions, i.e., the question 2.2 on Establishing IPA and the question 2.3 on Monitoring of IPA Performance. The sub-questions of the Questionnaire were also set with reference to the PFI User's Toolkit (www.oecd.org/investment/pfitoolkit).

(1) Questions Regarding the Establishment of IPA (2.2)

The questions of “2.2 Establishing an IPA” in the PFI are concerned with how an IPA is established. Key questions are “Has the government established an IPA?” and “To what extent has the structure, mission, and legal status of the IPA been informed by, and benchmarked against international good practices?”

Table 4-5-1 Questions and Results Regarding the Establishment of IPA

Sub-questions (Policy practices to scrutinize)	Assessment results (Current situation/problems)
(1) Where within government is the IPA located, and does it have direct access to the center of government to facilitate its advocacy role?	<ul style="list-style-type: none"> - The country’s IPA, Cambodian Investment Board (CIB) established in 1994, is positioned as one of the three subordinate bodies under the Council for the Development of Cambodia (CDC). - The CDC is the country’s sole government organization conducting a “One-stop Service” mechanism for the rehabilitation, development, and oversight of investment activities. - Because CDC, chaired by the Prime Minister, has all relevant ministers/officials as members, it has direct access to the center of the government. It is also expected to perform in an advocacy role through the “One-Stop Service” mechanism. - However, due to the “top heavy” organizational structure of CDC and complexity of the power balance among ministries, effective advocacy by CDC cannot be seen as implemented.
(2) Are there provincial IPAs and, if so, how are responsibilities divided between the different levels?	<ul style="list-style-type: none"> - The Sub-committees on Investment of the Provinces - Municipalities (PMIS) at the regional level are expected to perform as “One-Stop Services” for investors that apply for QIP (Qualified Investment Project) with less than US\$ 2 million⁷. However, due to insufficient capacity of those authorities and insufficient understanding of investment-related laws and regulations, not many PMIS seem to work effectively. - As for investments in Special Economic Zones (SEZs), CSEZB (Cambodian Special Economic Zone Board) under CDC and its onsite offices of SEZ Administration function as a “One-Stop Service” provider for investors. - Except for the coordinating function for approval, permission, and licensing for applied QIPs at PMIS and CSEZB, all other investment promotion, and other investment-related functions are expected to be conducted by CIB.

⁷ The Sub-decree that stipulates of the establishment of the Sub-committee on Investment of the Provinces-Municipalities (PMIS) at regional level was enacted in 2005.

Sub-questions (Policy practices to scrutinize)	Assessment results (Current situation/problems)
<p>(3) How can the IPA help to expedite decisions when investment projects require approvals from many government agencies and sub-national governments? Does the IPA's legal mandate recognize it as the lead agency?</p>	<ul style="list-style-type: none"> - As stipulated in the LOI and subsequent Sub-decrees, the CDC, particularly CIB, is defined as the “One-Stop Service” mechanism for coordinating approval and licensing for applied QIPs. - Although CIB is expected to function as an effective coordinator and facilitator for obtaining permissions and approvals from relevant ministries, CIB officials often have difficulties in making effective coordination for several reasons. As a result, many cases in which investors themselves are obliged to visit and negotiate with relevant ministries directly are reported, which causes delays in application processing for final registration⁸. - CIB can be deemed to assume the role of lead agency judging by the roles and responsibilities of CIB stipulated in the Sub-decree No. 149. - Due to insufficient capacity and organizational mechanisms in strategic policy planning, CIB does not conduct a proactive advocacy for policy reform. - Many CIB officials think that legal mandates and CIB's relationship with relevant ministries should be reviewed and be redesigned.
<p>(4) Does the IPA promise completion of all investment approvals within a certain timeframe and what is its track record in meeting this promise?</p>	<ul style="list-style-type: none"> - As stipulated in the LOI and subsequent Sub-decrees, CDC, particularly CIB, promises completion of QIP approvals within a certain timeframe. - Many CIB managers and staff are confident that CIB has a clear procedure for applications for QIP registration, meets the promised timeframe for approval completion, and conducts necessary services for investors to get all the required licenses/permissions within 28 days. Officials of the responsible departments think that almost 80% of applied QIPs are approved within the defined timeframe. - However, the track record was not reviewed, analyzed nor shared within CIB in an effective manner.
<p>(5) How is the IPA budget and staff allocated across the four functional roles of advocacy, image-building, facilitation and targeting? Do these functions have the resources they need to succeed?</p>	<ul style="list-style-type: none"> - There is no organizational mechanism for formulating an integrated annual plan for investment promotion across the 4 expected functions of an IPA with a necessary budget at CIB. All departments of CIB suffer from constant shortages in operational budget for making proactive planning and implementation of expected activities. - Many managers and staff feel that the budget across the 4 functional roles is not efficiently allocated and the budgeting procedure itself is not appropriate. - There is a relatively small number of staff allocated, which puts adverse effect on CIB's effective implementation of promotional activities.

⁸ More than 70% of IPAs say they were established to act as a one-stop-shop for approvals and licensing, but investment projects often require approval from many government agencies and sub-national governments in such areas as land use, labor practices, safety, taxes and customs, and environmental impact.

Sub-questions (Policy practices to scrutinize)	Assessment results (Current situation/problems)
(6) How does the IPA divide its time between advocacy of investment climate reforms, image building, facilitation, and direct targeting and how does this compare to international experience?	<ul style="list-style-type: none"> - CIB puts much more focus on the coordination of permitting/licensing functions, which is a part of “investor servicing/facilitation,” in terms of organizational structure and allocation of human resources. - As a result, CIB tends to decrease the necessary time and resources for such other functions as advocacy, image building, and targeting, and lacks an appropriate level of promotional activities. - Currently, not many top leaders, managers, or staff of CDC/CIB seem to understand well about what the 4 different IPA roles should be and how time and resources should be allocated in a good balance without any strategic planning for the organization. <p>(see Chapter 5 for the comparison with the IPAs in the neighboring countries)</p>
(7) Has the IPA engaged with agencies from other countries to learn how effectively to advocate reform and maintain good relations with government departments?	<ul style="list-style-type: none"> - CDC and CIB in particular, has benefited from obtaining many opportunities to learn how an effective IPA should perform through a variety of programs and invitations by multilateral and bilateral donors and organizations such as JICA, OECD, ADB and ASEAN-Japan Center. - However, those experiences have not been shared well among managers and staff nor been efficiently digested within CIB so as to increase the performance of the organization. - CDC/CIB has not yet become a member of World Association of Investment Promotion Agencies (WAIPA). - The CDC/CIB has not been implementing proactive and strategic approaches.
(8) Has the IPA studied image-building campaigns and materials from other countries to find techniques that can improve its work?	<ul style="list-style-type: none"> - Same as (7).

Source: JICA Study Team

(2) Questions Regarding the Monitoring of IPA Performance

The questions of “2.3 Monitoring IPA Performance” in the PFI are regarding the budget and monitoring systems of the IPA. Key questions are “Is the IPA adequately funded and is its performance in terms of attracting the investment regularly reviewed?” and “What indicators have been established for monitoring the performance of the agency?”

Table 4-5-2 Questions and Results Regarding the Monitoring of IPA Performance

Sub-questions (Policy practices to scrutinize)	Assessment results (Current situation/problems)
(1) How is the IPA funded?	<ul style="list-style-type: none"> - CIB is basically funded through the government budget as one of the three subordinate organizations under CDC. - The salary and compensation of most directors and permanent staff are not included in the CDC budget as they are seconded by relevant ministries and the seconding ministries pay salary and compensation to them. - Shortages in budget, both in terms of operational and capital spending, are a crucial issue for enhancing CIB’s effectiveness of implementing concrete activities. - CIB has benefited from obtaining external funding for several activities through many programs and assistance by multilateral and bilateral donors and organizations. This may cause CIB to be continuously dependent on those external sources.

Sub-questions (Policy practices to scrutinize)	Assessment results (Current situation/problems)
(2) How is the budget allocation for the IPA decided?	<ul style="list-style-type: none"> - Budget of CDC as a whole is announced in the National Budget every year, which is said to be spent for operational expenses such as salaries for contracted staff and office supplies. - Management and procedures for budget planning of CIB operation are not established in the organization, and no department of CIB has ever formulated an integrated budget plan for both operational and capital expenses, integrated activity plan basis for both the year and medium-term. - Many managers and staff feel that the budget across the 4 functional roles is not efficiently allocated and the budgeting procedure itself is not appropriate.
(3) Is the IPA staffed with qualified personnel?	<ul style="list-style-type: none"> - Many managers and staff believe that CIB does not have an appropriate number and good quality of staff, and has no effective human resource management. - All the permanent government officials of CIB have been seconded by relevant ministries and their salaries paid by their seconding agencies although they have long worked for the organization and spent their working time on respective CIB responsibilities. - There are also many contracted staff working at CIB. - An integrated plan for human resource development has never been prepared and as a result, training tends to be on a spot-basis. Several donors have provided various training opportunities to CIB managers and staff. Although they understand that training for managers and staff is very important in general, respondents felt that training is conducted only by a spot-basis without the provision of a clear roadmap. Many CDC participants in several donor-funded training programs tend to think that they do not want to participate in those opportunities because these courses do not match their real needs for their capacity development.
(4) What is the salary range of these personnel? How does it compare with similar positions and qualifications in the private sector? Is it enough to provide motivation for the staff of the IPA?	<ul style="list-style-type: none"> - Many CIB managers and staff consider the salary level of the CDC/CIB as being low, which may put adverse effects on their motivations. - However, the level of salary at CIB is evaluated to be not so low compared to the conditions of IPAs in Thailand and Vietnam.

Source: JICA Study Team

CHAPTER 5 BENCHMARK SURVEY ON IPAS IN NEIGHBORING ASEAN COUNTRIES

5.1 Objectives and Methodology

5.1.1 Background and Objectives

Many countries are convinced that FDI should be an important component of their growth strategy.¹ ASEAN countries, specifically Cambodia and its neighbors, have made their own efforts to encourage FDI through the improving of their business climates, and by developing guarantees and incentives, as well as establishing and strengthening the country's IPA.

Taking into consideration the regional competition circumstances of investment promotion, the Study Team conducted a benchmark survey of IPAs in the neighboring ASEAN countries with the purpose of:

- i) Studying the organization, functions, and activities of IPAs in the neighboring ASEAN countries;
- ii) Comparing these IPAs and identifying best practices of the IPAs; and
- iii) Learning lessons from these IPAs.

5.1.2 Methodology of Survey

(1) Surveyed IPAs

The Study Team chose the following IPAs for review:

- i) Foreign Investment Agency (FIA) in Vietnam;
- ii) Office of the Board of Investment (OBOI) in Thailand;
- iii) Board of Investment (BOI) in the Philippines;
- iv) Malaysia Industrial Development Agency (MIDA) in Malaysia; and
- v) Economic Development Board (EDB) in Singapore.

(2) Survey Items

Major items that were intended to be analyzed are as follows:

- i) Organization and functions:
 - Positioning under government organizations and its investment promotion policy;

¹ Foreword by Louis T. Wells, Professor of International Management, Harvard Business School, for "Global Investment Promotion Benchmarking 2009: Summary Report", World Bank Group, May 2009.

- Historical background and progress;
 - Organizational structure, staffing, and their basic functions;
 - Budget and finances; and
 - Lessons learnt from past experiences.
- ii) Details of promotion, application procedures, and incentives for investment in Vietnam and Thailand:
- Concrete activities for investment promotion;
 - Investment application procedures ; and
 - Tax schemes and other incentives.

(3) Survey Method

Information collection was conducted through the researching of various websites and analytical papers as well as direct interview surveys by the Study Team with IPAs in Thailand and Vietnam.

5.2 Outline of Surveyed IPAs

The outlines of the surveyed IPAs are as follows:

Table 5-2-1 Outline of Surveyed IPAs

Country/Name of IPA	Status	Governing Ministry	No. of Domestic Office*	No. of Overseas Office	Budget (US\$ Mil.)	No. of Staff
<i>Cambodia</i> Cambodian Investment Board [CIB]	Government Organization	Council for the Development of Cambodia	None	Embassies & Consulate	-	60
<i>Vietnam</i> Foreign Investment Agency [FIA]	Government Organization	Ministry of Planning and Investment	3	Embassies & Consulates (Planned)	1.2	100-110
<i>Thailand</i> Office of the Board of Investment [OBOI]	Government Organization	Ministry of Industry	7	8	10**	300
<i>The Philippine</i> Board of Investment [BOI]	Government Organization	Department of Trade and Industry	IPUs in 24 related gov't agencies	Embassies & Consulate	3**	N.A.
<i>Malaysia</i> Malaysian Industrial Development Authority [MIDA]	Government Organization	Ministry of International Trade and Industry	11	19	15**	Over 400
<i>Singapore</i> Economic Development Board [EDB]	Statutory Body	-	None	19	45**	Over 400

Note: * Except for HQ
**Budget in 1999²

Source: JICA Study Team based on direct interviews with the selected IPAs as well as research of various Websites.

The following table displays the main services and functions of each surveyed IPA.

² D.W. Velde, "Policies towards FDI in developing countries: Emerging best-practices and outstanding issues", March 2001.

Table 5-2-2 Services and Functions of Surveyed IPAs

<u>Cambodia</u> Cambodian Investment Board [CIB]
<ul style="list-style-type: none"> • To coordinate and implement the “One-stop service mechanism” for the examination and approval of “Qualified Investment Projects” (QIP); • To formulate strategic plans and coordinate the promotion of overall private investment; • To implement marketing and promotion activities for potential investors; • To conduct policy advocacy for the improvement of legal frameworks for investment promotion; and • To coordinate and direct relevant people both inside and outside the government.
<u>Vietnam</u> Foreign Investment Agency [FIA]
<ul style="list-style-type: none"> • To provide FDI-related advice to the Minister; • To collect FDI-related data for the national economic program; • To develop and revise FDI-related policies; • To provide support when FDI-related problems occur domestically; • To promote investment (coordination among ministries) and international cooperation; • To manage FDI in Vietnam by foreign enterprises and FDI to foreign countries by Vietnam; • To perform various after-care services; and • To coordinate with the Personnel Dept. of MPI in holding trainings for FIA officers.
<u>Thailand</u> Office of the Board of Investment [OBOI]
<ul style="list-style-type: none"> • To develop investment promotion policies and plans; • To conduct image building and promotional campaigns; • To negotiate and implement bilateral / multilateral agreements, analyze FDI trends, and participate in regional cooperation mechanisms; • To provide assistance to investors including foreign-local matching making services through BUILD; • To formulate and evaluate investment policy, and prepare the budget of BOI and periodical activity reports; • To provide information to investors concerning the establishment of businesses; • To provide quick service for visa and work permit at the One Stop Service Center; • To monitor investment projects from all aspects (i.e., appraisal, monitoring, and review of tax exemptions); • To collect, analyze, and distribute information on respective industries; and • To approve investment projects.
<u>The Philippine</u> Board of Investment [BOI]
<ul style="list-style-type: none"> • To formulate and implement investment promotion strategies and conduct advocacy campaigns; • To provide assistance to both local and foreign investors at a pre-investment stage via the providing of information on relevant laws and business procedures, and provide after-care services; • To process investment applications and grant incentives, and provide services to investors from the time of registration up to the projects becoming fully operational; and • To serve as the corporate planning unit, and render financial and administrative services.
<u>Malaysia</u> Malaysian Industrial Development Authority [MIDA]
<ul style="list-style-type: none"> • To promote FDI and domestic investment; • To evaluate applications for manufacturing licenses, incentives, duty exemptions, technical agreements, and expatriate positions; • To formulate industrial plans; • To propose policy recommendations to the MITI; • To assist companies in the implementation and operation of their projects; • To provide consulting services; • To facilitate cross-border investments; • To facilitate information exchanges among various ministries; and • To provide additional services at MIDA headquarters by senior representatives from key agencies and ministries.
<u>Singapore</u> Economic Development Board [EDB]
<ul style="list-style-type: none"> • To formulate and implement economic policy and investment promotion strategies; • To attract and promote both domestic and foreign investors; • To provide business incentives and financial assistance; • To collect and analyze information on industries; • To build relationships with clients (investors) and conduct sales marketing; • To assist companies in the implementation and operation of their projects (including after care services); and • To facilitate information exchanges among various agencies and business leaders.

Source: JICA Study Team based on direct interviews with the selected IPAs as well as research through various Websites.

5.3 Comparison of Policy, Organization, and Management

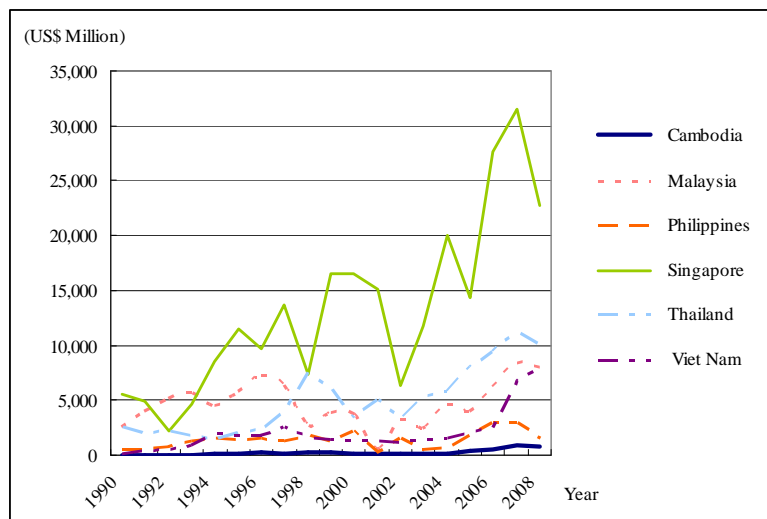
5.3.1 Investment Climate of Survey Countries

The following table is a comparison of the general economic conditions of Cambodia and its neighboring countries. As can be seen from the table, the economic scale of Cambodia is still small compared to other neighboring countries in terms of GDP, FDI net inflow, and export value. Singapore stands out from all other ASEAN countries as the most advanced economy, with a stably increasing FDI inflow.

Table 5-3-1 Comparison of FDI-Related Indicators

	Cambodia	Vietnam	Thailand	Philippine	Malaysia	Singapore
Population (million) (2008)	14.0	86.2	66.5	90.5	27.7	4.8
GDP (US\$ billion) (2008)	10.3	90.6	268.1	168.5	213.8	181.9
GDP per capita (US\$) (2008)	739	1,051	4,228	1,902	7,711	37,592
FDI net inflows (BOP Basis) (US\$ million) (2008)	806	9,053	7,255	1,283	-6,190	13,797
FDI inward stock (US\$ million) (2008)	4,637	31,135	56,542	14,028	47,771	186,926
Merchandise exports (US\$ billion) (2008)	4.8	62.7	177.8	49.0	199.3	338.2

Source: National Institute of Statistics of Cambodia, ADB “Key Indicators for Asia and the Pacific 2009”, UNCTAD “World Investment Report 2009”.



Source: UNCTAD (2009)³

Figure 5-3-1 FDI Inflow Trends by Country (US\$ at Current Prices in Millions)

The following table shows the “Doing Business” Index of Cambodia and its neighboring countries. Cambodia is ranked 145th in the overall ranking in “Doing Business 2010”, down from 135th in “Doing Business 2009”. Among the surveyed 6 countries, Cambodia is the lowest. Singapore remains

³ UNCTAD, “World Investment Report 2009”. Retrieved from <http://stats.unctad.org/FDI/TableViewer/tableView.aspx>

at the top in the world in the World Bank's "Doing Business" survey. As for the indicators of "Starting Business", Cambodia is the 173rd in the world and the worst among surveyed countries. Singapore is highly evaluated for this indicator, positioned 4th in the world in 2010.

Table 5-3-2 Doing Business Index of Cambodia and Neighboring Counties

	Overall Rank			Starting a Business		
	Doing Business 2009	Doing Business 2010	Year to year comparison	Doing Business 2009	Doing Business 2010	Year to year comparison
Cambodia	135	145	Down	169	173	Down
Philippines	140	144	Down	155	162	Down
Vietnam	92	93	Down	108	116	Down
Malaysia	20	23	Down	75	88	Down
Thailand	13	12	Up	44	55	Down
Singapore	1	1	Stable	10	4	Up

Source: World Bank "Doing Business 2010"

The following table shows the comparison of major indicators in the Doing Business Survey. Singapore is considered one of the most successful, not only among ASEAN countries but also on the global scale. For these indicators, Cambodia still lags behind other neighboring countries.

Table 5-3-3 Comparison of Major Indicators of Doing Business Survey

	Cambodia	Vietnam	Thailand	Philippine	Malaysia	Singapore
<i>Starting a business (rank)</i>	173	116	55	162	88	4
Procedures (number)	9	11	7	15	9	3
Time (days)	85	50	32	52	11	3
<i>Dealing with Construction Permits (rank)</i>	145	69	13	111	109	2
Procedures (number)	23	13	11	24	25	11
Time (days)	709	194	156	203	261	25
<i>Paying Taxes (rank)</i>	58	147	88	135	24	5
Total tax rate (% profit)	22.7	40.1	37.2	49.4	34.2	27.8
<i>Trading Across Borders (rank)</i>	127	74	12	68	35	1
Documents to export (number)	11	6	4	8	7	4
Time to export (days)	22	22	14	16	18	5
Documents to import (number)	11	8	3	8	7	4
Time to import (days)	30	21	13	16	14	3

Source: World Bank, "Doing Business 2010"

It should be noted that each country has different social, political, and economic backgrounds, and also different development tracks and development stages. However, it remains true that all the countries have to compete with each other in terms of FDI promotion on the level playing field of the global economy under the WTO regime. It is worthwhile to look at the situation of IPAs in ASEAN countries, and draw lessons and implications from their experiences.

5.3.2 Investment Incentives

Each IPA is providing various kinds of investment incentives to attract investors according to its economic and development conditions, and the industrial structure in the country. The features of the

investment incentives of each IPA are summarized in the following table.

Table 5-3-4 Major Features of Investment Incentives of the Surveyed IPAs

Country/Name of IPA	Features
<u>Cambodia</u> Cambodian Investment Board [CIB]	A status of investment incentives (i.e., QIP) is provided to a proposed investment project and not to an investing company. Under the QIP status, an investment project gains various kinds of incentives (i.e., the profit tax exemption, duty free import of production equipment and construction materials, exemption of export tax etc.).
<u>Vietnam</u> Foreign Investment Agency [FIA]	Preferential corporate tax schemes are applied to investment projects in specific locations such as regions with difficult socio-economic conditions and special economic zones, as well as in specific fields such as agricultural cooperatives, high-tech and scientific sectors, and vocational training. VAT exemptions and exemptions for custom duties also are provided to the promoted projects.
<u>Thailand</u> Office of the Board of Investment [OBOI]	Full or partial exemption on cooperate tax and exemption or reduction of import duties are provided to promoted projects. The rate of exemption or reduction depends on location (three types of industrial zones set by the government). Specific industries selected as priority industries gain the privilege of incentives at maximum levels regardless of the industrial zones.
<u>The Philippines</u> Board of Investment [BOI]	Investment Priority Plans (IPP) describing desirable areas of eligible investments for government incentives is annually prepared by BOI. The provision of incentives is mandated to various IPAs in the Philippines such as BOI, PEZA, CFZ, and SBF. In the case of BOI, Income Tax Holiday (ITH), tax and duty exemption on imported spare parts, and exemption from wharfage dues and export taxes are provided to the promoted projects.
<u>Malaysia</u> Malaysian Industrial Development Authority [MIDA]	The Pioneer Status and Investment Tax Allowance (ITA) are major tax incentives for the manufacturing sector in Malaysia. Companies provided these tax incentives are granted full or partial exemption from the payment of income taxes. More advanced tax incentives are provided to companies contributing to the development of target industries, target area, SMEs, and exports.
<u>Singapore</u> Economic Development Board [EDB]	Singapore has realized a business support environment, including FDI at the global standard, through the provision of the lowest cooperate tax rate in the world, exemption of capital gains taxation, and withholding taxes on dividends, etc. Exemption from withholding taxes on interest/ royalties are also provided to specific investors who are categorized as the investors on “Innovation”, “Equipment and Technology”, and “Headquarters Management”.

Source: JICA Study Team based on direct interviews with the selected IPAs as well as research using various websites.

The flowing table shows the summary of incentives on Corporate Tax Incentives provided by the surveyed IPAs.

Table 5-3-5 Major Incentives on Corporate Income Taxes provided by the Surveyed IPAs

Name of IPA	Incentives on Corporate Income Tax
<u>Cambodia</u> [CIB]	QIP may elect to receive a profit tax exemption or use special depreciation. Profit Tax Exemption: A tax holiday period is composed of “Trigger period” + 3years + Priority period - Maximum Trigger period: To be the first year of profit or 3years after the QIP earns its first revenue, whichever occurs first - Priority period: To be determined by the Financial Management Law Special Depreciation: 40% special depreciation allowance on the value of the new or used tangible properties used in the production or processing.
<u>Vietnam</u> [FIA]	Preferential Corporate Tax Scheme Standard rate of 25% for all projects except those shown below: (Applied period (*1): whole period) Tax rate of 20% for investment projects: -Projects in the region with difficult socio-economic conditions; (Applied period: 10 years, Exemption period (*2): 2years, 50% Reduction period(*3): 4years) -Agricultural cooperatives, Mutual Aid Associations (Applied period: whole period) Tax rate of 10% for investment projects: -Projects in the region with especially difficult socio-economic conditions;

Name of IPA	Incentives on Corporate Income Tax
	<p>-Projects in the special economic zones/High-tech areas approved by the Prime Minister; -Projects in high-tech, scientific technology, infrastructure with extreme importance/software development (Applied period:15years (maxi30year), Exemption period:4years, 50% Reduction period:9 years); and -Projects in the education, vocational training, medical, culture, sports, environment fields (Applied period: whole period, Exemption period: 4years, 50% Reduction period: 9 years).</p> <p>*1: Applied period will be counted from the year when 1st income is generated. *2: Exemption period will be counted from the year when the taxable income is generated. *3: Reduction period will be counted from the next year after exemption period is over.</p>
<p><u>Thailand</u> [OBOI]</p>	<p><i>Tax Incentives based on the location⁴</i> Zone 1: Bangkok and 5 provinces: <u>3 years tax exemption</u> Zone 2:12 provinces excluding selected promoted areas: <u>3 to 7 years tax exemption</u> Zone 3: Encompasses the remaining 58 provinces: <u>8 years tax exemption</u> -Projects located within the promoted areas such as industrial estates (Applied to Zone1,2); -Projects with capital investment of 10 million baht or more (Applied to Zone 1,2,3); -Projects obtaining ISO 9000 or similar certification of an international standard. (Applied to Zone 1,2,3) *The exemption period will be reduced by 1 year in the case of failure.</p> <p><i>Incentives based on the target sectors (Corporate income Tax Holiday etc.)</i> -Investment in new automotive assembly lines -Ship building and maintenance -Solar cell production -International distribution centers</p>
<p><u>The Philippine</u> [BOI]</p>	<p><i>Income Tax Holiday (ITH)</i> 1. BOI-registered enterprises are exempt from the payment of the income taxes, reckoned from the scheduled start of commercial operations, under the guidelines as follows: a. New projects with a pioneer status for 6 years; b. New projects with a non-pioneer status for four 4 years; c. New or expansion projects in less developed areas for 6 years, regardless of status; d. Expansion projects for 3 years; and e. Modernization projects for 3 years. *Basically, exemption is limited to incremental sales revenue/volume in case of “d” and “e”.</p> <p>2. New registered pioneer and non-pioneer enterprises and those located in the less developed areas (LDAs) may avail themselves of a bonus year in each of the following cases: a. The indigenous raw materials used in the manufacture of the registered product are at least be fifty percent (50%) of the total cost of raw materials for the preceding years prior to the extension unless the Board prescribes a higher percentage; b. The ratio of total imported and domestic capital equipment to the number of workers for the project does not exceed US\$ 10,000 to one worker; or c. The net foreign exchange savings or earnings amount to at least US\$ 500,000 annually during the first 3 years of operation. In no case shall a registered pioneer firm avail itself of this incentive for a period exceeding 8 years.</p>
<p><u>Malaysia</u> [MIDA]</p>	<p><i>Pioneer Status</i> -Pioneer status guarantees 5 years of partial exemption from the payment of income taxes (70% of the statutory income) with the exemption period commencing from its Production Day (defined as the day its production level reaches 30% of its capacity).</p> <p><i>Investment Tax Allowance (ITA)</i> -ITA is an allowance of 60% on its qualifying capital expenditure (factories, plants, machinery, or other equipment used for the approved project) incurred within five years from the date of the first qualifying capital expenditure is incurred. The company can offset this allowance against 70% of its statutory income for each year of assessment.</p> <p>Additional Incentives are provided under the Pioneer Status/ITA for the following cases: -For unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period which can be carried forward and deducted from the post pioneer income of the company; -For applications received from companies located in the promoted areas which will enjoy a 100% tax exemption on their statutory income during their 5-year exemption period for 2010.</p>

⁴ http://www.boi.go.th/english/about/boi_privileges_by_location.asp

Name of IPA	Incentives on Corporate Income Tax
	Additional incentives under the Pioneer Status/ ITA are provided for: i) Relocating Manufacturing Activities to Promoted Areas; ii) High Technology Companies; iii) Incentives for Strategic Projects; iv) Small and Medium-Scale Companies; v) Strengthen Industrial Linkages; vi) Machinery and Equipment Industry; vii) Automotive Component Modules or Systems; and viii) Utilization of Oil Palm Biomass.
<u>Singapore</u> [EDB]	<p>The Corporate Income Tax Rate is 18%, which is one of the lowest rates in the world. Capital gains are not taxed.</p> <p>Various financial incentives schemes are set based on business categories, specifically; i) Equipment and Technology; ii) Business Development and Innovation; iii) R&D and Intellectual Property; iv) Headquarters Management (was Headquarters Activities); v) Industry Development; etc.</p> <p>The incentives provided are summarized as follows:</p> <ul style="list-style-type: none"> - Granting of full or partial exemptions from withholding taxes on interest payment/ royalty payments, income from divestment of shares, foreign dividends, and foreign interest income; - Preferential corporate tax rates/ tax exemptions on all qualifying profits above a pre-determined base for a set period; - Grants to offset costs resulting from R&D projects/ development of new capabilities; - Capital allowance to offset the cost of qualifying equipment within a set period; - Support production budgets or commissioning fees; - Support for local suppliers / multiplier companies; - Deduction of a second round of qualifying expenses from income; - Co-funding to support innovation in products, processes, and applications; - Partial funding for research scientists and engineers from research institutes; and - Tax incentives or grants under the Regional HQ Award or International HQ Award.

Source: JICA Study Team based on direct interviews with the selected IPAs as well as research through various websites.

5.3.3 Status and Organization

All the surveyed IPAs have the status of government institutions under a ministry except for EDB Singapore. EDB has a status as a quasi-governmental statutory board permitting the government to intervene while at the same time providing some independence for development activities. All the surveyed IPAs belong to the ministries responsible for economic affairs.

5.3.4 Network

All the surveyed IPAs established an overseas network in the form of overseas offices or embassies/ consulates as well as a domestic network such as regional branches. In particular, MIDA has built a wide range of networks, i.e. 19 overseas branches in the USA, EU, and Asia, and 11 domestic branches. Actually, IPAs with extensive budget support from its government such as EDB, Thai BOI, and MIDA have set up many investment promotion offices abroad from the organization's early development stage.

While other IPAs found a less costly way to promote investments in host countries, they have set up or will set up investment promotion units/sections at their already existing embassies and consulates abroad. Proactive activities by overseas offices with a good level of information sharing with IPA headquarters can contribute to effective information dissemination and the image building of the country.

5.3.5 Budget and Human Resources

The following table shows the budget allocation for FDI promotion of the four IPAs.⁵ As can be seen from the table, EDB, MIDA, and OBOI are categorized as advanced groups that secured sufficient budgetary funds for investment promotion. EDB, the IPA with the most abundant budget among all the surveyed IPAs, received a budget of US\$ 45 million in 1999. In the view of the per capita budget, Singapore spends a substantial amount of money on investment promotion compared to other IPAs whose amounts are around US\$ 14 per person. It should be noted that Singapore had prepared a sufficient budget from the initial stage as an economic policy. Indeed, around Sing. \$100 million (US\$ 25 million at the 1960s rate of exchange) was asked for from the parliament in 1961 as the FDI promotion budget.

Table 5-3-6 Spending on FDI Promotion in 1999

	Annual FDI promotion budget (US\$ million)	Population (million, 1999)	Per capita budget (US\$)
Singapore (EDB)	45	3.2	14.06
Thailand (OBOI)	10	67.0	0.15
Malaysia (MIDA)	15	22.7	0.66
The Philippine (BOI)	3	76.8	0.04

Note: No data was available for Vietnam

Source: Velde (2001)

Although activities of the IPA in the Philippines are less when compared to the IPAs of Singapore, Thailand, and Malaysia, the Philippines had an annual budget of US\$ 3 million for FDI promotion as of 1999, almost three times the budget amounts of CIB in 2009. According to the interview survey of FIA Vietnam, FIA also prepared an additional investment promotion budget of around US\$ 1.0-1.5 million, titled “Investment Promotion Fund” in 2009. The budget is enough to cover the costs of organizing conferences at home and participating in those aboard, overseas visits of businesses, and training courses for staff in FIA.

As for the number of staff members of the surveyed IPAs (See Table 5-2-1), similar things can be said. The advanced IPAs, EDB, MIDA, and OBOI, employ a large staff of more than 300 persons. FIA Vietnam, which is relatively small in size for IPA, employs more than 100 staff members. It is notable that EDB hired a foreign national as the first managing director assigned to formulate the economic policy of Singapore with particular reference to the development of industrial sectors at the beginning stages of Singapore.

⁵ The Foreign Investment Advisory Survey (FIAS) conducted in 2002 revealed the average budget of IPAs according to the income level of country (2008 GNI per capita). The average amounts of each income level are US\$10.71million for High Income Group, US\$8.46million for Upper-Middle Income Group US\$1.26million for Lower-Middle Income Group, and US\$0.55 million for Low Income Group.

5.3.6 Leadership of Top Management

The commitment of top management and a shared vision and mission among team members are the most important aspects for the developing and strengthening of an effective IPA. Singapore's case is a success story for realizing an effective IPA.

Best Practice 1: Change of Organization Culture by Leadership of the Top - Singapore

A firm belief that investment promotion is the most critical factor for the development, strong commitments, and initiatives by the leaders of the government of Singapore enabled them to form EDB like a dynamic private company and even to recruit foreign nationals as both Managing Directors and other important managerial positions. This level of commitment may be reflected in the level of budget for investment promotion by the government although there exist many other factors that affect the budget allocation of each country. As is apparent on Table 5-3-6, Singapore goes far beyond other countries in spending on a per-capita basis.

As digested in the current organizational norm of EDB, vision and mission should be shared by one and all at EDB, and these core values shape and guide the organization in whatever it undertakes. The motto of EDB, "We work together, inspire each other, and celebrate success", may be simple, but formulates a very substantial foundation of realizing a dynamic, self-sustainable organization.

Source: Compiled by the JICA Study Team based on the website of EDB.

5.3.7 Progressive Reorganization of IPA in sync with the Development Stage

It is common that the structure of an IPA transforms itself as the country's economy develops and industries get diversified⁶. At EDB in Singapore, the Promotion Division was given a strategic importance at its original organizational structure in 1961. As the organization of EDB was transformed to an organization combining industry-wise structure and function-wise structure, the Promotion Division disappeared from the chart in the 1996.

In addition, there is an issue concerning the role of an IPA regarding to coordination and approval of permits and licenses of investment projects. In the case of FIA in Vietnam, the role of evaluation and approval of investment projects was transferred to local governments. FIA currently functions as the focal point for investment services/facilitation including consultation with sector-wise departments.

5.4 Comparison of Functions and Activities

All the surveyed IPAs engage in four roles of IPA, specifically, policy advocacy, image building, investor servicing/facilitation and targeting, and investment generation. Of course, there is some

⁶ Generally speaking, the organizational structure and mandate of IPAs need to be adjusted (expanded or scale-down) so as to meet investors' needs as well as changes in the country's national development policy and strategies. The size and mandates of department/division in charge of investment promotion evolve as the country development policy and its organization's mission change.

difference in their focus on specific functions. Each IPA has unique features concerning its targets, organizational structure, services, and functions according to its economic and development conditions.

The following table sets out the services provided by the surveyed IPAs.

Table 5-4-1 Services Provided by Surveyed IPAs

	Cambodia (CIB)	Vietnam (FIA)	Thailand (OBOI)	Philippine (BOI)	Malaysia (MIDA)	Singapore (EDB)
Policy Advocacy	Weak	○	○	○	○	○
Information Service	Weak	○	○	○	○	○
Investment Promotion	Weak	○	○	○	○	○
Aftercare Services	×	○	○	○	○	○
Approval & Registration	○	×	○	○	○	○

Source: JICA Study Team based on direct interviews with the selected IPAs as well as research of various websites.

5.4.1 Policy Advocacy

All IPAs that were surveyed have the function of policy advocacy related to FDI although the extent of their involvement depends on the individual organizational and functional features.

All the IPAs except MIDA have clear functions to formulate and revise investment promotion policies. In the case of the Philippines, BOI is tasked with developing annually the Investment Priority Plan (IPP), which lists promoted areas of investments eligible for government incentives. OBOI prepares a plan for investment policy to submit to BOI for approval.

The roles of MIDA on policy advocacy are relatively limited compared with other IPAs. MIDA is expected to play a role as an implementing agency for investment promotion rather than that of policy formulation. MIDA's function is only to make recommendations on policy improvements to its ruling body; the Ministry of International Trade and Industry.

Policy advocacy function of CIB is still weak. CIB has failed to collect necessary information such as FDI trend for target countries/sectors, and investment incentives in the competing countries for the policy improvement.

5.4.2 Linkage with Economic and Industrial Development Strategies

In countries such as Singapore, Thailand, and Malaysia, IPAs have a policy formulation function. At the same time, the organizational structure of these IPAs is designed to implement measures following a national economic development policy, more specifically an industrial development strategy.

Singapore is the most advanced in terms of linkages with the industrial promotion policy. In the cases of Thailand and Malaysia, there have also existed clear linkages between the economic and industrial development policy and the IPA's responsibilities and activities. This is because these two countries had a certain level of prior accumulation of local industries.

CIB has little or no experience to change its organizational structure and services according to the clear industrial policies as well as the development stage.

Best Practice 2: Linkages with Industrial Promotion – Singapore

In the case of Singapore, the newborn, small country had neither a skilled labor force nor any solid manufacturing base at its founding. On the other hand, the country had its comparative advantage as a traditional trade center with a good potential of high-quality seaport development. This was why the top people in the government decided to establish a small, but very dynamic IPA organization like EDB that worked like private companies as the leading symbol of “Singapore Inc.”, which focused on both the development of seaport infrastructure and the improvement of the investment climate in order to become an “offshore manufacturing site” for global businesses. At the same time, Singapore focused on developing the “best-educated labor force” by various means. It was also very important that the strategic planning and advising (advocacy) function for the economic and industrial development of the country had always been an important task of EDB. This very straight and strong linkage between economic and industrial development policies with the mission, strategy, and activities of IPA was one of the strengths of EDB in Singapore.

Source: Compiled by the JICA Study Team based on the website of EDB.

5.4.3 Image Building

Most IPAs have a specific division focusing on investment promotion activities. The importance of image building is especially important at the initial and developing stages of country’s investment promotion. At all the surveyed IPAs, an investment promotion department or division, in other words, a unit in charge of image building existed in the organizational structure since its establishment.

At the establishment of EDB in Singapore, it had only four operating divisions: the Promotion Division; the Projects and Consultant Service Division; the Industrial Facilities; and the Finance Division. Special importance was placed on the Promotion Division because the government considered the establishment of the country’ good image as an investment destination was important. The effective image building of the country as a whole as well as providing sufficient and favorable information to potential, foreign investors is considered the top priority in inviting investors. EDB also implemented many promotion activities in foreign countries at its initial stage. However, the division focusing on investment promotion was removed in the 1990s with the country’s transition in development stages though the promotion division was a core division of EDB in the 1960s.

In the case of CIB, the recognition on the importance of image building among CIB staff is still weak according to the result of the CIB awareness survey.

Best Practice 3: Image Building of “A Clean and Green City” in Singapore

Today, Singapore is well known as a clean and green city with its standing as a higher standard for environmental conditions in the world. This good image has been built through the continuous and patient efforts of the government over 40 years.

In 1960s, the period of initial urbanization and industrialization of Singapore, the Singapore government developed industrial infrastructure such as airports, ports, electric power plants and industrial structures, and promoted school education in English throughout the country in order to attract potential investor FDI.

At the same time, the government declared a slogan of “A Clean and Green City” in 1968 improving in the quality of urban environment and transformation of Singapore into a garden city. The slogan aimed to not only improve the mental and health conditions of Singaporean citizens, but also improve foreigners’ image of Singapore for increasing FDI. The former Prime Minister, Lee Kuan Yew said in the 35th anniversary of EDB “well-kept trees and gardens were a subtle way of convincing potential investors in the early crucial years that Singapore was an efficient and effective place”. Annual tree-planting campaigns under that slogan have continued up to present and still contribute to the good image building of Singapore.

Source: ESCAP Virtual Conference Website: <http://www.unescap.org/DRPAD/VC/index.htm>

5.4.4 Information Provision on the Internet

As the Internet society progresses globally, investment promotion such as information provision and image building has been rapidly shifting to online services.

Such IPAs as EDB, MIDA, and Thai BOI have effectively developed and utilized their websites as a tool for investment promotion. Other IPAs such as FIA and BOI in the Philippines are following suit.

The contents of CIB website is still poor compared to those of other surveyed IPAs. The updating work has been suspended.

The following table shows the benchmarking of website contents among IPAs in neighboring countries.

Table 5-4-2 Comparison of Website of IPAs

	Cambodia (CIB)	Vietnam (FIA)	Thailand (OBOI)	Philippine (BOI)	Malaysia (MIDA)	Singapore (EDB)
Accessibility	Bad	Good	Good	Fair	Good	Good
Easiness to Find Necessary Information	Fair	Fair	Good	Good	Very Good	Very Good
Number of Language Options	2	3	7	2	4	3
Information on its own organization	Fair	Good	Good	Good	Good	Good
Complete Contact Information of Managers	Bad	Bad	Very Good	Fair	Very Good	Very Good
Marketing the Country	Bad	Fair	Very Good	Good	Very Good	Very Good
Facts and Figures	Bad	Fair	Very Good	Fair	Very Good	Very Good
Cost of Doing Business	Bad	Good	Very Good	Good	Very Good	Very Good
Industry-Specific Information	Bad	Bad	Bad	Bad	Good	Very Good
Investors Opinion	Bad	Bad	Bad	Bad	Good	Bad
Availability of Online-news	Bad	Good	Very Good	Bad	Very Good	Very Good
Subscription to E-newsletters	Bad	Bad	Very Good	Bad	Very Good	Very Good
QIP/ project announcement	Bad	Good	Very Good	N/A	Good	Very Good

	Cambodia (CIB)	Vietnam (FIA)	Thailand (OBOI)	Philippine (BOI)	Malaysia (MIDA)	Singapore (EDB)
Online Information Database	Bad	Bad	Good	Good	Bad	Bad
Legal Documents	Fair	Very Good	Very Good	Good	Good	Bad
Downloadable Forms	Bad	Bad	Very Good	Good	Very Good	Fair

Source: JICA Study Team, based on the above IPAs' websites: CIB(<http://www.cambodiainvestment.gov.kh/?q=node>); FIA(<http://fia.mpi.gov.vn/Default.aspx>); OBOI(<http://www.boi.go.th/english/default.asp>); BOI(<https://www.boi.gov.ph/index.html>); MIDA(http://www.mida.gov.my/en_v2/index.php); and EDB(http://www.edb.gov.sg/edb/sg/en_uk/index.html)

Best Practice 4: Information Provision - Malaysia

The MIDA website is a good example of online services provided by IPAs. The website, prepared based on the customer friendly mindset, provides a wide range of information necessary and helpful for investors to consider setting up and starting business in Malaysia. There are four options for languages on the Website in English, Malaysian, Japanese, and Chinese. Each language option contains various kinds of information in a systematic manner such as the advantages of Malaysia, business cost for investment, industrial sectors and incentives, statistics and application forms, so that the visitors to the Website can access necessary information easily.

Complete information on the organization is also available on the website, including contact information for around 400 staff with his/her responsibilities, contact number, e-mail address and even portrait as well as clear hierarchy of each department and division, which could largely increase conveniences for existing and potential investors. The introduction of success stories provided by existing investors encourages potential investors to invest in Malaysia through a good impression. MIDA succeeded in utilizing the website as a tool not only to provide appropriate information but also to gain the trust of potential investors through the increase in transparency and predictability on investment into Malaysia.

Source: Compiled by the JICA Study Team based on the website of MIDA.

5.4.5 Investment Approval Function

The investment application procedure of Thailand is considered as the best practice in this field. The BOI of Thailand adopted a multi-layered approval system for the investment application through OBOI, BOI Subcommittee, or BOI, according to the investment amount. The timeframe is fixed for each step of the application process and the private sectors points out that the timeframe is strictly kept by the BOI as set.

Among the surveyed IPAs, only FIA in Vietnam does not have the function of investment approval. In Vietnam, the investment application procedures are classified according to the project amounts and the nature of the project owners. The local projects under the VND 15 Billion do not require registration. Local projects with VND 15 billion to 300 billion and foreign projects under VND 300 billion are requested to register.⁷ All other projects need to have investment assessments. Provincial governments are responsible for the assessment of investment projects

⁷ <http://fia.mpi.gov.vn/Default.aspx?ctl=FIA&TabID=2&mID=220>

The function of CIB relatively focuses on investment approval rather than investment promotion. There is still room for improvement of the approval function in terms of efficiency and transparency.

5.4.6 One Stop Services for Investors

EDB, MIDA, and Thai BOI have introduced a one-stop service. In Singapore, Thailand, and Malaysia, much attention is given to establishing an efficient, visible, open, and friendly one-stop service for investors.

High transaction costs associated with setting up businesses in foreign countries deters potential investors. With the aim of tackling this problem, the above IPAs have created centers within their IPAs at which requests and information from investors can be handled at one time through the locating of representatives from other line ministries at the center. The services at the centers include visa and work permit applications and processing.

Even though CIB has a role to coordinate and implement “One Stop Service mechanism”, its role is for proceeding efficient administration procedures rather than providing customer friendly service for investors.

Best Practice 5: One Start One Stop Investment Center -Thailand

A new one stop service center namely “The One Start One Stop Investment Center (OSOS)” was established on November 23, 2009 in order to provide a wide range of investment-related services to all investors regardless of nationality, scale of the business, and priority area of the BOI.

The OSOS, which operates as a part of the BOI, consolidates staff from numerous investment-related agencies (more than 20) at a permanent location.

The OSOS helps investors with various applications to make sure investors understand what is needed to register a company, obtain investment promotion privileges, obtain a foreign business license, complete an environmental impact assessment, request permission to use land for industrial operations, obtain utilities, etc.

Furthermore, since the various experts from the investment-related agencies are stationed in the OSOS on a daily basis or at least two days a week, investors can consult with them on a wide range issues relating to procedural matters as well as visas and work permits without having to go from office to office.

Source: Compiled by JICA Study Team based on the website of OBOI.

5.5 Lessons Leant and Implications for the Cambodian IPA

5.5.1 Summary of Comparison of Surveyed IPAs

The surveyed IPAs have the following characteristics:

- i) All of the IPAs except Vietnam have both the functions of “promotion” and “approval;”
- ii) All of the IPAs are government organizations. Singapore received a statutory body status;
- iii) No IPA has an export promotion function;

- iv) All the IPAs except for Singapore have investment promotion departments/divisions; Singapore had an investment promotion division to build a good image in its infant stage;
- v) All the IPAs except Singapore have domestic offices;
- vi) IPAs in Singapore, Malaysia, and Thailand conduct very proactive activities in terms of budget, number of staff, and number of overseas offices;
- vii) Although activities of IPAs in the Philippines and Vietnam are less proactive, Vietnam utilizes 100 staff and the Philippines has an annual budget of US\$ 3 million;
- viii) IPA in Singapore employs foreign nationals as managing directors and other important managerial positions;
- ix) IPA in Singapore has changed its functions and organizational structure under the strong commitment of top management according to the development stage and changes in national strategy;
- x) All IPAs have the function of policy advocacy;
- xi) IPAs in Singapore, Malaysia and Thailand have clear linkages between economic and industrial development policies, and IPA's responsibility and activities;
- xii) IPAs in Singapore, Malaysia, and Thailand have effectively developed and utilized their Websites as a good tool for investment promotion;
- xiii) IPAs in Singapore, Malaysia, and the Philippine have provided information on organizational structure and staffing on their websites for better access by investors;
- xiv) IPAs in Thailand has achieved the compliance of time framework for investment approval; and
- xv) IPAs in Singapore, Malaysia, and Thailand have realized a one-stop service.

5.5.2 Lessons for an Effective IPA

In summary, given the discussions and assessment above, the following features should be considered to enhance the Cambodian IPA in order to be an effective IPA:

- i) Establish and be equipped with a strong promotional function with a set level of personnel and budget;
- ii) Develop a comprehensive website to meet investors' needs;
- iii) Try to not only manage or supervise investment activities but also to provide useful services and facilitation for investors to realize profitable business;
- iv) Secure its own initiatives in planning and implementing promotional activities and services;
- v) Establish a "clean and investor-friendly" image as an IPA;
- vi) Examine the expansion of domestic service network through the establishment of domestic office(s) and collaboration with other institutions when the foundation for investment promotion activities is established;
- vii) Simplify the investment application process from a time-consuming scheme to a

“time-saving” one with provisions for predictable services through which the applicant may know in advance the date for obtaining investment licenses;

- viii) Establish the fast track for certain types or scales of investment projects to accelerate the process of investment license approval by clearly differentiating from large-scale, complicated or sensitive types of projects; and
- ix) Build up understanding of changing investment promotion target as the development stage progresses and flexibly prepare proper incentives and evaluation criteria according to development stages.

CHAPTER 6 ISSUES FOR THE STRENGTHENING OF INVESTMENT PROMOTION

6.1 Issue Analysis of CIB

Based on the findings in the previous chapters, the Study Team analyzed and identified the issues of CIB for strengthening investment promotion, and examined possible approaches to these issues.

6.1.1 Evaluation of Services as an IPA

(1) Investment Promotion Function

a. Investment Information Service

Based on the diagnosis of CIB and benchmark survey of other IPAs, the Study Team has identified CIB's information service to investors as being very weak compared with other IPAs.

Noticeable weaknesses in information services are as follows:

i) The variety of information which CIB provides is very limited;

The information prepared by CIB is limited to investment guidebooks and some materials. In addition, the investment-related information that CIB delivers is in most cases outdated. As a result, investors have difficulty finding and collecting useful current information.

With the aim of promoting FDI, IPAs usually prepare and provide the prospective FDI providers with investment- and business-related information. Such information and data includes the following:

- Investment guidebooks;
- Information on the economy and society of the country;
- Information on industrial sectors and companies in the country;
- Information on the provincial investment environment;
- Procedural manuals explaining the investment application, company registration, tax registration, other necessary approvals and permits to setup and operate businesses; and
- Legal information relating to investment and business in the country.



**Example of Publication of MIDA
(Malaysia)**

CIB, however, fails to prepare similar information or carries incomplete information.

ii) Online provision of information is weak;

As seen from the benchmarking of IPAs in neighboring countries, investment promotion has rapidly been shifting online. In an era in which promotion tools as well as the provision of services and information have shifted online, CIB should follow other IPAs in effective website development and management.

CIB’s website does not contain sufficient information, compared to those of the BOI of Thailand and FIA of Vietnam. The coverage and depth of information is not competitive and frequency of the update is not sufficient either.

IPAs in the neighboring countries have developed very effective websites that contain a wide range of information necessary and helpful for investors to consider for setting up and starting businesses in those countries.

In addition, all IPAs’ websites, except Vietnam, have been created in such a way that potential investors can make direct contact with senior officers and managing directors of the agencies through the given titles of managers, E-mail addresses, and telephone numbers on the site.



Website of FIA (Vietnam)



Website of MIDA (Malaysia) and BOI (Thailand)

The website of the CDC/CIB has not been updated since 2008, and quite often the site is inaccessible. There is an urgent need for developing an effective online promotion mechanism.

Websites of IPAs have now been frequently updated to meet the needs of the changing business environment and of the investors.

iii) There is no library at CIB where all investment-related information is available.

CIB lacks a library where prospective investors can go to read, collect, and/or copy necessary

information at one location for their feasibility studies.

Especially, sufficient legal information is not available at one location. As a result, prospective investors are currently left uncertain about investment-related regulations and institutional schemes. In order to guarantee any investor fair treatment in the investment field and try to avoid possible loss caused by insufficient legal information, CIB has to provide the investors with full legal information in a timely and convenient manner.

“Japan-Cambodia Investment Agreement” also requests the RGC to take such action. Article 8.1 stipulates that “Each Contracting Party shall promptly publish, or otherwise make publicly available, its laws, regulations, administrative procedures and administrative rulings and judicial decisions of general application as well as international agreements which pertain to or affect investment activities.”

The process of information service consists of the flow from: i) data and information collection; ii) data and information processing (analysis); iii) information sharing within CIB; iv) provision of information.

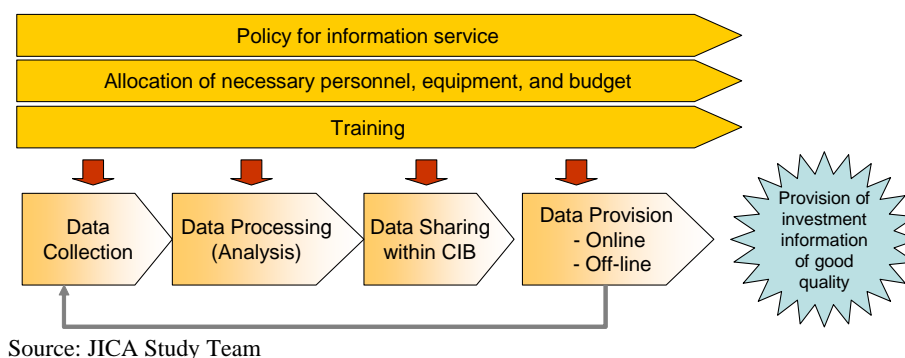


Figure 6-1-1 Process of Information Service

Consequently, weak provision of investment-related information by CIB is attributed to the following upstream factors:

Policy for Investment Information Service

No basic policy is observed among the management and staff of CIB regarding the purpose, areas, or methods for information and data collection.

CIB management and staff may not possess a clear understanding of the necessary information and data required by investors and the importance of providing such information in timely manner.

No systematic effort is made towards investment information services. Information and data are collected only on an ad hoc basis and the provision of information is also ad hoc.

Allocation of Resources

CIB lacks the manpower, skill, facilities, budget, time, and experiences to collect and compile the necessary information and data in the required form, including website design and update improvements.

Data Collection

- i) Data and information for policy and strategy making is not being collected;

In order to establish efficient and effective FDI promotional policies and activities, CIB is required to have all varieties of information and data regarding:

- Major investing countries;
- Industrial sub-sectors and major industrial companies;
- FDI trends in competing countries; and
- Investment and business environments in the neighboring countries.

However, CIB does not systematically collect and keep such information.

- ii) CIB's information networks with other organizations are weak.

The lack of network channels with line ministries, National Institute of Statistics, Jurist, development partners and/or private sectors prevents the smooth inflow of information and data to CIB. As a result, CIB's investment-related information remains insufficient.

A complete set of the investment-related publications of line-ministries, development partners, or private sectors should be kept at open space of CIB as reference information for prospective investors.

Data Analysis and Preparation of Investment Information

No data analysis and compilation activities are conducted by CIB. This is initially because CIB does not clearly recognize the necessity of data processing for preparing information for investors. Additionally, CIB does not clearly identify what kinds of information are needed by investors.

For these reasons, CIB has prepared very limited materials on its own. Consequently, most CIB staff do not have the experience and capability for data analysis, and no specialized staff is currently assigned to data analysis and compilation in CIB.

As a result, CIB depends of donors and other institutions for information preparation such as investment guidebooks.

Information Sharing

A routine mechanism for information sharing has not been established within CIB. As a result, minimal information is shared among CIB staff and primarily on an ad-hoc basis.

Poor IT infrastructure is also a reason for unsatisfactory internal information sharing. An insufficient numbers of PCs can access the internet. Moreover, there is no intranet connecting the eight departments in CIB.

Table 6-1-1 Problems of Information Service

Area	Problems
Information Service	Insufficient supply of investment information
Policy	No basic policy for investment information <ul style="list-style-type: none"> - No clear understanding of the necessary information and data required by the investors. - No understanding of the importance of providing such information in a timely manner. - No systematic policy for strengthening investment information services.
Allocation of Resource	Necessary resources are not allocated to information services <ul style="list-style-type: none"> - Lack of manpower, skill, facilities, budget, time and/or experiences for investment information services.
Data Collection	Insufficient collection of necessary information and data <ul style="list-style-type: none"> - Data and information for policy and strategy making is not collected. - CIB's information network with other organizations is weak.
Data Analysis and Preparation of Investment Information	No data analysis and compilation activities are conducted by CIB <ul style="list-style-type: none"> - Necessity of data analysis is not recognized in CIB. - Most of CIB staff do not have data analysis capability. - CIB depends of donors or other institutions for information preparation such as investment guidebooks.
Information Sharing within CIB	Minimum information is shared among CIB on an ad-hoc basis <ul style="list-style-type: none"> - Routine mechanism for information sharing is not built in CIB. - Insufficient IT infrastructure for information sharing.
Provision of information	Insufficient distribution of investment-related information <ul style="list-style-type: none"> - Variety of publication developed/translated by CIB is very limited. - Contents quality of the publication is still poor. - Online provision of information is weak. - There is no library at CIB where all the investment-related information is available.

Source: JICA Study Team

b. PR Activities

PR activities such as investment seminars and missions are key activities for investment promotion. At seminars, IPAs have an opportunity to communicate directly with potential investors.

The Study Team identified the following issues regarding the PR activities of CIB towards investment promotion.

Policy and Strategy

- i) CIB has yet to appropriately address the issue of image building for Cambodia as a destination for investment;

Potential investors still have a negative image of the social and political stability of Cambodia. However, CIB has not extended an effective campaign to convey the attractiveness of Cambodia to potential investors in a straightforward manner to improve the image of Cambodia.

- ii) CIB has no clear strategy for PR activities targeting priority countries/sectors.

CIB's promotion activities to IPAs/TPOs/potential investors in target countries/sectors are weak. Considering the limited resources, it is more effective to focus PR activities on target countries and sectors. Targeted PR activities require the preparation of seminars and mission specific to targeted countries and sectors. Although CIB recognizes the importance of targeted PR activities, a clear strategy for it has yet to be formulated.

Resource Allocation

- i) CIB's own activity budget for PR activities is insufficient;

A budget is not regularly allocated for investment promotion seminars. As a result, CIB relies on investment seminars sponsored by external organizations.

- ii) A limited number of CIB staff are able to manage PR activities.

There have not been many opportunities for CIB staff to develop their capabilities regarding seminar management and English presentation skills as, in most of the cases, only the top management of the CDC/CIB participates as lecturers in seminars, as requested by sponsors.

Management of Seminars

CIB fails to conduct effective investment seminars due to the following factors:

- i) CIB is not able to hold investment seminars on its own initiative;

CIB cannot extend seminars in a strategic manner based on its mid-term strategy. This is a result of CIB depending on investment seminars sponsored by external organizations and acquiescing to the timing and location of investment seminars as planned by sponsors.

- ii) CIB has insufficient know-how for effectively managing seminars due to insufficient experience and capability.

Seminars are not effectively managed throughout their whole process, preparation, implementation, and follow-up. There is no operational manual for implementing seminars.

A list of potential investors has not been accumulated within CIB although the list can provide useful information in inviting attendees to seminars.

Investment promotion tools such as hand-out materials, audio-visual aids, etc. have not been prepared or used at seminars. These tools are important to improve seminar contents.

Records of seminars have not been accumulated and shared within CIB. Follow-up activities with seminar attendees of the seminars

Management of the Acceptance of Investment Missions

i) Few missions have been received on the initiative of the Cambodian side;

CIB holds a rather passive attitude toward inviting investment missions. There a necessity exists for taking a more proactive approach to related organizations in investing countries such as government, business associations, and others.

ii) Follow-up with the participants of the missions is weak;

CIB has not accumulated a list of participants of the missions for follow-up activities.

CIB usually does not conduct such follow-up activities as the provision of the latest information, responses to inquiries, company visits, and the like for participants of the missions.

iii) Coordination with related organizations is weak.

CIB has not accumulated and shared with related ministries information to be provided to investors, including mission participants.

Cooperation with provincial authorities including PMISs is weak in terms of receiving investment missions.

Table 6-1-2 Problems of PR Activity

Area	Problems
PR Activity	PR activity is not effective and sufficient
Policy	No clear strategy for PR activity
	- CIB has yet to appropriately address the image building of Cambodia as a destination for investment. - CIB has no clear strategy for PR activities targeting priority countries/sectors.
	Allocation of Resource
	Insufficient allocation of resource to PR activities - Its own activity budget for PR activities is insufficient. - A limited number of CIB staff can manage PR activities.
Management of Seminars	CIB fails to conduct effective investment seminars
	- Difficulty in holding investment seminars on its own initiative. - Insufficient know-how for effectively managing seminars.
Management of Investment Mission Acceptance	CIB fails to receive investment missions in an effective manner
	- Few missions have been received on the initiative of the Cambodian side. - Weak follow-up with participants of missions. - Weak coordination with related organizations.

Source: JICA Study Team

c. Investment Consultations

Investment consultations have a vital role in investment promotion activities. Each prospective investor may have specific questions on his/her own investment project, and these questions may only

be able to be answered through face-to-face consultations in many cases.

The Thai BOI provides an “Investment Service Center”, where the investors may receive consultation from trained and experienced staff.

The Study Team considers CIB as failing to provide adequate consultation services to investors.

The PR and Investment Promotion Department is currently responsible for general consultation services for investors. However, almost no consultation services are provided except advice on QIP applications by the Project Evaluation and Incentives Department and investment-related consultation to Japanese investors by the Japanese expert dispatched by JICA to CDC. Additionally, the reception room at the PR and Investment Promotion Department does not function well.

The reasons for weak consultation service are as follows:

Policy for Investment Consultation

- i) There is no specific policy for enhancing consultation services despite these being very weak.

The demand of investors for consultation services is not clearly identified by CIB. Therefore, no actual action has been taken thus far.

Allocation of Resource

- i) There are no staff dedicated to consultation services within the PR and Investment Promotion Department;

No staff member is continually stationed at a reception desk to provide consultation services. Some of the staff members of the PR and Investment Promotion Department do not work full-time.

- ii) There is also no well-equipped reception desk (window for consultation service).

There is a reception room at the PR and Investment Promotion Department. However, this space is not well-equipped with furniture, PCs, information materials, and such other necessities.

Management of Consultation Services

- i) There is no operational manual prepared for providing consultation services;

As a result, there is no workflow to provide comprehensive consultation services. There is no mechanism to collect information for consultations services.

- ii) No feedback mechanism to reflect investors’ need for action by CIB;

Records of consultations provided have not been compiled and shared in CIB. Therefore, the needs and requests of investors are not shared within CIB or reflected in CIB’s activities.

- iii) There is no coordination/cooperation with other ministries, the private sector, or donors in providing consultations.

Consultations sometimes require information from other related ministries, introductions to business associations, or other private sector, as well as additional services. It is necessary to establish a close coordination and cooperation with them in order to provide practical and useful consultations.

Table 6-1-3 Problems of Investment Consultations

Area	Problems
Investment Consultations	There is no comprehensive consultation services other than those concerning QIP applications.
Policy for Investment Consultations	There are no specific policies for enhancing consultation services. - Demand of investors for consultation services is not clearly identified by CIB.
Allocation of Resources	Functioning of the reception room of CIB is not at satisfactory level. - There are no staff dedicated to consultation services in the PR and Investment Promotion Department. - There is also no well-equipped reception desk (window for consultation services).
Management of Consultation Services	Know-how and management of consultation service are not well prepared. - There is no operational manual prepared for providing consultation services. - There is no feedback mechanism to reflect investors' needs for actions by CIB. - There is no coordination/cooperation with other ministries, the private sector, or donors for providing consultations.

Source: JICA Study Team

d. Aftercare Services

Aftercare services to existing investors in Cambodia have significance in: i) anchoring existing investors to Cambodia; ii) developing investors' business and inducing reinvestment in Cambodia; and iii) promoting word-of-mouth investment promotion by existing investors.

The Prime Minister of the RGC advocated the importance of aftercare services to investors in 1999 and took up one of the issues of the Government-Private Sector Forum. And now this issue is in the stage of being transitioned from the policy level to the technical level at CDC.

However, in practice, CIB does not provide extensive aftercare services except in monitoring of compliance. The Project Monitoring Department currently engages in the monitoring of QIP investors. The department checks investors' compliance with the conditions of their application by visiting them from time to time.

Policy and Allocation of Resource

- i) No importance is given to aftercare services among the current activities of CIB;

CIB does not provide aftercare services on a regular basis except to existing investors in the

garment industry. The importance of aftercare service is not commonly understood within CIB because CIB is still preoccupied with investment invitations and QIP approvals.

- ii) No department in CIB is assigned to the function of aftercare services.

No staff is assigned to aftercare service although CDC established an Investment Aftercare Unit which consists of 9 members headed by the Deputy Secretary General of CIB in March 2009.

Management of Aftercare Service

- i) Contents of aftercare service are not prepared within CIB;

Clear job description at CIB staff level is not set for aftercare service. A workflow to provide aftercare service has also not been prepared.

- ii) There is no experience in aftercare service.

CIB staff members do not fully understand what aftercare service is or what kind of services should be provided. Therefore, there is no operation manual to provide aftercare service.

IT Infrastructure

- i) There is no database for providing effective and timely aftercare services.

Current data on investors operating in Cambodia is not enough for CIB staff to provide appropriate aftercare services. The number of PCs accessing the internet necessary for providing aftercare services is insufficient. Moreover, no software is available for operating a tracking system.

The IFC is now offering the implementation of an Investor Tracking and Client Relationship Management System for CIB. The system may enable creation of a database for investment projects and investors, and to track the status of applications, implementation of the project, and investor inquiries.

Table 6-1-4 Problems of Aftercare Service

Area	Problems
Aftercare Service	CIB does not provide aftercare services in an integrated manner
Policy and Allocation of Resource	There is no unit having the role of aftercare services within CIB
	- No importance is given to aftercare service among current activities of CIB. - No department in CIB is assigned with the role of aftercare service.
Management of Aftercare Service	There is no capability or experience in aftercare services
	- The contents of aftercare service are not prepared within CIB. - There is no experience in aftercare services.
IT Infrastructure	There is no IT infrastructure for aftercare services
	- There is no database for providing effective and timely aftercare services.

Source: JICA Study Team

e. Policy Advocacy

IPAs in neighboring countries have the function of policy advocacy related to FDI although the extent of their involvement depends on individual, organizational, and functional features.

There are two departments that are mostly concerned with policy advocacy within CIB. Under the current organization of CIB, the Strategic Planning Department is assigned to initiate and draft the readjustment of laws and regulations, and to assist the preparation of suitable incentives and facilities. And the Legal Procedure and Investment Law Department is responsible for the study of and drawing up of laws and regulations. However, CIB has conducted little in terms of policy advocacy for improving the overall investment climate of Cambodia.

Policy concerning Policy Advocacy

- i) There is no strong initiative within CIB to change the investment climate of Cambodia;

Policy advocacy requires a complicated and time-consuming coordination process and as a result tends to be put off.

Allocation of Resource

- i) The Strategic Planning Department has low profile among CIB.

Only two persons are allocated to the Strategic Planning Department. It is clear that this department has not been up to the task of policy advocacy.

Policy Advocacy Activities

- i) CDC fails to function as the secretariat of the G-PS Forum;

Currently, CDC is assigned to act as the secretariat of the G-PSF, coordinating among the eight technical working groups to prepare a summary report of the forum. However, the secretariat function of G-PSF has been undertaken by IFC of the World Bank Group.

- ii) CIB has not initiated modifications to the investment law and sub-decrees even though there are some discrepancies between the LOI and sub-decrees;

Top management of CIB understands that the existence of the discrepancies between the investment-related laws and sub-decrees. However, proactive action to modify the laws and sub-decrees has not been undertaken.

- iii) CIB does not conduct the studies necessary for policy advocacy.

Case studies of other countries are essential in implementing policy advocacy for investment climate and investment promotion. However, no comprehensive study of any other country's best practices on investment promotion, incentives, or any other relevant matters has not been

conducted under CIB's initiative.

Table 6-1-5 Problems of Policy Advocacy

Area	Problems
Policy Advocacy	Policy advocacy of CIB is weak
Policy for Policy Advocacy	Weak initiatives for investment climate improvement - There is no strong initiative within CIB to change the investment climate of Cambodia.
Allocation of Resource	The Strategic Planning Department of CIB has a low profile within CIB - Insufficient allocation of personnel to the Strategic Planning Department.
Policy Advocacy Activity	Weak activities for policy advocacy - CDC fails to function as the secretariat of the G-PS Forum - No initiative towards the modification of investment laws and sub-decrees. - CIB does not conduct studies necessary for policy advocacy.

Source: JICA Study Team

(2) Investment Approval Function

a. QIP Approval

QIP approval is currently placed as the highest importance by CIB among IPA functions. There are several problems regarding QIP approval such as insufficient explanation of procedures to investors and consultations on QIP approval.

From the viewpoint of investment promotion, the current QIP approval process is not customer-friendly for the following reasons:

i) QIP approval sometimes encounters delays;

According to the internal rules of CIB, the whole process for the issuance of a CRC should be completed within either 3 working days for "routine" projects or 14 working days for all other projects¹. CIB fails to issue a FRC to 20% of the applied-projects within 28 working days stipulated.

According to the hearing interview survey in Hanoi and Bangkok, the Japanese Chambers of Commerce in both cities pointed out that the timeframe set by the local People's Committee of Vietnam or the BOI of Thailand for issuing the investment license are being strictly kept by both organizations.

ii) Investors are required additional procedures to obtain actual incentives after receiving the FRC;

CIB has to provide a "one-stop service" for obtaining, on behalf of the investors, other licenses issued by the line ministries for the starting-up and operation of the investment projects². However,

¹ According to the provisions of the 2003 Law on Investment and Sub-Decree implementing the LOI, a CRC has to be issued within 3 working days and a FRC within 28 working days.

² The 2003 Law on Investment and Sub-Decree implementing the LOI.

CIB fails to collect and provide such other licenses issued by line ministries as well.

Moreover, although the ministerial licenses are almost never provided by CIB at the time of issuance of FRC, the application fee of 7 million Riels are collected as the administration fees for securing the approvals, authorizations, licenses, or registrations from all relevant ministries and entities including stamp duty.

iii) Some of QIP procedures are not stipulated under any laws or regulations;

Some of the procedures or requirements that are not clearly stipulated in the Sub-Decree for implementing the LOI and other unnecessary requirements are currently in use. For example, the Investment Proposal must be written in Khmer language for CIB, while it could be written in English for the CSEZB. In addition, there are some discrepancies among the LOI, Sub-Decree 111, and actual procedures.

iv) CIB fails to provide clear and transparent information on QIP to investors;

There are no publications explaining the actual QIP procedures for potential investors. Consequently, QIP approval procedures appear as a black box to investors.

v) Consultation services on QIP have not been provided in an efficient manner.

There is no operational manual for providing consultation services on QIP. Not all CIB staff members understand overall QIP application procedure.

There is no tracking system to monitor the progress of a QIP application's evaluation and provide immediate responses to investors.

Table 6-1-6 Problems of QIP Approval

Area	Problems
QIP Approval	QIP Approval process is not customer-friendly
QIP Application Procedure	<p>CIB fails to provide QIP approval and one-stop service fully according to stipulations of law and regulations</p> <ul style="list-style-type: none"> - Too many required documents for official submission. - Some required documents are difficult to obtain before receiving the CRC. - QIP approval is sometimes delayed. - Inability to provide full one-stop service for obtaining licenses from related line ministries.
Transparency of QIP Procedure	<p>CIB fails to provide clear and transparent information on QIP to investors</p> <ul style="list-style-type: none"> - Some of the QIP procedures are not stipulated by law and regulation. - CIB fails to provide clear and transparent information on QIP to investors.
Consultation on QIP	<p>Consultation service on QIP has not been provided in an efficient manner</p> <ul style="list-style-type: none"> - No operational manual for providing consultation services on QIP. - No tracking system to monitor the progress of QIP applications.

Source: JICA Study Team

6.1.2 Issues of Management

(1) Planning

- i) Consistent policy and strategic plans for investment promotion activities are lacking.

CIB has not established a consistent organizational mechanism to formulate, implement, and monitor an integrated strategic plan. Although there has been a Strategic Planning Department in CIB since the establishment of the organization, it is in reality not operating as stipulated by the Sub-decree, lacking any full-time managers or staff.

From the benchmarking of IPAs in neighboring countries, it is clear that successful and effective IPAs have set clear strategies and targets for investment promotion, which adhere to the country's overall industrial policy and the socio-economic development plan.

As the NSDP of Cambodia clearly states, the country as a whole seeks a path toward a diversified economy. Therefore, it is considered necessary for CIB to formulate a strategic plan for investment promotion that can create the driving force for investment generation in accordance with national policies.

The preparation of the investment promotion strategy at the national and other regional levels is considered to be one of the most important challenges to be solved for CIB³.

- ii) CIB has missed the momentum of initiating strategic actions for investment promotion.

Several donor organizations including JICA have proposed recommendations on strategic action plans for the strengthening of CIB on different occasions (see “3.4.2 Donors’ Assistance on Enhancing Business Environment and Trade Related Programs”). However, CIB has not initiated many of these recommendations towards the acceleration of investment promotion as of the present.

- iii) The key reason for not initiating the above-mentioned actions is an insufficient commitment by top management and weak ownership in addition to strict financial restraints.

There has been a very strict financial constraint of the government on the operation of CIB. However, this is not the only reason for tardy action. This may still have been attributed to an insufficient level of commitment and weak ownership by the RGC government on the issues raised consistently through donors’ programs since the establishment of CDC.

³ According to the CIB Awareness Survey, several CIB staff commented that the organization needs a clear policy.

As Policy Framework for Investment (PFI) suggests from experiences in different countries, unless there is a full commitment by a government to IPA, the country is less likely to succeed in attracting new investors. In the case of EDB in Singapore, the high-level commitment and strong leadership are required for any reorganization for strengthening investment promotion with consistent and integrated strategies. This seems to be true of CIB.

The leaders of RGC and CIB should show a clear commitment and concrete actions towards CIB's reorganization in terms of budget and human resource allocation to CIB, the country's important IPA.

- iv) Recommendations by donors' assistance programs have not been effectively incorporated in investment promotion plan.

In the past, donors implemented several assistance programs and made recommendations for strengthening CIB's activities. However, these recommendations have not been effectively integrated into CIB's investment promotion plan. As mentioned above, CIB's operation is subject to insufficient accumulation of know-how and financial constraint. More active use of donors' programs should be examined and sought.

(2) Budget

- i) A strategic investment promotion plan should be given an appropriate budget for implementation.

As CIB Awareness Survey revealed, budget provisions both in operational and capital spending are a very crucial issue to implementation of effective promotional activities.

The sizes of the annual budget of some IPAs in the neighboring countries (the Philippines, Thailand and Malaysia) are \$3 to \$15 million for IPAs. The budget of \$1 to \$3million may be a sort of indication for CIB's annual budget.

- ii) It is necessary to introduce an annual budgeting mechanism to reinforce the annual activity plan of each department.

The organizational mechanism by which all departments prepare their own annual budget plan and total budget plan of CIB in an integrated manner currently does not operate adequately. Without a systematic organizational mechanism for annual budget planning and human resource allocation for all CIB, CDC can only disburse necessary costs and expenditures sporadically on investment promotion activities such as the participation of CDC officials in investment seminars abroad.

(3) Human Resource Management

- i) There does not exist an overall human resource management system that includes performance appraisals, promotion, personnel relocation and career paths, compensation, training, and other support mechanisms.

This may be mainly a result of most managers and staff being government officers seconded from related ministries with them following government regulations. However, it is necessary for CIB to build and operate its own human resource management system to develop the potential of staff, appoint the right individuals to the right jobs, and create a high motivation among staff.

- ii) Periodic performance appraisals of CIB as a whole, each department, and individual staff have not been systematically conducted.

It is inevitable that a task management system including objective setting, appraisal, and improvement will be introduced when CIB wishes to improve investment promotion operations to be more efficient and effective.

- iii) The salary level of CIB is much lower than the private sector.

According to CIB Awareness Survey, many claim that the salary level of the CDC/CIB is low. It is very difficult to solve this issue under the current organizational set-up.

Looking at other IPAs, Singapore offers higher salaries to the staff of EDB than regular public officers and also hires experienced personnel from the private sector.

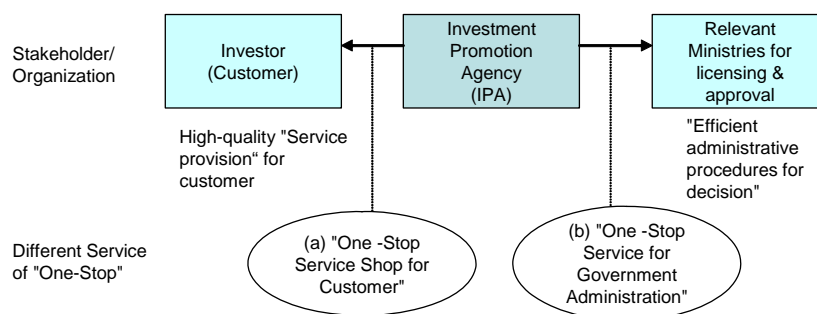
Working conditions would be reviewed and be modified when CIB develops into a competent autonomous body in the future.

6.1.3 Issues of Organization

- i) Disproportionate emphasis on “approval function” between two major functions of IPAs, i.e., “promotion (facilitation)” and “approval (administration)” for investment

The activities of an IPA can be largely divided into two functions, specifically: investment promotion (facilitation); and investment approval (administration).

This can be translated into two types of one-stop service: those for investors (facilitation); and that for government administration (administration) (see Figure 6-1-3).



Source: JICA Study Team

Figure 6-1-2 Concept of Two Different Types of “One-Stop Service”

The functioning and organizational structure of CIB seem to focus more on enhancing one-stop services for smooth “government administration”, not for providing high-quality investment promotional services to customers.

Allocation of management resources in terms of both budget and personnel is also imbalanced. As mentioned in Chapter 4, among the eight CIB departments, the Project Evaluation and Incentives Department and the Project Monitoring Department have relatively large numbers of human resources and are attached a certain importance in the organization. On the contrary, the PR and Investment Promotion Department, which is responsible for investment promotion, is allocated insufficient personnel to extend proactive and integrated investment promotion activities.

In most IPAs in the neighboring countries, the two functions are balanced. In many cases, more focus is given to investment promotion than to investment approval. The case of Vietnam is an exception where the function of investment promotion and that of investment approval are separated into different organizations.

For example, while FIA in Vietnam had retained the function of “supervision of investment/coordination of getting licenses” until June 2006, given a recent, decentralization efforts by the government, approval and permission function has been removed from FIA to regional governments. At the same time, routine work such as tax exemption issues have also been moved to the regional governments and industrial estate committees. As a result, FIA now concentrates on policy issues (advocacy), investor servicing/facilitation and the supervising/monitoring of activities on investment by regional People’s Committee.

- ii) Non-existence of a sole investment promotion organization for all investors investing in Cambodia

Currently, investors must apply to three different organizations (CIB, CSEZB, and PMIS) according to the type of QIP project. Under these circumstances, even CIB currently does not provide the function of investors’ window where investors can receive services for information and consultation in an integrated manner.

At IPAs in the neighboring countries such as Singapore, Thailand, and Malaysia, the one-stop services for all investors are implemented by a single window. These IPAs have established a center at which inquiry and request from any investor can be handled at one time by the representatives from other line ministries locating at the center.

iii) Insufficient functioning as “investors’ window”

At CIB, there is no sole window for investors where responsible staff meet directly with potential and existing investors and provide investment information, consultations, or other interactive services matching the needs of investors.

A couple of departments of CIB carry out reception and necessary consultation concerning QIP applications. However, its services are limited only to consultation from the viewpoint of compliance with administrative procedures and legal regulations on QIP applications.

iv) Complex management layers of CDC

CIB is currently positioned under the umbrella of CDC. The historical context of this situation is understandable and rationalized when considering the political and economic conditions at the time of its foundation. And the umbrella of CDC ensures the expected effectiveness of the current one-stop mechanism.

On the other hand, potential and existing investors may see the current structure of CDC as complex. As the Cambodia’s economic system progresses, the organization of CDC must be adjusted responding to the requirements of investors in stages⁴.

The management layers for decision making within CDC are rather complex and top-down. Simplification of the management levels and decision-making procedures should be examined including a review of the structures of CDC as a whole.

As in the case of the BOI and the Office of the BOI in Thailand, OBOI has certain authority to propose and even make decisions in relation to the investment promotion as well as approval matter. Prime Minister chairs the BOI with participations by private sector representatives, and there is a clear separation both of organization and responsibility between the Board and OBOI as secretariat. The BOI establishes policies and approves big projects with the principle of “good governance”.

v) Lack of information sharing and communication for good teamwork

The CIB Awareness Survey and discussions within the Working Group revealed that the level of information sharing among different departments of CIB is not seen as sufficient although many managers and staff understand that the level of communication is almost good inside CIB.

⁴ The current structure of the CDC with Cambodian Rehabilitation and Development Board (CRDB) may give investors an impression that the country is still “under rehabilitation”.

It is also observed that inter-departmental meetings and inter-CIB meetings that are participated in by relevant managers and staff are not frequently organized for information sharing and brainstorming of policy issues.

CIB currently uses offices dispersed in several buildings or on several floors. High-ranking officers work in individual rooms. It is considered that these working conditions hamper good communication and the spirit for teamwork within CIB. It is desirable to gather all the offices into one location in the long-run. It is also advisable to reconsider the office layout in order to provide a better environment for communication and openness for each job responsibility.

Insufficient IT infrastructure such as shortages in PCs and network environments makes it difficult for CIB managers and staff to efficiently share data and information.

vi) Necessity of “checks and balances” between promotion and approval functions

Within most IPAs in the neighboring countries, the two functions of IPAs, investment promotion and investment approval, are clearly separated at least by being within different departments. This is to create a good level of tension between the two functions and also to increase transparency in administrative procedures in the approval process.

There is a weak check mechanism for QIP application process even though quick and transparent approval of QIP is required for improvement of the investment climate of Cambodia.

Currently the very weak investment promotion functions of CIB have made it difficult for checks and balances between the two functions. CIB currently focuses on the function of investment approval and coordination both inside CDC and among relevant ministries and organizations. Consultations on QIP applications for investors are provided through the Project Evaluation and Incentives Department, the main task of which is the evaluation of QIP applications.

6.1.4 Consideration of Solution to Issues

(1) Structure of Issues

It is obvious that investment promotion services provided by CIB are much inferior to those of major IPAs in neighboring countries. CIB’s investment promotion services for information, consultations, and other matters are seriously insufficient to meet the requirements of investors. The evaluation of the investment climate of Cambodia by investors, including sometimes-dilatory and unclear QIP approval procedure, is also not at the satisfactory level.

Therefore, it is clear that CIB should undertake the task of:

- i) constructing a mechanism for integrated investment promotion activities;
- ii) providing investment information, consultations and other services matching the needs of investors;

- iii) resolving the negative image issue of Cambodia’s investment climate; and
- iv) improving schemes and the legal framework for investment promotion and approval.

The issues pointed out in the previous sections can be sorted into four tiers as shown in the following table. As mentioned above, the current investment promotion services of CIB are critically limited by issues of higher tiers; management, organization, and national policy and institutional setting.

Table 6-1-7 Four-tier Issues of Strengthening of Investment Promotion

Level of Issues	Issues	Necessary Actions
<p><u>National Policy and Institutional Setting</u> National investment policy/ Legal framework/ Institutional setting of national investment promotion</p>	<ul style="list-style-type: none"> - Insufficient cooperation of other line ministries to facilitation of licensing - Slow progress of improving investment climate 	<ul style="list-style-type: none"> - Realize the optimal national institutional setting for investment climate improvement - Enhance the policy advocacy function of CDC
CDC/CIB		
<p><u>Organization</u> Mission and vision/ Strategy/ Organizational structure/ Organization culture</p>	<ul style="list-style-type: none"> - Weak function of “Promotion (facilitation)” than “Approval (administration)” of investment. - Non-existence of an investors’ sole window for all investors investing in Cambodia. - Complex management layers of CDC/CIB - Lack of information sharing - Weak “check and balance” between the promotion and approval functions 	<ul style="list-style-type: none"> - Enhance the investment promotion function by allocating more resources though organizational reform - Review and improve the organizational culture.
<p><u>Management</u> Business planning/ Budget/ Management system/ HRM/ IT management</p>	<ul style="list-style-type: none"> - Lack of long-term strategic policies - Constant budget shortages - Very limited number of staff - Inexperience of staff - Insufficient accumulation of know-how - Insufficient IT equipment - Bureaucratic decision-making system - Management system which hampers motivation and self-initiative of staff 	<ul style="list-style-type: none"> - Formulate investment promotion strategy - Establish job flows and prepare manuals - Introduce a management method to make efficient and effective daily work - Establish a transparent budget mechanism - Introduce a more flexible HRM system; - Conduct organization-wise training - Introduce IT equipment and a database
<p><u>Services</u> Policy proposal/ Information service/ Consultation/ Seminar and event/ Aftercare/ Networking</p>	<ul style="list-style-type: none"> - Insufficient provision of investment information - Non-integrated and ineffective approach to potential investors including seminars & missions - Weak consultation and aftercare service - Weak policy advocacy function 	<ul style="list-style-type: none"> - Enhance investment information services - Effective investment seminars/missions - Enhance consultation services through a front-line office as a single contact point (Investors’ Window) - Introduction of aftercare services - Enhance the policy advocacy function

Source: JICA Study Team

(2) Necessity of Addressing Management and Organization Issues to Strengthen Investment Promotion Services

There exist vital common causes which limit CIB’s investment promotion activities to an elementary level and make them much inferior to other IPAs in the neighboring ASEAN countries. These causes are closely related with the issues of the management and organization of CIB. Major management and organization issues which cause poor investment promotion are as follows:

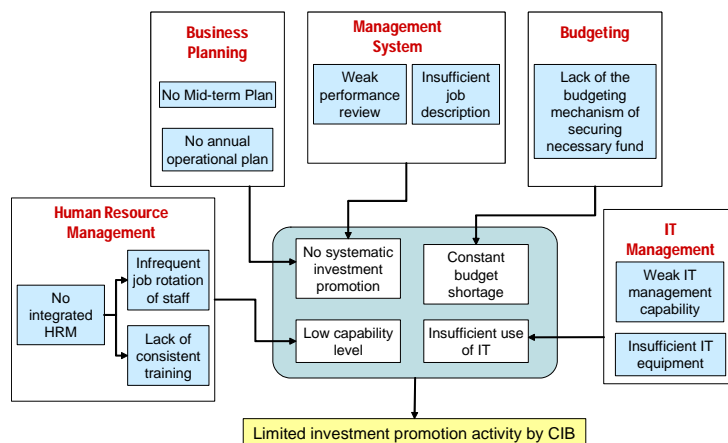
Issues of Management

- i) Lack of consistent long-term strategic policies for investment promotion activities;
- ii) Constant budget shortages for investment promotion activities;
- iii) Very limited number of staff assigned to investment promotion activities;
- iv) Inexperience of staff in actual investment promotion activities;
- v) Insufficient accumulation of know-how for investment promotion activities;
- vi) Insufficient supply of equipment (e.g., PCs, database, etc.) necessary for investment promotion activities;
- vii) Bureaucratic decision-making system which prevents flexible activities; and
- viii) Management system which hampers motivation and self-initiative of staff.

Issues of Organization

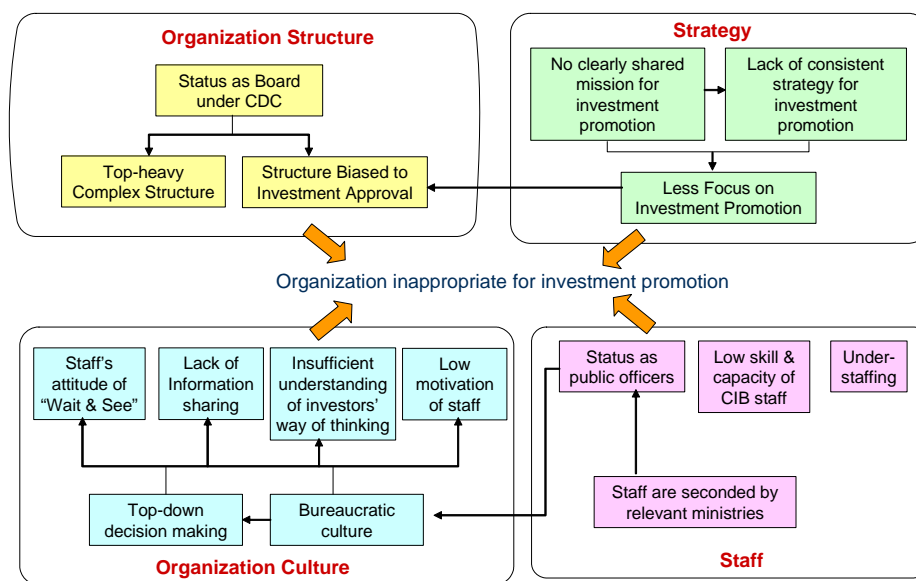
- i) Weak function of “Promotion (facilitation)” than “Approval (administration)” of investment.
- ii) Non-existence of an investors’ sole window for all investors investing in Cambodia.
- iii) Complex management layers of CDC/CIB
- iv) Lack of information sharing
- v) Weak “check and balance” between the promotion and approval functions

It is obvious that the review and reform of management and organization will be highly needed when CIB takes actions to strengthen the investment promotion functions.



Source: JICA Study Team

Figure 6-1-3 Issues Related to Management



Source: JICA Study Team

Figure 6-1-4 Issues Related to Organization

(3) Direction of Solutions to Issues

As analyzed above, the issues of national policy and institutional setting, organization and management currently place serious limitations on the investment promotion activities of CIB. Therefore, the Study Team has concluded that these issues should be addressed prior to any actual efforts to build up the capability of investment promotion services.

The Study Team considers that the followings will be basic measures to address the issues of national policy and institutional setting, organization and management.

- i) Possible measures toward issues attributable to national policy and institutional setting:
 - Review the optimal national institutional setting for investment climate improvement; and
 - Enhance the policy advocacy function of CDC to improve the investment climate of Cambodia including the legal framework for investment.
- ii) Possible measures toward issues attributable to organization of CDC/CIB:
 - Conduct organizational reform to enhance the function of investment promotion by allocating more resource; and
 - Review and improve the organizational culture.
- iii) Possible measures toward issues attributable to management of CDC/CIB:
 - Formulate investment promotion strategies;
 - Establish job flows and prepare manuals for expanded investment promotion services;
 - Introduce a management method to make efficient and effective daily work of investment promotion services;
 - Establish a transparent and flexible budget mechanism;

- Introduce a more flexible human resource management system;
 - Conduct organization-wise training of staff; and
 - Expand IT equipment and update IT management for information sharing, effective website management and database for investment promotion.
- iv) Possible measures toward issues attributable to services of CDC/CIB:
- Enhance investment information services by enhancing data collection channels, developing data processing capabilities and building up information provision tools and channels;
 - Implement investment seminars and the reception of missions in a more effective manner;
 - Enhance consultation services at a front-line office as a single contact point (investors' window);
 - Introduce aftercare services with an investor tracking system; and
 - Enhance policy advocacy functions to improve the overall investment climate of Cambodia.

When CDC examines and introduces the above-mentioned measures, it should pay attention to the following points:

- i) Top management of CDC/CIB should fully understand the importance of investment promotion and make a commitment to strengthening investment promotion function

The strengthening of investment promotion function requires significant measures for some elements; e.g., reorganization, allocation of resource, and others. CIB cannot initiate any considerable measures without the commitment and support of top management, otherwise, the reforms for investment promotion function will fail.

- ii) CIB should build up an organization culture and work methodology which is appropriate for an IPA in the role of a service provider (facilitator)

The Study Team expects that CIB acts as a “service provider” for investors, providing such services as information services, consultations, reception of investment-related applications and aftercare services. It is necessary to introduce any task management that is generally adopted by the private sector in order to realize customer-friendly services. It is also important to promote the mindset of customer-friendly service in the heart of all CIB members.

- iii) It is useful to take a stepwise approach to strengthening investment promotion function

There is a large gap between CIB and advanced IPAs in the neighboring countries in terms of resources, experience, and capabilities in investment promotion. It is practical to strengthen the investment promotion services step-by-step starting from basic services although a goal for the future will be to bridge this gap.

The establishment of an “investors’ window” for integrated information and consultation services, information collection and processing of key information, and setting up of a library can be

considered to be the first stage.

6.2 Analysis of Organizational Reform

Given the analysis of issues described in the previous section, the Study Team has concluded that it is essential for CDC to design and implement an organizational reform of CIB in order to realize the institutional strengthening of investment promotion.

6.2.1 Problems of the Current Organization for Investment Promotion

The problems of the current organization for strengthening investment promotion have been pointed out as follows:

- i) Very weak investment promotion functions (imbalance between investment promotion and approval functions);

Investment promotion activities are currently not conducted in an integrated and systematic manner at in the least bit as a result of the imbalance between investment promotion and approval functions.

- ii) Non-existence of a sole investment promotion organization for all investors investing in Cambodia;

CIB has not conducted investment promotion activities representing “all Cambodia” because there are other windows for investors such as CSEZB and PMISs.

- iii) Insufficient “investors’ window” function;

In CIB, there is no department/section responsible for an “investors’ window” providing integrated services to investors and this makes investment promotion ineffective.

- iv) Complex management layers and decision-making mechanisms;

The management layers of CIB, including those of CDC, as a whole are thick and multi-layered, which often brings about complexity and delays in the decision-making of CIB.

- v) Lack of awareness of the necessity of “checks and balances” between promotion and approval functions.

In principle, “checks and balances” mechanisms work between investment promotion and approval functions at most IPAs in neighboring countries. Currently this issue is not seen as being critical to CIB due to a lack of integrated, systematic investment promotion functions. Concerning QIP-related procedures, it is desirable that “checks and balances” mechanisms be introduced between the department(s) in charge of investment promotion and department(s) in charge of QIP evaluation and approval.

6.2.2 Purposes of Organizational Reform

It is inevitable that an organizational reform to address the issues mentioned above will be conducted. The overall purpose of the organizational reform of CIB is to strengthen the investment promotion function such as investment information services, investment consultations, aftercare services, and policy advocacy.

It is evident that the country of Cambodia is still unknown and not visible as a favorable destination of foreign direct investment among global investors. It is considered important to strengthen the “image building” of the country as well as “investor services and facilitation” among the four major functions of an IPA.

It is considered that the following measures are necessary to address the issues and truly strengthen the investment promotion function and improve the investment climate of Cambodia:

- i) Allocation of more resource to investment promotion functions;

The investment promotion function should be enhanced by enhancing departments/units in charge of investment promotion and allocating more resources.

- ii) Establishment of “investment promotion functions” for all Cambodia;

The enhanced organization/function should provide all relevant investment promotion activities representing “all Cambodia” for effective promotion activities, and for the convenience and benefit of investors. This may reduce the inconvenience of the current QIP application procedures dispersed throughout CIB, CSEZB, and PMIS.

- iii) Establishment of an “investors’ window” function that acts as a front-line for investors;

CIB currently does not provide any integrated or proactive investor services, or facilitation activities. An “investors’ window” unit is expected to act as a front-line service provider for investors on such activities as information services, consultancy, the reception of investment-related applications, and aftercare services.

- iv) Introduction of a “checks and balances” mechanism between “investors’ window” and investment approval organization/function;

A “checks and balances” mechanism can improve the visibility/transparency of QIP administration to investors and contribute to the improvement of the investment climate in Cambodia.

One of the main merits of splitting the two functions under one organization into two different organizations is to create a good level of tension between the two functions compared to a case of two functions under the same organization. “Investors’ window” stands for the benefits of investors and investment function focuses on proper implementation of government rules

and regulations. In this case, investors' window will check the progress of QIP applications and receive feedback from department(s) in charge of QIP approval.

- v) Provision of a good image of drastic actions towards investment promotion by RGC to overseas investors and related organizations;

The organizational change is a good opportunity to build a new image of Cambodia's attitude toward investment promotion. In this case, it is desirable to show RGC's stance to take action to solve all the fundamental issues as much as possible.

- vi) Diversification of budget including own revenue;

The budget of CDC/CIB is restricted by the procedures required by the Ministry of Economy and Finance. It is desirable to give more flexibility and independence in order to secure a large enough budget for investment promotion. The expansion of their own revenue should be considered to cover the insufficient budget.

- vii) Realization of flexible human resource management;

Flexible human resource management is required to strengthen the capabilities of staff members, increase motivation, and provide high quality investment promotion services that respond to the demand of investors.

- viii) Simplicity in the management layer and decision process;

It is considered important to approach the simplification of management layer and decision process in order to realize quick decision-making and flexible responses to investors and the higher satisfaction of investors.

- xi) Increased transparency and accountability in the organization.

A new organization after the organizational reform is desirable to achieve more transparency and accountability in terms of status, decision-making, budgeting mechanisms, and performance evaluations.

6.2.3 Issues Considered in the Designing of Options

In order to provide an appropriate design for options for organizational reform, the Study Team considered a set of factors as follows:

- i) Optimal set of functions (policy advocacy, promotion, approval, etc.)

The Study Team considered what the optimal balance of IPA's functions (e.g., promotion and approval) for CDC/CIB should be. The balance of complexity and effectiveness in the functions was considered.

- ii) Possible status of investment promotion organization

The Study Team compared the merits and demerits of possible statuses of organizations such as a board or a special operating agency (SOA). The Study Team considered the possibility of an SOA as an available vehicle.

iii) Optimal/minimum size of organization

The Study Team considered what the optimal or minimum size of unit(s) for various investment promotion services should be.

iv) Sequence of organizational reform

The Study Team considered whether it is useful to take a stepwise approach to strengthening investment promotion. The sequence of organizational reform was evaluated from the viewpoints of impact and ease of implementation.

v) Optimal job flow for investment promotion

The Study Team considered the optimal task sharing and job flow system among units for investment promotion and between units for investment promotion and units for investment approval.

vi) Optimal organizational layers and decision making process

The Study Team took heed of the need for simplifying the organizational layers and decision making processes.

vii) Required capabilities and resources

The Study team considered the realization of flexible human resources and budgets as an important issue in designing the optimal organization for investment promotion.

viii) Collaboration with the foreign counterparts and the private sector;

Collaboration with and assistance from foreign counterparts, donor organizations, and the private sector are also key to the success of the new organization. The Study Team paid attention to what type of organization can more greatly ensure these collaborations and assistance.

ix) Establishment of overseas offices

The Study Team paid attention to possible collaboration with overseas embassies and the possibility of establishing the institution's own overseas offices.

6.2.4 Options and Evaluation of Organizational Reform

(1) Options for Organizational Reform

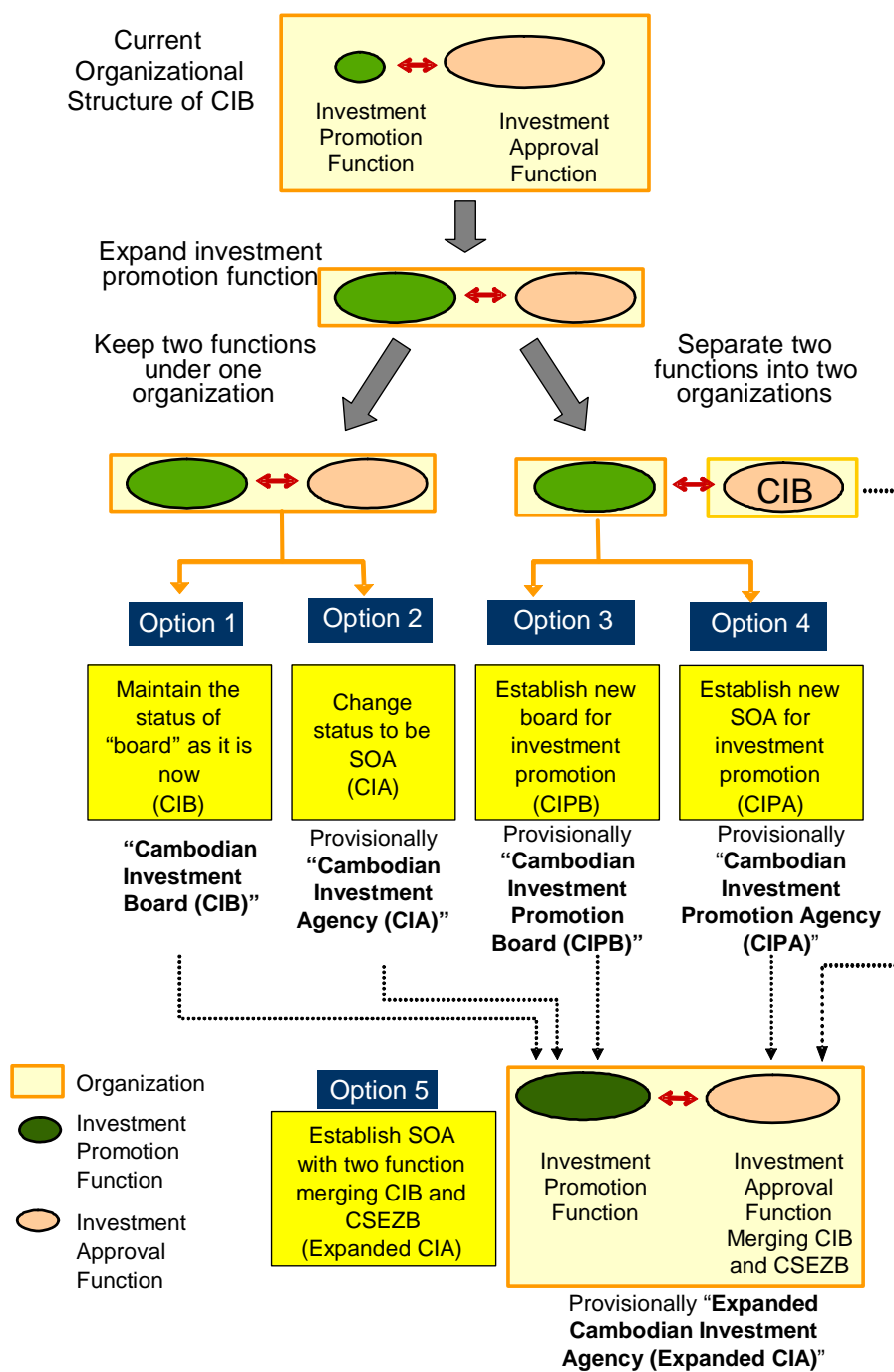
Taking into considerations the different criteria described above, the Study Team has formulated the following five options for organizational reform that are most appropriate under the current conditions of Cambodia:

- Option 1:** Enhancing the existing departments in charge of investment promotion under the current organizational structure of CIB;
- Option 2:** Enhancing the departments in charge of investment promotion with the reforming of CIB into a Special Operating Agency (SOA)⁵ (provisionally-named “Cambodian Investment Agency: CIA”) under CDC;
- Option 3:** Establishing a new Board under CDC that engages in the investment promotion function (provisionally-named “Cambodian Investment Promotion Board: CIPB”), separate from CIB;
- Option 4:** Establishing a SOA under CDC that focuses on the investment promotion function (provisionally-named “Cambodian Investment Promotion Agency: CIPA”), separate from CIB; or
- Option 5:** Creating a SOA with both the functions of investment promotion and investment approval (provisionally-named “Expanded Cambodian Investment Agency: Expanded CIA”) under CDC, with an integration of CIB and CSEZB.

All five options can achieve the primary purpose of enhancing the “investment promotion function” by establishing and “investors’ window” department/unit and allocating such resources as personnel and budget.

Meanwhile, these five options can be differentiated mostly based on two factors: i) whether or not the two functions (promotion and approval) are separated into different organizations; and ii) whether the status of the organization for investment promotion is a board or a special operating agency. Figure 6-2-1 illustrates the difference between the five options.

⁵ Special Operating Agency (SOA) is set up, according to Royal Decree on the Special Operation on Joint Principles on the Establishment and Introduction of Special Operating Agency NS/RD/0308/346. Details are describe in Chapter 6.2.5



Source: JICA Study Team

Figure 6-2-1 Five Options for Organizational Reform

(2) Option 1: Enhancing the existing departments in charge of investment promotion under the current organizational structure of CIB

This option aims at strengthening the current Public Relations and Investment Promotion Department (PRID) and other investment promotion-related departments of CIB to make an arm responsible for the “Investor Window” with further inputs of management resources such as budget and personnel.

Option 1 has the merit of ease in implementation as it does not require any substantial governmental administration for the organizational reform.

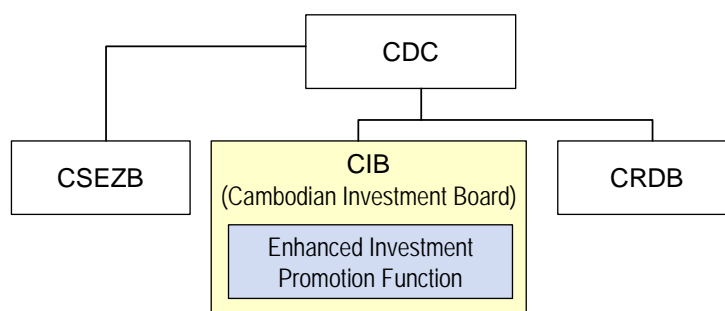
At the same time, this means that Option 1 will not bring about any innovative effects on investment promotion. When organizations in charge of investment promotion are at a department level, the authority and autonomy of this organization will be limited and insufficient for gaining investors’ trust in its services.

a. Advantages of Option 1 are as follows:

- i) No need for drastic organizational reforms to CDC as a whole, which may increase the ease of its implementation; and
- ii) Option 1 is not counter to the general policies of RGC for streamlining existing governmental organizations as this option does not increase the number of organizations.

b. Disadvantages of Option 1 are as follows:

- i) The most anticipated impact of creating an “Investor Window” for all Cambodia” cannot be achieved as the organizational reform is limited to CIB internally with strengthened department(s) unable to effectively represent investment promotion functions for CSEZB, as in the case of the current situation;
- ii) This “almost no change” in organizational structure will not bring about any drastic impact on “image-building” for both investors and the donor community. Now it is needed for the RGC to strongly reveal to worldwide investors its readiness for “change” in Cambodia’s overall investment climate; and
- iii) Flexible and effective management, the strengthening of motivation and morale, and diversification of budget resources such as by generating their own revenue will be difficult to achieve under the current organizational rule, culture, and behavior of CDC and CIB.



Source: JICA Study Team

Figure 6-2-2 Option 1: Enhancement of Existing Departments in Charge under the Current CDC Structure

(3) Option 2: Enhancing departments in charge of investment promotion with the reforming of CIB into a Special Operating Agency (SOA) (provisionally-named “Cambodian Investment Agency: CIA”) under CDC

This option aims at restructuring and strengthening the current CIB as a Special Operating Agency (SOA). It is positioned as an extension of the previous Option 1, which aims at enhancing the investment promotion function of CIB, but with a new organizational form of an SOA. SOA, as described later, is a newly developed organizational scheme of the RGC, which aims at enhancing high-quality public services with the increased motivation and ethics of managers and staff.

In Option 2, a newly established SOA would be named as the “Cambodian Investment Agency (CIA)”. This SOA would be under the direct supervision of the Prime Minister.

The SOA would require substantial reform in organizational design from the current CIB, which includes a strengthening of the “Investor Window” function.

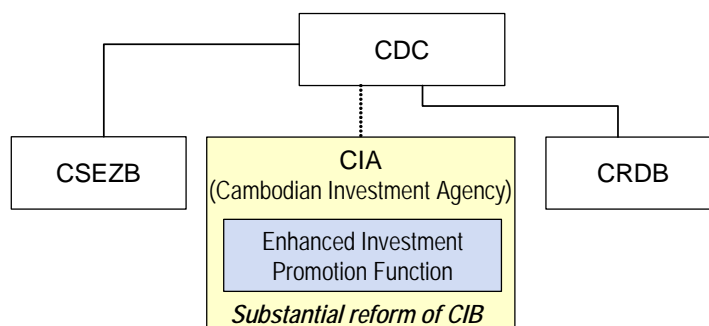
a. Advantages of Option 2 are as follows:

- i) Although many administrative procedures would be required to establish a SOA, it does not require a drastic organizational reform of CDC as a whole;
- ii) As an SOA, a new organization can obtain much independence and flexibility in management in terms of budget planning, especially its own revenue generation and other financial source procurements, flexibility of wage levels, recruiting from the private sector, and others, when they are clearly defined in a business plan attached to a Sub-Decree for the new organization;
- iii) Option 2 can realize good “image-building” by creating a new, clearly visible independent organization; and
- iv) Option 2 is not counter to the general policy of RGC on streamlining existing governmental organizations as this option does not increase the number of organizations.

b. Disadvantages of Option 2 are as follows:

- i) It is difficult to establish an appropriate demarcation between the investment promotion and investment approval functions as the two functions coexist under one organization;
- ii) Due to the continual coexistence of CSEZB at the same status as a board, the new organization will be unable to become a single “Investor Window” for all Cambodia, which in turn cannot build up a clear, visible image of the organization representing all Cambodia;
- iii) This option needs careful consideration in planning, designing, and coordinating necessary legal and administrative procedures for the creation of the SOA;

- iv) Transforming the existing CIB to a SOA has the possibility of being considered against the general principles of establishing an SOA (Article 28, NS/RD/0308/346); and
- v) Implementation of a drastic change in organizational culture, ethics, accountability, and transparency may create various kinds of tensions.



Source: JICA Study Team

Figure 6-2-3 Option 2: Enhancement of Existing Departments in Charge with the Reforming of CIB into an SOA (CIA) under CDC

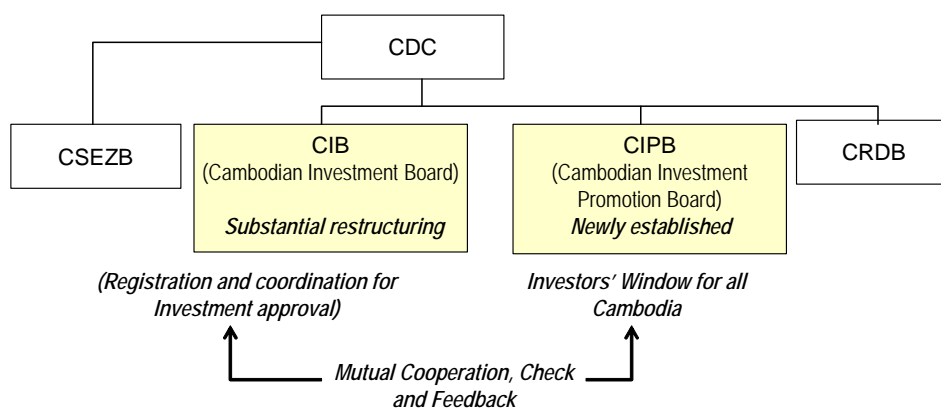
(4) Option 3: Establishing a new Board under CDC that engages in the investment promotion function (provisionally-named “Cambodian Investment Promotion Board: CIPB”), separating from CIB

Option 3 is to establish a new board, “Cambodian Investment Promotion Board (CIPB)”, which concentrates on the investment promotion function representing all Cambodia. The separation of the function from the current CIB and strengthening of the “Investor Window for all Cambodia” enables a new organization to cover a wider range of reinforcement for investment promotion activities as well as representing those functions both for CIB and CSEZB.

a. Advantages of Option 3 are as follows:

- i) Establishing the new organization dedicated to investment promotion for all Cambodia can enhance investment promotion services more effectively than the former two options, which basically keep the current organizational structure of CIB;
- ii) Option 3 can realize good “image-building” by creating a new, clearly visible independent organization concentrating on “investor-friendly” services while representing all of Cambodia to both domestic and foreign investors
- iii) Option 3 can clarify the line of authority and responsibility sharing between the functions of investment promotion and of investment approval;

- iv) The organization’s focus on the “investors’ window” will simplify tasks and operation of investment promotion; and
- b. Disadvantages of Option 3 are as follows:
- i) Option 3 has the same level of limitation in terms of potentials for enhancing independence and flexibility in management and financial resource allocation as within the status quo since the Board must follow the same kind of governmental regulations and procedures;
 - ii) Option 3 creates the negative impacts of adding a new Board under the current CDC, which is against the general policy of RGC of streamlining existing government organizations. To avoid this risk, it is necessary to reduce the total number of departments and personnel in the two boards (CIB and CIPB) together with substantial organizational restructuring efforts.



Source: JICA Study Team

Figure 6-2-4 Option 3: Establishing a New Board for Investment Promotion

(5) Option 4: Establishing an SOA under CDC that focuses on investment promotion functions (Provisionally-named “Cambodian Investment Promotion Agency: CIPA”), separate from CIB

In this Option, a substantial organizational reform of CIB is proposed to lead to the creation of one more arm of CDC as an SOA. The new SOA could be named as the Cambodian Investment Promotion Agency (CIPA) under the direct supervision of the Prime Minister.

This option is positioned as a further extension of the Option 3, in which the basic idea of establishing a separate organization that concentrates on investment promotion activities for all Cambodia is the same as of the former.

However, the degree of autonomy, flexibility, and accountability in organizational management and its performance review is evaluated to be the highest among all proposed Options. As shortly summarized in Option 2, the SOA is a newly designed organizational scheme of the RGC. The organization aims at enhancing high-quality public services with the increased motivation and ethics of managers and staff.

a. Advantages of Option 4 are as follows:

- i) A new organization dedicated to investment promotion for all Cambodia can enhance investment promotion services more effectively than Option 1 and Option 2 (same as of Option 3). Option 4 can realize a clear-cut “all Cambodia” investment promotion.
- ii) As an SOA, the new organization can obtain much independence and flexibility for management in terms of budget planning, especially through its own revenue generation and other financial source procurement, flexibility of wage levels, recruiting from the private sector, and others, when they are clearly defined in the business plan attached to a Sub-Decree for the new organization;
- iii) Option 4 can realize good “image-building” activities by creating a new, clearly visible independent organization concentrating on “investor-friendly” services while representing all of Cambodia to both domestic and foreign investors;
- iv) Option 4 can further clarify the line of authority and responsibility sharing between the functions of investment promotion and of investment approval; and
- v) Focus on the “Investor Window” will simplify tasks and the operation of investment promotion.

b. Disadvantages of Option 4 are as follows:

- i) Establishing one more arms under CDC is counter to the general policy of the RGC for streamlining existing government organizations. To avoid this negative impact, it is necessary to reduce the total number of departments and personnel in the new CIB and CIPA combined with a substantial organizational restructuring; and
- ii) Option 4 requires the most careful consideration in planning and designing the details of the new organization including a clear business plan attached to a Sub-Decree for the new organization. The coordination efforts for necessary legal and administrative procedures shall be immense.
- iii) Implementation of a drastic change in organizational culture, ethics, accountability, and transparency may create various kinds of tensions.

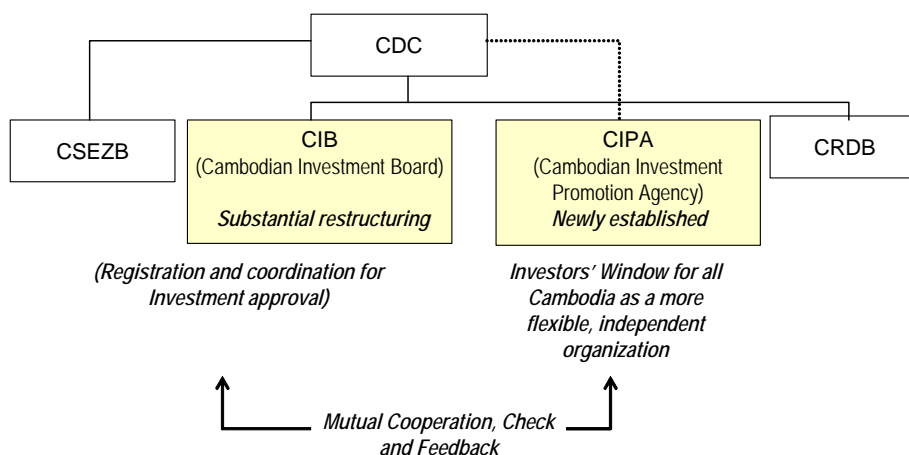


Figure 6-2-5 Option 4: Establishing a Special Operating Agency for Investment Promotion

(6) Option 5: Creating a SOA with both the functions of investment promotion and investment approval under CDC, combining CIB and CSEZB

Based on the best practices of IPAs all over the world, Option 5 is a very natural and ordinary case seen in many other countries. It is a strong, independent agency under the President or Prime Minister or a strong Ministry in charge of the overall economy, industry, and trade issues. This is the case of EDB in Singapore, MIDA in Malaysia, and BKPM in Indonesia. Option 5 aims to become a full-fledged IPA like those in such comparatively advanced ASEAN countries as Singapore, Malaysia, Indonesia, and Thailand.

At the same time, the coexisting CIB and CSEZB under CDC should be simplified into one organization in Option 5 and the investment approval administration would attain a better level of transparency and governance. This is a very crucial condition for realizing a full-fledged IPA in the future.

a. Advantages of Option 5 are as follows:

- i) Option 5 can follow the good practices of advanced IPAs worldwide;
- ii) Option 5 can realize most clear-cut “all Cambodia” investment promotion. Under Option 5, a new organization dedicated to investment promotion for all Cambodia can enhance investment promotion services more effectively than any other option;
- iii) As an SOA, a new organization can obtain much independence and flexibility for management in terms of budget planning, especially through its own revenue generation and other financial source procurement, flexibility of wage levels, recruiting from the private sector, and others, when they are clearly defined in the business plan attached to the Sub-Decree for the new organization.

- iv) Option 5 can realize good “image-building” activities by creating a new, clearly visible independent organization concentrating on “investor-friendly” services while representing all of Cambodia to both domestic and foreign investors;
- v) Option 5 can further clarify the line of authority and responsibility sharing between the functions of investment promotion and of investment approval; and
- vi) Focus on the “Investor Window” will simplify tasks and the operation of investment promotion.

b. Disadvantages of Option 5 are as follows:

- i) Realizing this Option in the short-term is not realistic due to the necessity for solving too many organizational restructuring issues; and
- ii) It is difficult to achieve effective “checks and feedback” mechanisms between the two functions, investment promotion and investment approval, unless a substantial restructuring of CDC is conducted.

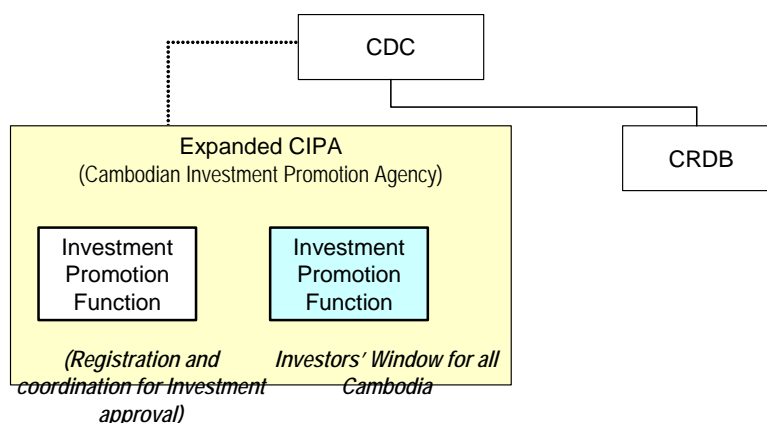


Figure 6-2-6 Option 5: Establishing a Special Operating Agency for Private Investment Merging CIB and CSEZB

(7) Evaluation of Options

As mentioned above, all the five options can achieve the primary purpose of enhancing the “investment promotion function” by establishing an “Investors’ Window” department/unit and allocating such resources as personnel and budget. However, these five options have advantages and disadvantages of impacts on other important factors.

The impacts of five options to various factors are compared in Table 6-2-1.

Table 6-2-1 Comparison of Five Options for Organizational Reform

Criteria for Evaluation		Option 1:	Option 2:	Option 3:	Option 4:	Option 5:
		Enhancing the existing departments under CIB	Enhancing departments in charge with CIB's reform to SOA	New board for investment promotion, separate from CIB	New SOA for investment promotion, separate from CIB	New SOA with substantial reform and merging of CIB & CSEZB
Criteria of Effect on Investment Promotion	1. Allocation of more resources to investment promotion function	Can Be Achieved	Can Be Achieved	Can Be Achieved	Can Be Achieved	Can Be Achieved
	2. Promotion representing "all Cambodia"	Low	Low	Medium	Relatively High	High
	3. Establishment of "investors' window" function	Can Be Achieved	Can Be Achieved	Can Be Achieved	Can Be Achieved	Can Be Achieved
	4. Increased transparency of QIP approval with a clear separation of the two functions	Low	Low	High	High	Medium
	5. Image Building with "Good Visibility" for promotion	Low	Medium	Medium	High	High
	6. Diversified financial resource with own income generation	Low (National budget only)	High (+Service fee, + donor fund)	Low (National budget only)	High (+Service fee, + donor fund)	High (+Service fee, + donor fund)
	7. Flexible HRM with performance-based management	Low	High	Low	High	High
	8. Simplicity in management layers and decision process	Low	Medium	Low	High	High
	9. Increased transparency and accountability in organization	Low	High	Low	High	High
Criteria of Administrative Policy	10. Required steps for QIP application for RGC	As it is now	As it is now	May increase	May increase	May increase
	11. Accordance with RGC's policy for administrative reform	Good	Relatively good	Bad	Bad	Good
	12. Ease of implementation including legal procedures	Easy	Medium	Medium	Heavy	Very difficult in short-term

a. Evaluation of the Positive Side of Options

As mentioned above, the Study Team considers the most urgent and important target of the organizational reform as being the enhancement of the investment promotion function through the allocating of more personnel and budget. All five options can achieve more personnel for investment promotion.

The second important target is to establish an organization dedicated to investment promotion for all Cambodia. Option 3, 4, and 5 can achieve this target. In the case of Option 3, expected impacts will be smaller than Option 4 and 5. Under Option 1 and 2, special arrangements with CSEZB will be necessary for the investors' window function.

In addition, the status of SOA will give the new organization much independence and flexibility for management in terms of budgeting and human resource if the spirit of the SOA is achieved. The SOA is intended to improve the performance of public services, establish accountability and transparency, and raise the ethics and motivation of officials. Option 2, 4, and 5 can enjoy the benefits of SOA.

The purpose and scheme of the SOA stipulated in the Royal Decree significantly matches the needs for the organizational reform of CDC/CIB. Establishing a SOA will send a clear and strong message of the RGC's commitment to the organizational reform of CIB.

b. Evaluation of the Negative Side of Options

Meanwhile, a drastic change in organization requires many complicated and troublesome procedures, and a complex coordination of stakeholders. The implementation of Option 4 and 5 will be more difficult.

Option 5 is most similar to the organizational structures of more developed IPAs in the other ASEAN countries, in other words, full-fledged IPAs.

However, the Study Team judged that Option 5 is very difficult to apply in the short-term under the current situation of Cambodia. It requires enormous efforts in the organizational restructuring of CDC as a whole. Moreover, it leads to the possibility of the constructive dissolution of CDC with the detachment of CRDB. It is considered still early and immature to implement Option 5.

c. Overall Evaluation

Based on the above-mentioned consideration, the Study Team evaluates Option 4 as the best and Option 2 as the second best for the short-term organizational reform in strengthening investment promotion.

Option 4 can realize a clear-cut "all Cambodia" investment promotion, and at the same time is expected to enhance a good level of independence and flexibility of management. It is also very attractive for investors, being a sole, visible organization engaging in the investment promotion function alone. In addition, Option 4 has high potential for introducing a "checks and feedback" mechanism between investment promotion and investment approval.

Option 5 is the most desirable to pursue in the medium or long-term when a reformed organization for investment promotion under another option attains a high-level of capability and establishes a fair reputation as an IPA.

d. Remarks

The RGC should take an initiative with responsibility for selecting the optimal option with ample consideration of the advantages and disadvantages described above in order to fundamentally strengthen investment promotion.

As for all options except Option 1, a proper transition period is needed before a new organization is established and begins providing investment promotion services. This is because there is currently almost no know-how and experience in investment promotion activities within CIB in addition to insufficient personnel and budget. Regardless which option is to be undertaken for actual

implementation, during the preparation period, the formulation of job manuals and workflows, building-up of service capabilities, the preparation of necessary budget under clear budgetary procedure and the installation of at least minimal equipment should be conducted as an urgent matter.

It should also be noted that the evaluation of options could be different when different criteria with different weights are applied in the evaluation. Whichever option is to be taken in the future, it is very important for RGC top leaders to declare their clear commitment widely open to the public and donor community. It is significant to show RGC's serious considerations and efforts to strengthen investment promotion services through organizational reform. RGC's serious attitude toward organizational reform will lead to possible assistance by various donors including JICA even during the preparation period of actual organizational reform.

6.2.5 Outline of Special Operating Agency (SOA) and Possibility of Establishing SOA

(1) What is an SOA?

The Special Operating Agency (SOA) is a newly introduced organizational mechanism of the RGC by an enactment of the "Royal Decree on Joint Principles on the Establishment and Introduction of Special Operating Agency (NS/RD/0308/346)" in March 2008.

The SOA is a mechanism for public service delivery by ministries and institutions in which various functions are integrated in order for the said agency to be fully qualified, intertwined, harmonized, and consistent with other mechanisms for public service implementation so as to provide services determined to be in line with the Royal Government's policy⁶.

The Office of the Council of Ministers shall have the role of coordinating, promoting and introducing each SOA⁷. The establishment of an SOA should be carried out by a Sub-Decree with the overall key contents of the mission, conditions, and management contract.

(2) Objectives of SOA

Aims of the establishment of an SOA are⁸:

- i) Improve the quality of public services provided at the required places and times;
 - ii) Change the mindset and behaviors of officials in accordance with the qualifications of public administration having strong will towards working honestly by focusing on services with professional ethics;
 - iii) Promote management based on work results with caution, effectiveness, and transparency;
- and

⁶ Article 2 of the Royal Decree, NS/RD/0308/346

⁷ The Study Team visited had a meeting with the Office of the Council of Ministers to discuss the relevance of SOA for CIB's organizational reform.

⁸ Article 3, *ibid*

- iv) Build capacity for the provision of public services.

(3) Management of SOA

The SOA is an agency of the ministries and institutions, and has a separate structure different from the other entities of the ministries and institutions concerned, and would have the following key attributes⁹:

- i) Procedures for and bureaucracy in the process of providing service to service consumers would be reduced;
- ii) The chief of SOA would be provided with the right to manage both financial and human resource sections;
- iii) The chief of SOA would bear responsibility and accountability for the work; and
- iv) The chief of SOA would possess accurate mission conditions, management contracts, and reports.

SOA is expected to install more flexibility, accountability, and transparency in the management of both organization and human resources. The chief of SOA is to be contracted with the agency at annual management contract, which requires approval and signatures by the chief of the SOA, Minister or the representatives of the ministry and institutions concerned. The SOA is to be led and managed by a chief assisted by staff members who are civil service officials, or contractual officials of the ministry and institutions concerned.

Personnel management shall mainly focus on transparency and professional ethics, individual and group accountability, and the promotion of operational capacity¹⁰.

The SOA is also expected to have a frontline service delivery section that meets with the service consumers in person and also to have an appropriate location in order to afford service consumers every possibility to get access for an acquisition of services¹¹.

While the SOA would prepare an employment contract for each official according to its hierarchy as specified in each contract concerning the responsibility that the individual bears for the achievement of his/her perspective outcomes; officials of the SOA would be evaluated on a regular basis.

(4) Financial Management

As for financial management, sources for the SOA's resources and financial incomes include:

- i) National budget;
- ii) Negotiated funding by development partners;

⁹ Article 4, *ibid*

¹⁰ Article 11, NS/RD/0308/346

¹¹ Article 8, *ibid* and information material by the General Secretariat of the council for Administrative Reform, the Office of the Council of Ministers

- iii) Service delivery grants by developing partners;
- iv) Revenues from service fees; and
- v) Adequate operational resources.¹²

While the SOA's budget is part of the annual budget of the ministry and institution concerned, the relevant ministry and institution would determine and ensure the budget to be provided to the SOA in a timely manner. At the same time, the SOA's budget planning shall be based on the scheduled work scheme¹³.

(5) Advantages of SOA and Possible Application for Organizational Reform

The ministry and institutions concerned is encouraged to use the mechanism of the SOA in order to improve service delivery by the ministry and institutions as per the demand from the service consumers¹⁴. Goals and objectives of the SOA set on the Royal Decree completely well match with the major direction of the organizational reform of CDC-CIB proposed in the Study, when potential and existing investors are seen as "the service consumers". Major advantages of applying SOA scheme into the organizational reform of CIB are as follows:

- i) Strong willingness and commitment of RGC to strengthen investment promotion become clear to potential and existing investors inside and outside the country;
- ii) The organization can have wider variety of options for obtaining financial resources such as revenue from service fees;
- iii) The organization can have delegated authorities from the ministry, which can increase effectiveness and flexibility in human resource management and financial management, which leads to a provision of "customer-oriented" services;
- iv) Commitment and motivation of staff in the organization can be increased with an introduction of "performance-based salary and incentive system"; and
- v) The organization can increase its transparency and accountability in management and service implementation under the strengthened mechanism for monitoring and evaluation.

Therefore, the Study Team recommends that the RGC seriously examine the possibility in effective utilization of this newly introduced governmental scheme in Cambodia to the organizational reform of the country's investment promotion agency.

¹² Article 17, *ibid*

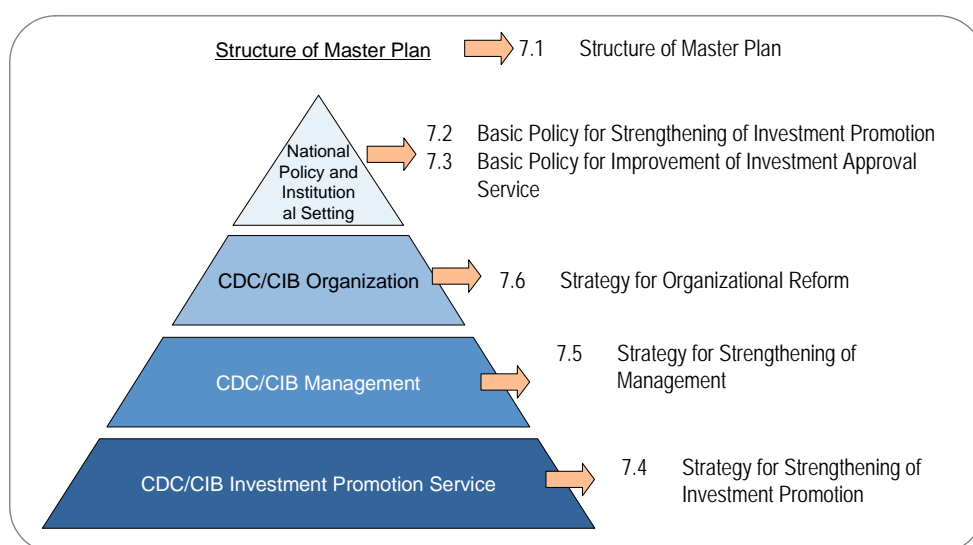
¹³ Article 16, *ibid*

¹⁴ Article 23, *ibid*

CHAPTER 7 MASTER PLAN FOR THE STRENGTHENING OF INVESTMENT PROMOTION

7.1 Structure of Master Plan

Based on the results of the analysis of internal and external factors of CDC/CIB, the Study Team has formulated Master Plan for the strengthening of investment promotion. The framework of the Master Plan is as illustrated in the following figure.



Source: JICA Study Team

Figure 7-1-1 Structure of Master Plan

7.2 Basic Policy for the Strengthening of Investment Promotion

7.2.1 Targets for Strengthening Investment Promotion

The targets for strengthening investment promotion are as follows:

- i) Provide integrated and excellent investment promotion services to investors as the sole window for all investors

The variety of current investment promotion services rendered by CIB is limited to the provision of available guidebooks/brochures, occasional participation in seminars organized by other organizations, occasional reception of investors, and so forth. The contents of these services are marginal.

Available data and information for investment are quite limited in CIB. The collection and updating system for the investment information has not been established which makes it difficult

to provide up-to-date information for investors including through the website. The know-how and experience of data collection/processing and analysis have not been accumulated within CIB.

Due to a lack of budget, CIB has not been able to hold seminars on its own initiative. Most of the seminars held were under the sponsorship of development partners. The reception desk at CIB appears unattractive to investors as it possesses no assigned staff for consultation nor up-to-date information and data.

It is necessary for the RGC to line up a variety of investment promotion services in order to provide integrated investment promotion services to investors. Major investment promotion services to be added are as shown in the following table.

Table 7-2-1 Proposed Services for Investment Promotion

<p><u>Information Provision</u></p> <ul style="list-style-type: none"> - Information provision on the Website - Preparation and publication of investment promotional materials - Preparation and publication of investment-related business information (e.g., economic, industry, business information) - Operation of a library for investors <p><u>Promotion (Public Relation)</u></p> <ul style="list-style-type: none"> - Promotion activities such as investment seminars, missions, and workshops <p><u>Consultation</u></p> <ul style="list-style-type: none"> - Consultations on investment procedures and QIP applications - Consultations on the general issues of investors - Matchmaking services <p><u>Aftercare Services including Monitoring</u></p> <ul style="list-style-type: none"> - Aftercare services for invested companies <p><u>Networking</u></p> <ul style="list-style-type: none"> - Networking with related ministries - Networking with Cambodia's embassies abroad - Networking with the Chambers of Commerce, industry associations, and other private sectors - Networking with overseas organizations, IPAs, and TPOs - Networking with development partners
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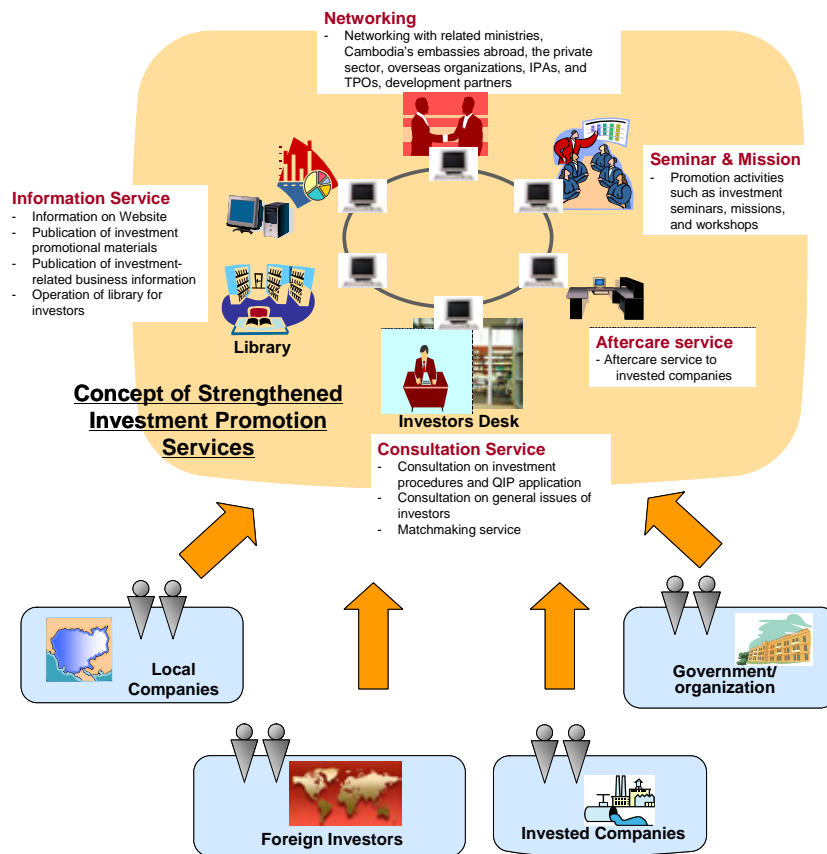
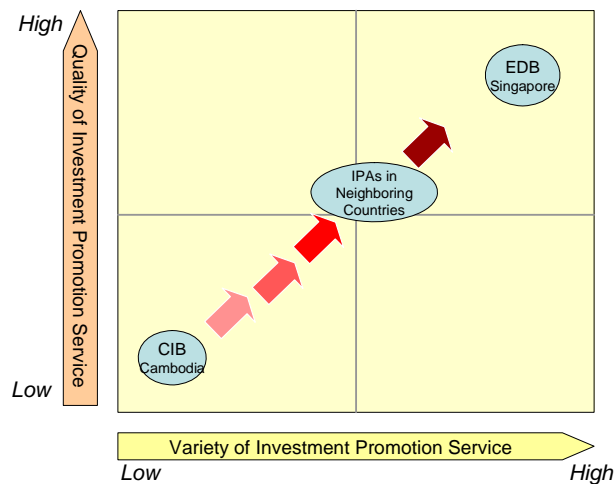


Figure 7-2-1 Concept of Strengthened Investment Promotion Services

ii) Improve the quality of investment promotion service in a step-by-step manner by accumulating capabilities and experience

As mentioned above, the quality of services by CIB is still at an elementary level. Thus, improvement in the contents and quality of investment promotion services is an important issue to be tackled. The important point is that the provision of all investment promotion services at a high quality level cannot possibly be achieved overnight. Thus, it is necessary to work step-by-step from the basics towards the level of other IPAs.



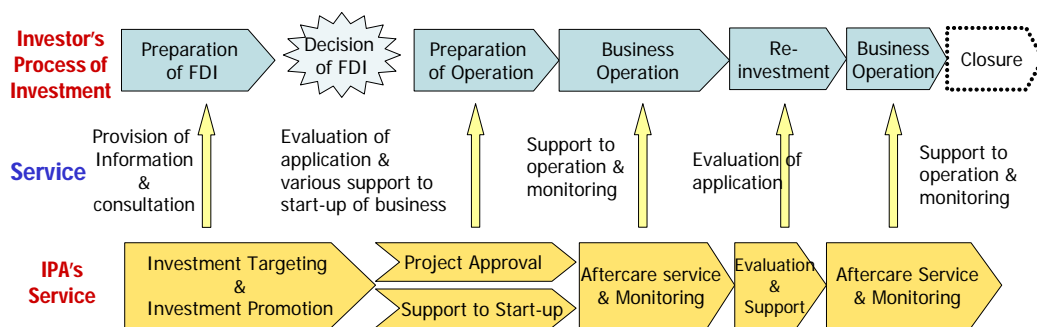
Source: JICA Study Team

Figure 7-2-2 Step-by-step Improvement of Investment Promotion Services

iii) Support investors in every aspect of their investments in Cambodia

There exist a general cycle of investment for individual investment projects. The cycle consists of the stages such as: i) preparation; ii) decision of investing; iii) preparation of operations; iv) start of operations; v) actual business operations; vi) re-investment; and sometimes vii) closure of project. The needs of investors vary according to the stages in the investment cycle. For example, at the preparation stage, an investor conducts a study of candidate countries and a feasibility study. The investor requires such services as information on investment climate, incentives, and legal procedures of the country, and consultation services at the preparation stage. The investor requires supports for approval of investment/incentives at the stage of preparation for operation.

Therefore, it is important to prepare investment promotion services that can cover the needs of investors over the cycle of investment. It is also necessary to prepare and provide proper investment promotion services responding to the cycle of investment of each investor.



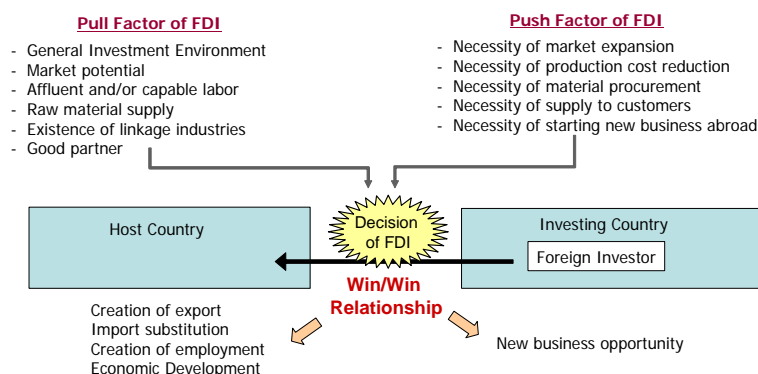
Source: JICA Study Team

Figure 7-2-3 Services of IPAs According to the Cycle of Investment

iv) Build Win/Win partnerships with investors

In any successful investment project, a win-win relationship is achieved between the investor and the host country. It should be noted that the ultimate objective of investment promotion is to build a win-win relationship with investors. Under a win-win relationship, an investor enjoys the benefits of new business opportunities in the host country by utilizing such factors as domestic market opportunities, production cost reductions, material procurement, as well as others. On the other hand, the host country can benefit from such effects of investment as the creation of export/import substitution, employment, economic development, technology transfer, tax revenue, and others.

Consequently, all managers and staff of CIB must sincerely take the role in building win-win relationships with investors. Based on this understanding, they should pay attention to providing customer-friendly services.



Source: JICA Study Team

Figure 7-2-4 Win-Win Relationships between Investor and Host Country

v) Build up an organizational culture which promotes customer-friendly services

CIB’s service of investment promotion has the nature of a public administration. The public administration has to have four main characteristics: i) encouragement and strong motivation for work; ii) loyalty; iii) a focus on service; and iv) professionalism.

The public administration has to be transformed from “the Administrator” to the respectful “Service Provider” (H.E. Samdech Hun Sen, Prime Minister of the Royal Government of Cambodia ¹.

The nature of investment promotion services is also not as an “administrator” but as a “service provider”, i.e., facilitator of investment. The organizational culture and way of work for

¹ Council for Administration Reform, “Policy on Public Administration (Unofficial Translation),” May 2006.

investor-friendly services should be built up to continuously establish win-win relationships with investors.

- vi) Implement a fundamental change of CIB in order to achieve the basic policies mentioned in i) to v)

The targets mentioned as targets in i) to v) cannot be achieved in a superficial way. It is essential to take all-out fundamental measures of reform to build the base for investment promotion services in no way inferior to other IPAs, accompanied by the reorganization of CIB and allocation of resources and budget. The most important condition for this fundamental change is commitment by the top management of CDC.

- vii) Establish strong leadership in investment promotion by RGC

A new organization to be strengthened through reform can be a stronger promoter of investment in Cambodia. The new organization must assume the leadership role in investment promotion and investment climate improvement over other related ministries and institutions.

7.2.2 Basic Policy for Strengthening Investment Promotion

The basic policy to achieve the targets mentioned above is comprised of the following:

- i) Expand the investment promotion function so as to balance the “investment promotion function (facilitation)” and the investment “approval function (administration)”

The current organization of CIB heavily focuses on the investment approval function. It is necessary to expand the function of investment promotion like other IPAs in the neighboring ASEAN countries have done.

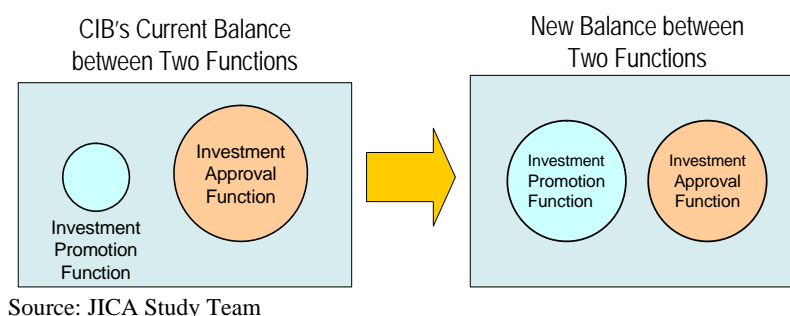


Figure 7-2-5 Expansion of Investment Promotion Function

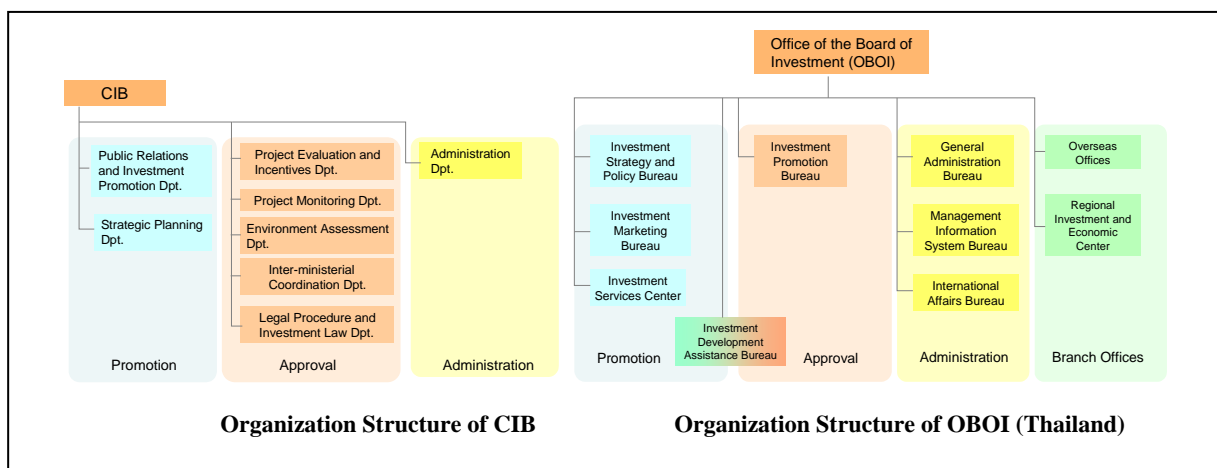


Figure 7-2-6 Organization Structure of CIB and OBOI (Thailand)

- ii) Establish an organization (or a unit) which provides investment promotion services to all investors, both potential investors and existing investors

It is necessary to establish an organizational (or unit) which acts as the sole window for all investors. This organization (unit), as it is an “Investors Window,” engages in investment promotion activities representing “all Cambodia.” The Investors Window function includes information provision, consultation, and image-building activities to all potential and ongoing projects including non-QIP, QIP applied for through CIB and CSEZB as well as QIP applied for through PMIS. Moreover, a library of investment-related information should be established for investors.

- iii) Change the organizational structure in order to enhance promotion functions

It is highly necessary to change the current organizational structure of CIB in order to strengthen the investment promotion function by realizing the above-mentioned i) and ii). The final goal of organization for investment promotion is a full-fledged IPA such as is seen in other countries such as Thailand and Singapore. However, the path to the final goal can be taken stepwise according to Cambodia’s unique context.

- iv) Streamline decision making processes and delegate authority to lower levels for quick and flexible decision making

With an organizational change, the decision making process should be also examined. Investment promotion services to investors often need a quick response and action. When planning and designing the job flow of services, required timing of decision-making and necessary authority to staff should be considered while observing investors’ requirements to services.

v) Develop human resource to provide high-level service

CIB currently does not possess enough capability or experience in investment promotion services. Therefore, it is necessary to provide intensive training to the personnel who will work as staff in the Investors Window. The area of training is wide ranged with such aspects as the understanding of investors' needs, investment-related regulations, data analysis, consultation skills, promotion skills, PC skills, as well as other such skills.

As for the training of staff, it is useful to seek collaboration and assistance from possible partners, such as donor organizations, other IPAs, the Chambers of Commerce, industry associations, and so forth.

vi) Apply management methods which are widely used by the private sector in the planning, implementing, and monitoring of investment promotion services

The consumers of investment promotion services are investors who are mostly private companies. The demand levels of investors are not low. The new Investment Window must provide investment promotion services systematically and efficiently in order to meet investors' demands.

Applying management methods which are widely used by the private sector to improve service level of staff should be considered.

vii) Strengthen the partnership with foreign and domestic partners in investment promotion

Further collaboration with foreign and domestic partners should also be deepened in order to receive cooperation to investment promotion activities. Foreign partners are IPAs, trade promotion agencies, international organizations, donors, etc. Domestic partners are line ministries, chambers of commerce, business associations, business development service providers, NGOs, etc. Possible types of collaboration are:

Information: Information on potential investors, FDI trends, and the best practices of investment promotion from foreign partners. Information on domestic industries, companies, suppliers, and business development services from domestic partners.

Promotion: Joint promotion seminars and workshops, arrangement of missions, and advertisements with foreign partners. Cooperation with domestic partners in promotion seminars and missions.

Capacity building: Provision of training and equipment from foreign and domestic partners.

viii) Expand own revenue sources from service provision in the long-run

Budget limitations are a serious issue for investment promotion. As mentioned above, one way of tackling this problem is to seek opportunities for utilizing various programs of development

partners for information, promotion, capacity development, and other such activities.

In addition, it is recommended to increase its own revenues for service in the long-run. Possible source of revenues are the sale of publications, fees for special services, handling charges for the QIP application², and so forth.

7.2.3 Time Frame of Master Plan

Measures for strengthening investment promotion should be implemented in a phased manner because the catch-up with advanced IPAs in the neighboring countries can not be realized overnight. The time frame for strengthening investment promotion can be broadly divided into the following three phases:

- First Phase:** This is a period for starting basic services by building the capabilities necessary for the services.
- Second Phase:** This is a period for diversifying services and improving the quality of services by catching up to other IPAs in the neighboring countries.
- Third Phase:** This is the period for establishing services of repute, taking leadership in investment promotion in the country and acquiring an autonomous status.

Table 7-2-2 Path for Developing Investment Promotion Functions

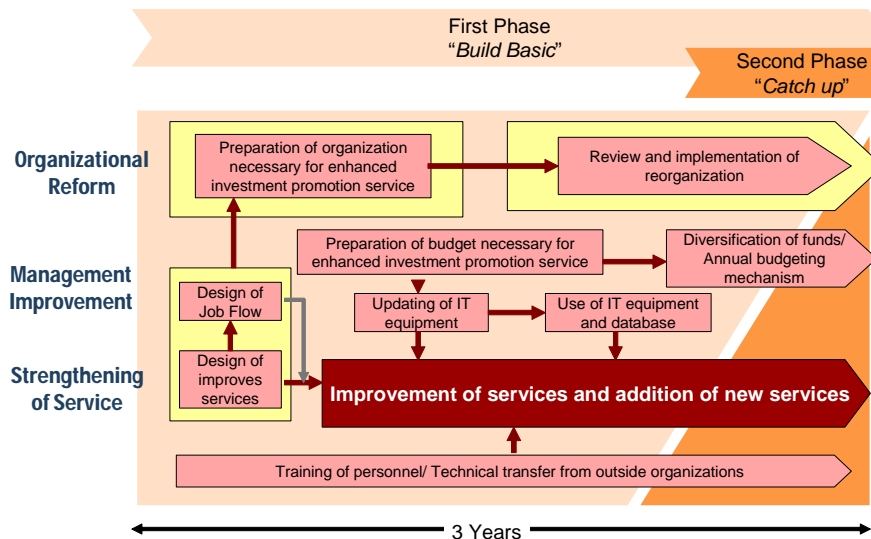
		First Phase "Build the Basic"	⇒	Second Phase "Catch up"	⇒	Third Phase "Reach Regional Excellence"
Organizational Reform		Enhancement of department in charge of investment promotion	⇒	Restructuring of current organization responding the change in services	⇒	Change to optimal organization for investment promotion
Strengthening of Management	Management System	Improvement of management system	⇒	Introduction of modern management system	⇒	Optimal management system for operation
	Budget	Expansion of government budget	⇒	Diversification of source of fund	⇒	Development of own revenue
	Training	Training of basic skill	⇒	Training of deep knowledge of investment promotion	⇒	Development of high-level promotion capability
Strengthening of Services	Level of Service	Focus on basic promotion services	⇒	Addition of value-added services	⇒	Provision of excellent services
	Target of Service	Promotion focused on inbound FDI	⇒	Promotion focused on both foreign and domestic investment Support to PMIS	⇒	Addition of promotion of outbound FDI
Referential Indicator for Investment Promotion Activities*	No. of Personnel	30 Within 3 years		60 Within 6 years		100 Within 10 years
	Annual Budget	US\$1 Million		US\$3 Million		US\$6 Million

Note: * From comparison with other IPAs in the neighboring countries.

Source: JICA Study Team

² The current QIP application fee has a problem. This issue is discussed in 7.1.3.

This Master Plan focuses on the first phase (“Build the Basics”) of the development path of the investment promotion function which CDC/CIB should tackle within 1 to 3 years. This also covers a part of the second phase (“Catch-up”) in advance. The approach recommended to be taken is as the following figure illustrates.



Source: JICA Study Team

Figure 7-2-7 Actions to Be Taken as Short- to Medium-term Measures

7.3 Basic Policy for the Improvement of Investment Approval Services

7.3.1 Target for Improvement of Investment Approval Services

The targets for improving investment approval services, especially QIP registration, consist of:

- Provide quick and transparent approval procedures for QIP and incentives; and
- Provide effective coordination and “one-stop” services among line ministries for investors to obtain necessary licenses, permits, authorizations, etc.

7.3.2 Basic Policy for the Improvement of Investment Approval Services

The basic policy for improving investment approval services, especially QIP registration, consists of the following:

- Introduce a two-track (fast track and regular track) registration procedure process for QIP

As identified earlier, the time frame for registering a QIP, set under the current 2003 LOI and Sub-Decree No.111, has not always been observed. The reason for this is that the non-routine (non garment or footwear) projects have to be processed through a “One-Stop Service” meeting³

³ Please refer to 1.2 (2) of Chapter 2.

of CIB, which is scheduled to be held three times a month, twice a month or monthly according to the situation regardless of the type of industry or size of investment (amount of capitals or fixed assets to be invested).

To improve such a situation, the introduction of a two-track QIP registration procedure is strongly recommended. The two-track registration consists of a “Fast Track” and “Regular Track” as follows:

Fast Track projects:

- The projects should be classified as Fast Track projects according to preset conditions. The preset conditions include the investment field, investment size, nature of business (export-oriented or domestic market oriented), project location, etc.;
- The type of industry should not be limited to the current routine investment projects in garment and footwear but also includes promotional industries such as supporting industries in various fields or foods processing industries as well as others;
- CRC should be guaranteed to be issued to Fast Track projects within the predetermined conditions only by assessing the investment project proposals;
- The procedures for certifying project implementation may be carried out in the period between the issuance of CRC and FRC. Such procedures should include project site inspections, the submission of registered capital payments, and any other realistic measure to certify the actual implementation of project;
- The time frame required for such Fast Track registration procedure should be re-examined, modified and clearly stated in the LOI and its implementing Sub-Decree; and
- The Fast Track procedures have to be observed by CIB and PMIS.

Regular Track projects:

- Any investment project other than those classified as Fast Track projects are classified as Regular Track projects;
- Regular Track projects should be examined, processed, and approved in the One-stop Meeting of CIB;
- Regular Track projects include those to be processed and approved by the Council of Ministers, and such registration process has to be clearly stated in the implementing Sub-Decree of the LOI, not in the Sub-Decree on the Management and Functioning of CDC; and
- Since Regular Track procedures obviously a need much longer period of time before the CRC is issued, the required time frame should be reexamined, and a practical time frame must be applied and described in the LOI and the implementing Sub-Decree.

- ii) Set up a new practical time frame for two-track QIP registration procedures and clearly describe such a time frame in the LOI and the implementing Sub-Decree

According to the provisions of the 2003 LOI, a CRC has to be issued within 3 working days of the receipt of the QIP application and a FRC within 28 working days of the issuance of the CRC, however, CIB fails to keep this time frame in many cases.

Article 6.1.(d) of Sub-Decree No.111 stipulates that CDC or PMIS has the right to postpone the registration of specific Investment Projects related to the national interest or which are environmentally sensitive, requiring them to be processed through the one-stop mechanism of CDC. This provision has provided a legal basis for non conformity of the practices in the CRC issuance procedure with the stipulations of the 2003 LOI.

Meanwhile, one of the features of the 2003 LOI is the automatic approval of the CRC within 3 working days. There is no provision in the 2003 LOI that allows the postponement of the issuance of CRC beyond 3 working days. As Article 6.1 of Sub-Decree No.111 requires the notifying of the applicants within 3 working days of the submission of the Investment Proposal of the specific grounds for the investment project being processed in One- Stop Meeting, there is a contradiction with the provision and principles of the 2003 LOI.

In fact, the time frame of 3 working days for issuing the CRC, as set forth in the 2003 LOI, may be too ambitious and impractical. However, once it is written in law, it will become an obligation and people expects it to be observed. When the two-track QIP registration procedure is examined, a more practical time frame should also be examined and appropriately implemented.

- iii) Achieve customer-friendly approval services

Regarding the QIP application and processing procedures, many discrepancies currently exist among the provisions of the 2003 LOI and Sub-Decree No.111, and the practices of CIB. For this reason, it is difficult for investors to know the exact application procedure and processing process, and to predict the possible outcomes of the approval process or the issuance date of the CRC or FRC.

The first ever “QIP Application Manual” was prepared within CIB in the course of pilot study of this Study. In order to provide investor-friendly QIP registration services, which should be transparent, accountable and predictable, CIB should make use of the QIP Application Manual as a practical material to be provided to the investors or tool for preparing further improvement to QIP application.

- iv) Collect application and license fees for CIB and line ministries at the Investors Window

Licenses from related ministries have seldom been provided by CIB at the time of the issuance of FRC and consequently the investors have had to obtain most of those approvals, authorizations, licenses, permits, and registrations by themselves.

However, the application fee of 7 million Riel is still collected as the administration fee for securing the approvals, authorizations, licenses, and registrations from all relevant ministries and entities including stamp duties (Article 5.1 of Sub-Decree No.111). Such a practice is clearly against the stipulation of the 2003 LOI.

The reason for CIB's failure to obtain the relevant approvals or licenses from line ministries is said to be that the line ministries' requirements for the administrative fees are far too high and the application fee of 7 million Riel cannot fulfill such requests.

Another problem for investors is that no official receipt will be issued to investors by line ministries for the payment of approvals or license fees.

One of the ways to overcome such irregularities may be to establish a Special Operating Agency (SOA) which functions as an "Investors Window" under a management contract with CDC.

The SOA aims to provide investor-oriented and investor-friendly services as a one-stop window. The SOA will conclude MOUs with relevant line ministries, including CIB and CSEZB, about the collection of administrative fees on their behalf. The SOA will collect such fees at its "Investors Desk" when investor applies for QIP registration, and distribute relevant fee(s) to each ministry. The organization should negotiate with line ministries to press the level of their administrative fees down to an acceptable level for investors. It should also issue an official receipt to an applicant that describes the details of administrative fee of each ministry. As prerequisite to implement such a change in administrative fees would be the head of CDC taking a strong initiative in endorsing the organization through his authority.

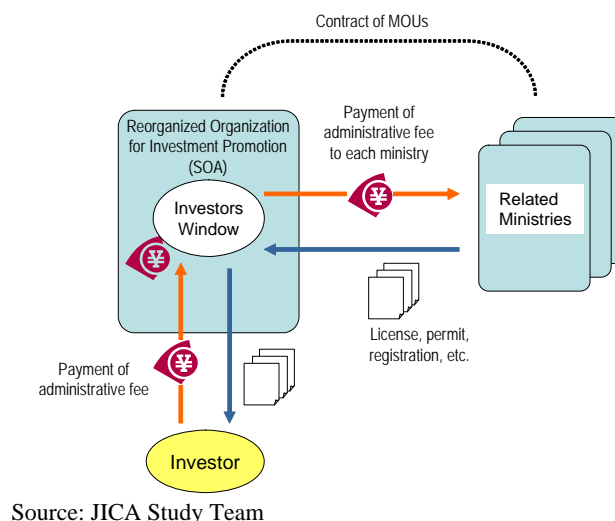


Figure 7-3-1 Collection of Administrative Fees for Licenses

- v) Resolve the contradiction between the LOI and its implementing Sub-decree, and modify both the LOI and Sub-decree to conform to prevailing practices

As seen above, a number of contradictions currently exist among the provisions of the 2003 LOI and Sub-Decree No.111, and actual practices regarding the QIP application and approval procedures. In some provisions, sub-decree supersedes the Law, which should not be admitted for any reason. Legal hierarchy must be firmly established and observed to secure investors' confidence in the country.

In addition, some unclear and vague definitions are observed in the Sub-Decree No.111. For example, no clear and detailed definition is given to "specific Investment Projects related to the national interest" and the "one-stop mechanism". Practically speaking, the "One-stop mechanism" means simply the "One-Stop Meeting" of CIB but there is no detailed stipulations for the meeting such as the purpose, members, frequency of holding meetings, procedures for calling the meeting, process of assessment, resolution methods, and so forth.

If all those contradictions are caused by difficulties in applying or implementing the provisions of the 2003 LOI, the 2003 LOI has to be first modified to introduce the implementable procedures. In any case, the 2003 LOI and Sub-Decree for its implementation have to be modified to conform to the prevailing practices and streamlined without contradictions between them.

7.4 Strategy for Strengthening Investment Promotion Service

7.4.1 Overall Strategy

A reform of CIB should be implemented to enhance its investment promotion services to realize the following:

- i) Provide updated information to investors at all times;
- ii) Provide integrated consultation services to achieve the high satisfaction of investors;
- iii) Implement effectively scheduled PR activities focusing on image building;
- iv) Provide effective aftercare services;
- v) Make policy recommendation in a proactive manner to improve the investment climate; and
- vi) Extend investment promotion activities by making use of networks with Cambodian embassies in investing countries, other IPAs, donors, international organizations, and others.

7.4.2 Strategy by Function

(1) Investment Information Service

The strategies to strengthen the investment information services are as follows.

Information/Data Collection

- i) Establish a strategic system and network to continuously gather investment-related information

and data

1) Necessity of a strategic policy for information/data collection

Regarding the purpose/target of information/data collection and the type or area of information/data to be collected, no strategic or integrated policies have been established among the management and staff of CIB and no systematic effort has been made for information/data collection.

2) To know investors needs

Most CIB staff are not clearly aware of the necessary information/data that investors may require for formulation of, decision making on, and implementation of investment plans/projects. In this regard, the opportunity to learn the investors' needs has to be provided to CIB staff in the first place through close and frequent contact with investors, internships in the private sector, and other such activities in order to establish a systematic and efficient information/data collection formula.

3) To identify information/data to be collected

Necessary information/data to be collected should be identified according to the purpose/strategic policies. In general, information/data collected is used for information service for investors and internal policy making to improve the investment climate of Cambodia.

Information/ data to be provided to investors consist of:

- Investment-related laws and regulations in Cambodia (in English);
- Investment guidebooks;
- Socio-Economic statistics, trade and investment statistics, and other business related statistics;
- Industrial sub-sectors and major industrial companies;
- Information on the provincial investment environment;
- Procedural manuals explaining the QIP application, company registration, tax registration, and other necessary approvals and permits to set up and operate businesses; and
- Periodic publications by the G-PSF, related ministries, business associations, and economic research institutions.

Information/data to be used for internal policy making consists of:

- General information/data on major investing countries
- FDI trends and industrial development policies/statistics/directories in target countries/sectors; and

- Investment and business environments/ FDI trends in ASEAN countries and competing countries.

4) Assignment of staff for information/data collection

A group of specifically selected staff should be assigned to efficient and effective information/data collection. Periodic internal discussions and examination on the purpose or target of information/data collection among group members should be made from time to time, in order to establish strategies for information/data collection in order to prepare the required investment-related information/data in a timely manner.

5) To accumulate expertise

The job assignments of each member should be clearly delineated so that each member may be able to engage in information/data collection activities without redundancies, be specialized in the assigned area/field, accumulate expertise, and develop the information/data collection network among other ministries, institutions, the private sector, and foreign counterparts.

6) Importance of legal information

Legal information is one of the most vital areas of information in the investment field. The full texts of new laws and regulations must be collected as soon as they are issued, in order to keep the library of CIB in the most up-to-date condition possible. The data collecting group is expected to establish a firm in-flow route for such legal information with Jurist or relevant ministries.

7) Cooperation with outside organizations

For collecting information/data on prospective investors, investment trends of each industrial sector or country/region, CIB should keep in close contact and establish firm cooperative relationships with other country's IPAs, TPOs, or Cambodian embassies abroad.

Information/Data Processing and Analysis

ii) Enhance the data processing and analysis function and prepare customized information

1) Sorting of collected information/data

Members who are to be assigned to data collection should continue to engage in information/data processing and analysis work in the assigned fields. The collected information/data should be sorted according to category, field, purpose, or type of the information/data and classified for storage under such clearly stated title.

2) To make analyzed information/data available for multi-purpose use

Members are expected to analyze the contents of the information/data and compile them into uniform formats so that the collected information/data may be used in a timely manner for preparing customized information according to specific requests such as updating the investment guidebook, editing the up-to-date investment promotion brochure, or country, provincial, or sector reports.

3) Translation of legal information

Regarding legal information, the full texts of laws and regulations have to be translated into English and kept in the legal library after being classified according to the field, such as general law, business law, trade and customs law, tax and accounting law, labor and employment law, and financial law. For this, a translation budget must be secured from national budget and/or through cooperation with development partners.

Provision of Information/Data

iii) Formulate and periodically update the investment guidebook

1) Necessity of periodic updating of investment guidebook

The most comprehensive investment guidebooks were published in December 2006 and January 2010 in cooperation with JICA. The three-years interval for updating seems to be too long as many laws and regulations had been enacted or issued, economic conditions have fluctuated, and investment trends in Cambodia changed rapidly over the past 3-year period. It is advisable for CIB to update the investment guidebook every year or at least every other year.

2) Planning for updating of investment guidebook

For compiling the update for the investment guidebook, a compiling group must examine and set up the profile of the target readers and the purpose of the guidebook such as for the provision of general information or sector specific information, or for business use or general use.

3) Use of strategic information/data collection system

If a strategic system and network for continuously gathering investment-related information/data has been successfully established and the data processing and analysis function of CIB staff has been developed, the compilation work itself should not be so difficult and may be able to be completed within a reasonable time frame.

4) To make the most of the use of information in the investment guidebook

Upon the compilation of guidebook, the information/data collected and stored in CIB should be fully utilized in other forms as well such as the website or a brief brochure.

5) Budget for updating

The two difficult issues in updating the investment guidebook will be how to secure the publication budget and translation into languages other than English. Self effort by CIB to secure a publication budget may be called for in first place, together with the provision of the national budget. The cooperation of development partners may be needed for translation work.

iv) Add and update periodically information and data on the website

1) Careful design of website

Upon updating, the conceptual design of the website should be examined carefully by the website group members together with top management. Basic concepts, target profiles, emphasized issues, and information/data to be provided in the website have to be clearly drawn up and understood by the website group members.

2) To make the most use of the available information/data

The information/data compiled for the investment guidebook should be uploaded in the CIB website and such information/data may be periodically updated based on the information/data collected in the routine work mentioned above.

Editing and uploading techniques have to be transferred from outside partners and developed among the member of CIB so that the updating work can be carried out as an internal job at any time when it is needed.

3) Budget for internet connection

Budget for maintaining an internet connection and keeping the internet environment in good condition should be secured through the national budget.

v) Update the QIP Manual for investors

1) To continue the pilot project of this Study

The QIP Manual, which was made in the course of the pilot project of this Study, should be updated every time the application and/or approval procedures are changed. The Public Relations and Investment Information Department (or CIPA, if it is established) and the Project Evaluation and Incentive Department of CIB have to cooperate in the updating work.

2) QIP Manual for satisfying investors' needs

Any updating must be made so as to provide a full explanation of the whole process in details. Explanations provided have to be clearly dated so that the manual may be used for practical purpose. If the same or similar questions are continuously asked by the users, the part which rise questions should be modified accordingly. QIP manuals should be provided to anybody free of charge.

vi) Publish investment-related information and data

1) Necessity of publishing more varieties of publications

The collected and stored investment-related information/data should be utilized for publishing in various forms of promotional materials such as brochures or booklets. The variety of publications of CIB is currently very limited compared with other IPAs. Based up the availability of information/data, it is necessary to make a plan for publication and publish more varieties of publications in order to meet the needs of investors. Publication in multi-languages should also be arranged. The following documents can be published by CIB:

- Investment guidebook for Cambodia;
- Procedural manuals explaining necessary approvals and permits to set up and operate businesses including the QIP application;
- Industrial profiles for potential sub-sectors;
- Provincial investment/business environment; and
- Newsletter on the Cambodian investment climate (Utilization of E-mail).

2) Potential source of own revenue

Publications may become an effective source for generating own income when necessary legal procedures are taken.

vii) Establish a library of investment-related information and data

1) Necessity of establishing a library

The collected and stored investment-related information/data should be displayed at CIB's investor library for open use. Investors may be allowed to access such library freely and copying services should be provided by CIB.

2) Information/data to be stored at the library

The library may contain investment- and business-related laws and regulations, information/data on sub-sectors and provinces of Cambodia, directories of Cambodian businesses, business-related circulars, and magazines published in Cambodia, and publications of development partners.

(2) PR Activity

Strategies to strengthen the investment promotion activities are as follows:

i) Activate investment promotion via the website

1) Necessity of updating information/data of the website

The current website of CIB has been operated through the assistance of ASEAN- Japan Center over the last 3 years. It well associates with and utilizes the contents of the Investment Guidebook of 2006 published under the technical cooperation of JICA but, for this reason, most of the economic data covers only up until 2005.

2) Necessity of improving the design of the website

The link is limited mostly only to the governmental organizations. There are some links which do not currently function and some mistakes in description are found as well. It is obvious that updating has not been made for quite some time and the proofreading was insufficient. The Japanese translation is not well executed, and is difficult to read and understand. As an overall impression, the target and policy of website is somewhat unclear.

3) Strategic redesign of website

In any promotional activity, the basic concept which matches the planned purpose and target has to be adopted. In this regard, the design concept behind the website should be examined carefully in the first with the target profile, its associated design concept, and the emphasized issues and information/data which will be contained in the website have to be clearly drawn up. To determine the target profile, CIB must fully utilize the collected information/data on global, regional, country-based investment trends including those of industrial subsectors.

4) Frequent updating of the website

The frequent and timely updating of the contents is a must to gain the interest and credibility of prospective investors. Although the information/data contained in investment guidebook can be utilized for the updating of the website contents, such information/data should be renewed continuously, based on the information/data collected in CIB's routine work. It may be advisable that the design concept of the website be reviewed and renewed from time to time by a professional web designer for improvement.

5) Budget for internet environment

The most critical issue for investment promotion via the website would be how to secure the budget for maintaining the internet environment of CIB in a good condition. The utmost effort of top management is called for in this.

ii) Set up units specialized in investment promotion of target countries

1) Effectiveness of investors' desk(s) for specific target countries

The establishment of specific units specialized in the target country/market is one of the most common and effective ways for not only investment promotion but also marketing in general.

For example, countries like Korea, Thailand, and Vietnam have set up "Japan Desks". In the case of Korea, KOTRA set up the Japan Regional Headquarter and has been assisted by Japanese consulting firms on a contract basis. In Thailand, one of Japanese financial institutions is cooperating in the management of a Japan Desk in BOI and in Vietnam, JICA experts has been assisting Vietnamese staff in a Japan Desk established in FIA in Hanoi.

2) Necessary conditions for activities of a country desk(s)

To establish an effective country desk, the information/data on various fields of the target country must be collected in addition to the Cambodian information/data in the target country's language. That information/data ranges from history, society, economic conditions and trends to anything relating to business including laws and regulations. Among these, industrial and company information would be most vital. Specialized staff should also be trained, preferably including in the relevant language. Close and firm cooperative network has to be set up with various organizations including TPO, IPA, industrial associations, professional firms, research institutions of the target country, and the Cambodian embassy in that country for collecting and disseminating information/data efficiently.

3) Promotion activities by country desk(s)

Promotional events and activities such as investment seminars, dispatches, or invitations for investment missions that are specifically planned and arranged targeting the specific country, have to be prepared and implemented on the unit's initiative. Such activities may be carried out in association with other ministries such as the Ministry of Commerce and Ministry of Tourism. On such occasions, the promotional materials have to be prepared in the target country's language. Above all, consultations with and enquiry responses to the prospective investors from target country may be one of the most vital works for the unit.

4) Budget for country desk

The establishment of a country desk will be a difficult task in terms of budget, expertise, and staff. For overcoming such difficulties, CIB may have to ask for the assistance from the target country.

- iii) Build a mechanism for integrated investment promotion activities through the collaboration with other ministries and organizations

It may be an advisable measure to associate investment promotion with export and/or tourism promotion activities. One of the vulnerabilities of Cambodia in promoting investment is that it has not successfully built up a good image as an investment destination. By associating with export and tourism promotional activities, it may become possible to deliver a strong message as an active but peaceful country with friendly people. CIB is expected to establish the mechanism for coordinating the relevant ministries which wish to participate in such integrated promotional activities, for cooperating with foreign counterparts such as IPAs or TPOs and for securing the budget.

- iv) Utilize more effectively the information obtained through investment seminars

- 1) Information collection through seminars

The effects that can be expected from investment seminars are not only direct disseminations of investment-related information/data on Cambodia but also the possible establishment of relationships with potential investors. Through questionnaires distributed to the participants at investment seminars, CIB may be able to know which subsectors or companies in a country where a seminar is held are interested in Cambodia. The participants list is also a valuable source of information on prospective investors. CIB must accumulate and utilize such information for analyzing investors' trends and prepare a prospective investors list.

- 2) Use of attendance lists for promotion

It is also recommended that CIB create a direct contact route by sending periodical newsletters and/or event news to those on the prospective investors list. In the same manner, the questionnaires prepared by CIB for any purpose may be delivered to such prospective investors for ascertaining the real needs of investors. Such interactive endeavors can be implemented at minimal cost by using the internet and serve to diminish the distance between CIB and the prospective investors. The responses shown in the questionnaires at the seminar can also be used as a reference for improving the information/data provided in presentations.

- v) Implement strategic invitations for investment missions

- 1) Effectiveness of investment missions in promotion;

There are two ways for direct investment promotion activities. One is to hold an investment seminar in a foreign country and the other is to accept an investment mission from a foreign country. From the viewpoint of supplying real information/data relating to the investment environment, an investment mission would be more effective simply because prospective investors may be able to confirm with their own eyes any details on the spot.

2) Provision of specific information to participants of investment missions

It is advisable for CIB to arrange for opportunities where sector-, area-, or target country-specific introductions will be provided and an inspection tour will be organized, while also seeking to invite visiting missions from foreign countries. To realize such activities, CIB is expected to contact and cooperate with IPAs, TPOs, industrial associations of foreign countries, and/or Cambodian embassies.

vi) Prepare investment promotion visual tools such as video, DVD, etc.

1) Use of visual promotional tools for image building

One of the vulnerabilities of Cambodia in investment promotional activities is that it has not yet succeeded in building up a positive image as an investment destination. For image building, visual tools play important roles. For example, Vietnam put emphasis on cooperation with airlines, magazines, and other mass media for image building in the late 1990s and succeeded in overcoming the rather dark image of the country and create positive country image.

2) Necessity of a CIB Initiative for developing visual promotion tools

Cambodia has not established any integrated image building policies so far. Except for some for tourism promotion, Cambodia has not prepared visual promotion tools or made many efforts to cooperate with the foreign mass media. CIB is recommended to take initiatives towards such trials and introduce new measures for investment promotion activities.

vii) Hold investment seminars on its own initiative

CIB has never held an investment seminar in a foreign country on its own initiative as it lacks a sufficient promotional budget. Having been dependent on the development partners' support, CIB has been passive in planning strategic investment seminars.

CIB may implement investment seminars on its own initiative, though to a limited scale, by cooperating with the private sector, for example, GMAC, or the developers of the special economic zones. Although the private sector may have to bear most of the cost for holding the seminars at the beginning, the participation of CIB may add to the persuasion effect of the seminar. Thus, CIB is expected to take the initiative in implementing investment seminars with the Cambodian private sector. When CIB succeeds in securing a budget, it may provide a subsidy for such investment seminars.

viii) Extend investment promotion according to targeted industries

While investment promotion may be carried out as general approach when the target subsectors have not been clearly set, different knowledge and approach should be required in promoting specific subsectors.

To adopt the subsector-specific approach, the information/data and expertise on such subsector must be accumulated beforehand. Additionally, in order to supplement the lack of experience in and knowledge of CIB staff on the target subsector, a close connection with the industrial associations of the target subsector in foreign countries has to be firmly established.

It may also require the cooperation of ministries in charge of the subsector, the private sector of Cambodia, research firms, and/or academic societies. For this, a firm network should be established with such relevant parties and frequent exchanges of opinion and cooperation with them must be realized.

It is necessary to pay careful attention to securing consistency with higher national policies such as national development plan in selecting target sub-sector although the sector-specific approach is effective way of investment promotion activities.

ix) Extend support to activate promotion activities by provincial governments

1) Inactivity in promotional activities by PMISs

Contrary to expectation, applications to PMISs have not been active and the number of projects registered as QIPs through PMISs remain low. For example, only four projects have been registered so far as QIP in Preah Sihanouk province. The low ceiling of investment capital may be pointed out as one of the reasons for this inactive application. For FDI, \$2 million may not be a meaningful size of investment. The other reason may be that the provincial governments have not provided enough or effective promotional activities to draw foreign investors' attention to their locations.

2) Possible Supports to PMISs

In this regard, it may be advisable for CIB or the proposed CIPA to extend support to the provincial governments in the following manners:

- To provide training workshops to the staff of provincial governments, where the investment consultation techniques, legal information on QIP applications and approval, aftercare service methods, necessary promotional materials, and aspects can be fully explained;
- To consult with the provincial government regarding the points to promote, target countries or subsectors, target investor profile, as well as other matters;
- To assist the provincial government in preparing promotional materials; and
- To promote the feature and location based advantages of each province in investment seminars held in foreign countries, and on the website.

(3) Investment Consultation and Aftercare Services

The strategies for strengthening consultation and aftercare services are as follows.

i) Upgrade the reception desk renovation and allocating full-time staff

1) Necessity of upgrading the reception desk for investors

Currently there is a space named “Information Desk” for information provision and as a consultation window at the Public Relations and Investment Promotion Department of CIB, however, this space is not well equipped and substandard with no staff solely assigned to the Information Desk.

When investors seek investment opportunities, they may often require individual consultations concerning the investment environment and according to their specific needs. When the investors first come to the reception desk searching for consultation services, if the space remains under its current conditions, they may have a negative image of CIB and its services by feeling that CIB does not pay much attention and is not ready to provide effective services to the investors. To avoid such a mishap and misunderstanding, CIB must improve the reception desk environment to provide individual consultation services.

2) How to upgrade the reception desk

The renovation work must be done so as to upgrade the space as a whole and facilities to ensure investors’ privacy will need to be installed. Preferably, the investment-related information library, even on a small scale, will be set up inside of the same space and copying service will have to be provided. At the same time, full-time staff will need to be allocated to the reception desk for handling investors’ requests. He/she will also arrange individual consultation opportunities with CIB staff. A fixed line telephone with a fixed number also has to be provided at the reception desk for investors’ convenience when contacting the receptionist.

ii) Accumulate consultation know-how and prepare consultation manuals

1) To assign a fixed staff in charge of each individual investor

In order to follow the whole process from the pre-application stage to approval, it is advised that specific staff be assigned to each investor for providing continuous consultation services. This will benefit CIB staff as they will be able to understand more precisely and deeply the specific issues of the investor which will enable them to provide more effective advice to the investor.

2) Development of a consultation manual based on consultation records

Through the whole process of close consultations with investors, CIB staff will be able to learn the actual business practices and, by recording the consultation process and compiling a database, other staff will also benefit. By utilizing such a database, a consultation manual may also be compiled.

3) Importance of a proposal tracking system

To provide effective consultation services in the application-approval process of investment proposal, a proposal tracking system will be a useful tool. This may be prepared by installing an intranet within CIB so that an online enquiry as to the progress of the proposal processing will become possible. CIB staff in charge of specific investors will be able to answer enquiries from the investor concerning the progress of their proposal and provide appropriate advice if necessary.

iii) Establish a close and firm network with other ministries, the private sector and development partners, and utilize them for consultation services

1) Necessity of cooperation with outside organizations for consultations in specific fields

The issue that an investor will raise with CIB staff may not always be solvable within CIB, and the cooperation of other ministries, the private sector or development partners may be required.

For example, regarding investment plans for the agricultural sector, aquaculture, or afforestation, CIB has to seek the pre-application judgment of the Ministry of Agriculture, Forestry, and Fisheries. For hotel projects, the preliminary opinion of the Ministry of Tourism may need to be sought. If an investor looks for a Cambodian partner in his project, CIB may have to contact the Chamber of Commerce for the introduction of a qualified company. Thus, CIB may be able to work as a liaison between an investor and the relevant organizations, which may be difficult for an investor to do on his/her own.

2) Joint meetings with relevant organizations

To establish close and firm relations with relevant organization, CIB may organize and offer periodic joint meetings with them to discuss investment issues and to improve their perception of CIB activities.

iv) Establish and provide effective aftercare services

1) Necessity of responding to investors' problems after investment

The Government Private Sector Forum (G-PSF) was launched by the RGC with its initiative in 1999 as Cambodia's main platform for the public/private sector dialogue and it has been functioning as the aftercare mechanism regarding the common issues of private sector investment. CDC acts as the General Secretariat for the G-PSF and is the focal point for contact between Working Groups. The G-PSF has been actively and successfully managed and has contributed to providing solutions to many issues in private sector investment.

On the other hand, after an investment project is implemented, various problems specific to particular companies may keep arising in daily operations and urgent countermeasures may be

required. Such issues may include capital increases, change in the shareholders, additional investment, change in the products to be manufactured, employment of workers, skill development training, finding suppliers, or others. In this regard, to track the investor's problems and needs is vital and meaningful activity as an IPA.

2) Frequent communication with invested companies

To communicate frequently with invested companies and hear about their problems, complaints, or requests and to know the problems faced by the investors, CIB will need to be able to provide assistance in solving those problems in a timely manner. Provision of such services may serve to improve credibility with the investors and to increase their satisfaction.

3) To assign a fixed staff member in charge of each individual investor

A specific staff member, allocated to a specific investment company at the time of the investment application for the purpose of providing consultation services would be continuously in charge for the same company in providing such aftercare services.

4) To keep records of aftercare service

The interaction between CIB staff and the investors should be recorded together with detailed project information and the past transactions of the company. Such records will form a complete history record of the project and can be referred to as a basis for following-up work with the company.

v) Introduce an e-application system for QIP

1) Necessity of an interactive electronic system for service

The best practice of the IPAs in other countries implies that the importance of providing transparent, predictable, and efficient investment-related services. In addition, it is a heavy burden for the investors to keep commuting to an IPA office in order to get necessary information, have consultation with IPA staff on the proposed project, and submit the investment application. Currently CIB does not possess an electronic system accessible by the investors, and thus is unable to provide efficient and predictable services to the investors.

2) Effectiveness of an e-application system

By installing the electronic information transaction system (e-application system), CIB will be able to provide comprehensive, transparent, predictable, and efficient services relating to the investment application in a timely manner. The ease of investors' access to CIB will be considerably increased and the distance between CIB and investors will be decreased and, consequently, mutual understanding will be improved.

3) Type of services through the e-application system

The e-application system may include systems dealing with the online submission of the application for QIP, investment application processing, application tracking, and Q & A regarding the application.

vi) Provide useful information for business activities of invested companies operating in Cambodia

1) Types of information for invested companies

As a part of the aftercare services to the investors, CIB may prepare and circulate useful business or investment related information periodically to invested companies. Being busy with routine work, investors may not be able to afford enough time to follow up on the changes in governmental industrial policies, business laws and regulations, and the up-to-date domestic economic or business situation or trends.

2) How to provide business information to invested companies

CIB may compile all the news and information into a magazine or circular and distribute it to investors. The news or information may be uploaded to the CIB website, where a particular section will be dedicated solely to invested companies. Such services may be provided based on a membership system so that it may become one of the income sources of CIB when it becomes an SOA.

(4) Policy Advocacy

As revealed in Chapter 5, all the IPAs in neighboring countries have the function of policy advocacy related to FDI although the extent of their involvement depends on their individual, organizational, and functional features. As an effective IPA representing the investment promotion activities of “All Cambodia”, CIB is expected to have the role of policy advocacy for the improvement of the investment climate in Cambodia.

i) Enhance the secretariat function of the G-PS Forum

Cambodian G-PSF is the country’s main platform for public-private sector dialogue towards the goal of improving the business environment, including both foreign and domestic investments. Both the government and private enterprises discuss issues and collaborate in formulating “private enterprise-friendly” policies, laws, and regulations through the forum. Currently, CDC acts as the secretariat of the G-PSF to coordinate among the eight technical working groups and to prepare the summary report of the forum.

However, the secretariat function of CDC should be expanded from the perspective of strengthening its investment promotion functions in Cambodia. CDC can collect the issues experienced by the private sector and to identify the real needs of the investors through dialogue

with the private sector. At the same time, CDC can share the general information necessary for formulating appropriate investment promotion policies such as the recent FDI trends for target countries/ sectors, and investment promotion policies and incentives in competing countries.

- ii) Review and analyze Cambodia's investment climate and to formulate a proposal for investment climate improvement

The continuous improvement of the investment climate is crucial to attracting FDI, so CIB is expected to have a role in reviewing the current conditions and proposing improvements. In particular, the enhancement of investment-related laws and regulations based on the legal hierarchy is a key factor to gain the trust of potential/ existing investors.

As described in Section 7.1.3, there are discrepancies among the provisions of the 2003 LOI, Sub-Decree No.111, and actual practice. It is necessary to resolve these discrepancies between the LOI and its implementing sub-decree and to modify both the LOI and Sub-decree to conform with prevailing practice.

- iii) Study investment promotion policies of other countries and propose overall investment promotion policies

In the current global economy under the WTO regime, all countries have to compete with each other in terms of FDI promotion by applying effective investment promotion policies based on their own social, political, and economic backgrounds as well as their development stage.

Taking into consideration regional competition circumstances of investment promotion, studying the investment promotion policies of other countries, in particular neighboring ASEAN countries, is important to formulating competitive investment policies to attract FDI into Cambodia.

The benchmark survey of IPAs in the neighboring ASEAN countries conducted under the Study have revealed the features of investment promotion policies including investment incentives as well as the organizational and service functions of the target IPAs. Such a survey should be continued and the results shared with all stakeholders in both the government and private sector through various opportunities such as the G-PSF.

Consequently, CIB can propose the formulation of effective investment promotion policies that are more suitable for the current economic development stage of Cambodia.

- vi) Review and redesign incentives

As explained in Chapter 5, each ASEAN country provides various kinds of investment incentives according to its national economic development strategy, particularly industrial strategies, and policies. For instance, Singapore and Thailand provide tax incentives to the investors for the strategic industries and the strategic locations respectively.

It should be noted that those investment incentives provided by advanced ASEAN countries have been flexibly modified according to the industrial development stages at the time, for instance: from a) import substitution; b) export promotion; c) technology-intensive or capital-intensive industries using the country's comparative/competitive advantages; to d) knowledge-based industries.

Current incentives provided by a QIP status in Cambodia is worth reviewing the modification to be more based on the investment policies focusing on the target sectors or special economic locations. Such modification must be conducted from time to time according to the change in the investment policies based on the development stage of Cambodia.

7.5 Strategy for the Strengthening of Management

7.5.1 Overall Strategy

The Study Team will focus on short-term management improvement responding to short-term organizational restructuring.

CDC/CIB should implement management improvements by renovating all aspects of management with the following objectives:

- i) Formulate a clear mission for organization and share it among all managers and staff;
- ii) Create the organizational culture of being truly customer-oriented as a service provider;
- iii) Create self-initiatives based on professionalism among staff by promoting the delegation of authority and communication; and
- iv) Raise the social visibility by establishing a management system that is appreciated by investors.

7.5.2 Strategy by Function

(1) Management System

- a. Creation of an organizational culture as a service provider

The mission of CIB is not currently shared by managers and staff. The motivation for providing good investment promotion services is rather weak. Thus, it is necessary for top management to have a strong sense of mission and send this message to managers and staff in order to draw their commitment to good service.

i) Communicate the vision of the top management to staff

A high level of commitment by top leaders is requisite to the successful institutional strengthening of organization. It is necessary for top management to consistently convey their vision and management principles for investment promotion to all the managers and staff. Moreover, it is necessary for top management to communicate the mission and vision throughout the organization so as to create a sense of ownership over the mission among managers and staff. The mission, vision, and management principles should be announced by top management through internal newsletters or workshops.

Other measures include periodical meeting between top management and a small group of staff in order to exchange opinions. A weekly directors' meeting aimed at discussing and deciding key issues would promote knowledge sharing and quick decision making among management. Decisions should be communicated to all staff via the issuing of internal news letters. Written greetings in the QIP manuals displaying the commitment of the organization in the name of the leader will enhance the understanding of its commitment among staff.

ii) Minimize the decision process by reducing the decision steps and by delegating authority

An overly heavy layer bureaucracy and the concentration of authority in a numerous top management are some of the reasons for delays in the procedures.

It is necessary to implement the reorganization aiming at being free of such the heavy layer of bureaucracy (Director Department - Secretary General CBI - Secretary General CDC - Vice Chairmen CDC - Chairman CDC) in the current organizational structure of CDC/CIB.

The authority of the director should be delegated to persons in deputy positions within each department. In addition, the delegation of authority is advisable for regular and routine matters. By doing this, self-initiatives based on professionalism among staff will be created.

Recently, increasing numbers of major private companies have adopted a credo as a tool for communicating their philosophies, values, and missions. Sharing a credo is also considered one of the actions to be examined.

iii) Establish basic attitudes among managers and staff as members of a service provider

All staff members are expected to act as investment facilitators, supporting investors investing in Cambodia. The top management should continuously encourage staff members to maintain appropriate attitudes as investment facilitators. The Study Team considers the following attitudes as being essential for all staff members:

Know: To have the knowledge of investment promotion including related laws and regulations and understand the needs of investors.

Listen: To listen closely and carefully to potential investors/ applicants and determine their actual needs in order to provide appropriate services.

- Think:* To think about the services necessary for the investors by placing yourself in the position of an investor who has mixed feelings of expectation and anxiety in relation to investing in Cambodia.
- Explain:* To try to provide correct and clear information and consultation to potential investors/applicants by providing concrete materials to boost their confidence in Cambodia.
- Record:* To keep a record of every meeting with potential investors/applicants including complaints, comments, and recommendations.
- Review:* To always review own duties and assess whether there is a better way for increasing effectiveness and performance in terms of both the timeliness and quality of services.
- Share:* To share the issues with colleges and discuss how to improve the services.
- Improve:* To continuously make efforts to improve services.

b. Establishment of systematic way for better investment promotion services

A systematic work method has not been established within CDC/CIB. Most of the recommendations by the Study Team on investment promotion services might be new to the staff of CDC/CIB.

i) Prepare job flows and job descriptions for service to be enhanced and to be newly introduced

The preparation of job flows and job descriptions is the first step towards beginning enhanced and newly-introduced services for investment promotion. This work was initiated through the pilot project of the QIP manual during the Study. The approach used in the pilot project can be applied to other services.

The preparation of the job flow and job descriptions can be conducted according to the following steps:

Step 1: To identify the key services and set targets of service levels

The Study Team proposes the following recommendations for the strengthening of investment promotion services. It is necessary to confirm the key services to be enhanced and set targets for service levels that should be achieved within the target period.

The Study Team considers the followings to be the key services covered by this work:

- Updating of information and dates related to the investment climate including the investment guidebook and website;
- Implementation of promotion seminars;

- Consultation service (at the Investors' Desk) for investors; and
- QIP application and evaluation (with the collaboration of departments related to the evaluation of the QIP application).

Step 2: To set up a taskforce team

It is recommended for a cross-functional taskforce team to be established in order to design the desirable job flows and create job descriptions for each department and relevant staff.

Step 3: To design job flows of strengthened investment promotion services based on the analysis of job flows of existing services and identifications relevant problems concerning them

The taskforce team will analyze the existing services and identify the contradictions between practice and regulations. Considering the targets and results of job flow analysis, the taskforce team will design new job flows for investment promotion service to be strengthened or newly added.

Step 4: To prepare job descriptions of each department

According to the designed job flows, the taskforce team will prepare detailed duties and functions for each department. It is desirable for manuals and guidelines to be prepared for the job flows and job descriptions.

Step 5: To identify resource and capabilities necessary for targeted services

The taskforce should also clarify how many staff and what kinds of competency are required. The required resources and capabilities are clarified as a form of the skill table for the job. The necessary manpower should be carefully examined as performance of organization will be largely affected by the capabilities of staff.

The organization should then allocate necessary resource to each department and provide necessary training.

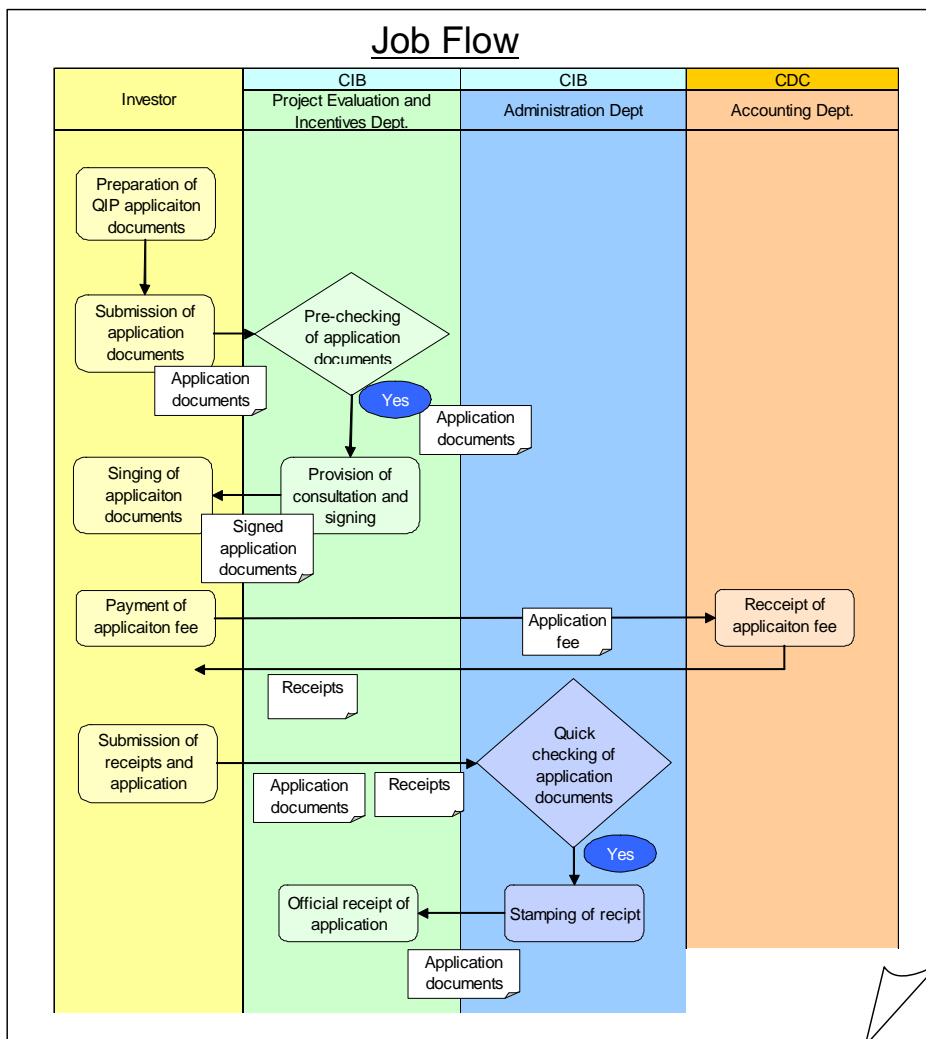
Step 6: To introduce and periodically review job flows

The prepared job flows should be put into action one by one. The job flows should be monitored and periodically modified.

Function	Job Process	Dept in Charge	Person in Charge	Explanation of Process
1.1 QIP Evaluation				
1.1.1 Check of application documents				
	Pre-checking	PEID	Staff	
	Consultation	PEID	Director	
1.1.2 Receipt of application documents and application fee				
	Receipt of application fee	Dept of Accounting	Staff	
	Issuance of official receipt	Dept of Accounting	Staff	
	Official stamping on receipt	Dept of Administration	Staff	
	Receipt of application documents	Dept of Administration	Staff	

Source: JICA Study Team

Figure 7-5-1 Example of Job Process Table



Source: JICA Study Team

Figure 7-5-2 Example of Job Flow

Skill Table of Job

Dept	Function	Job Process	Required Skills and Competency	Required Experience	HRD Plan
Project Evaluation and Incentives Department					
	1.1 QIP Evaluation				
		1.1.1 Check of applicaiton documents			
		Pre-checking			
		Consultation			

Source: JICA Study Team

Figure 7-5-3 Example of Skill Table of Job

ii) Introduce task management methods for improvement

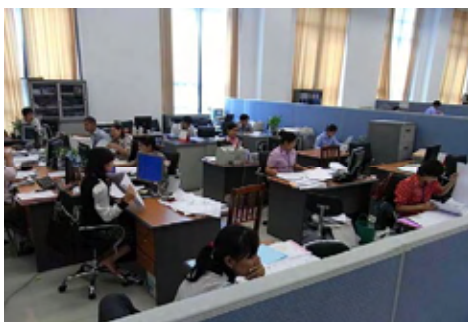
With the development of efficient human resource management based on Plan-Do-Check-Action (PDCA) mechanism, the performance of investment promotion activities by individual staff, departments, and the organization as a whole will be periodically reviewed. Implementation of the PDCA mechanism enables a continuous assessment for further improvements in the performance of investment promotion as an effective IPA. In addition, it is recommended that evaluations by outside evaluators be introduced in order to establish objective and transparent evaluations.

c. Improve apparent conditions

i) Relocate offices to one location

The offices of the current CIB are scattered throughout several buildings and floors at the Government Palace, and they are isolated in private rooms hindering internal communication and the convenience of visitors. It is desirable to relocate all the departments to one location and make it literally an integrated organization; integrated in one building or on one floor in a big building so that the organization can achieve a better work environment in terms of communication and openness for each job responsibility.

This office layout is designed to achieve high visibility of all staff’s work. This may contribute to transparency in the relationships with investors. Only the secretary general and deputy secretary general(s) are given individual office rooms. Directors of departments sit in the big room and manage their staff with face-to-face communication.

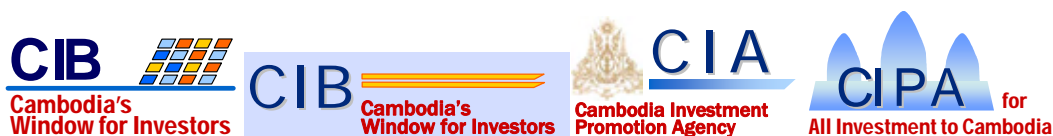


Source: Council for Administrative Reform

Figure 7-5-4 Example of Office Layout

ii) Establish visual identity to improve the public image of the organization

It is advisable to create its logo and whole visual identity (VI) through printed materials from name cards, envelopes, brochures, catalogs, reports, newsletters, to signboards and the like within the organization’s facilities, advertising displays, and exhibition booths. With the establishment of VI, the organization can build its public image and make its investment promotional activities more effective.



Source: JICA Study Team

Figure 7-5-5 Sample of Logos



Source: Websites of each IPA

Figure 7-5-6 Examples of Logos of Other IPAs

(2) Budget and Finance

i) Develop an integrated budget plan based on the annual activity plan

No department of CIB has ever formulated an integrated annual budget plan for both operational and project-based expenses without integrated activity planning. It is desirable to establish a

systematic mechanism to formulate an integrated budget plan based on a carefully designed activity plan.

It is recommended that an annual budget plan based on annual activity plan be developed. The purposes for the newly introduced planning and implementing mechanism for budget and activity are as follows:

- To prepare basic materials for enhancing the Plan-Do-Check-Action (PDCA) mechanism for planning and implementation of activities for the organization as a whole;
- To prepare an integrated document as materials for obtaining a sufficient budget from the RGC;
- To increase accountability and transparency in the organization in terms of the budgeting process as well as accounting; and
- To prepare an integrated document for promoting discussion opportunities for obtaining further financial resources from donors and potential partners from the private sector.

ii) Establish a budgeting process for the annual budget

The combination of top-down and bottom-up approaches is recommended in formulating an annual budget. In the planning step, individual departments prepare their own budgets according to their activity plans for the fiscal year. Budget plans from individual departments are compiled and accommodated by the department in charge of strategy and planning, and then by top management. The finalized budget plan is implemented during the fiscal year with periodic reviewing, quarterly or semi-annually, and evaluation. The results of the annual budget are evaluated at the end of the fiscal year as lessons for the next fiscal year. This PDCA cycle is important for managing investment promotion activities.

Basic procedures of budget planning to be proposed are as shown in Table 7-5-1.

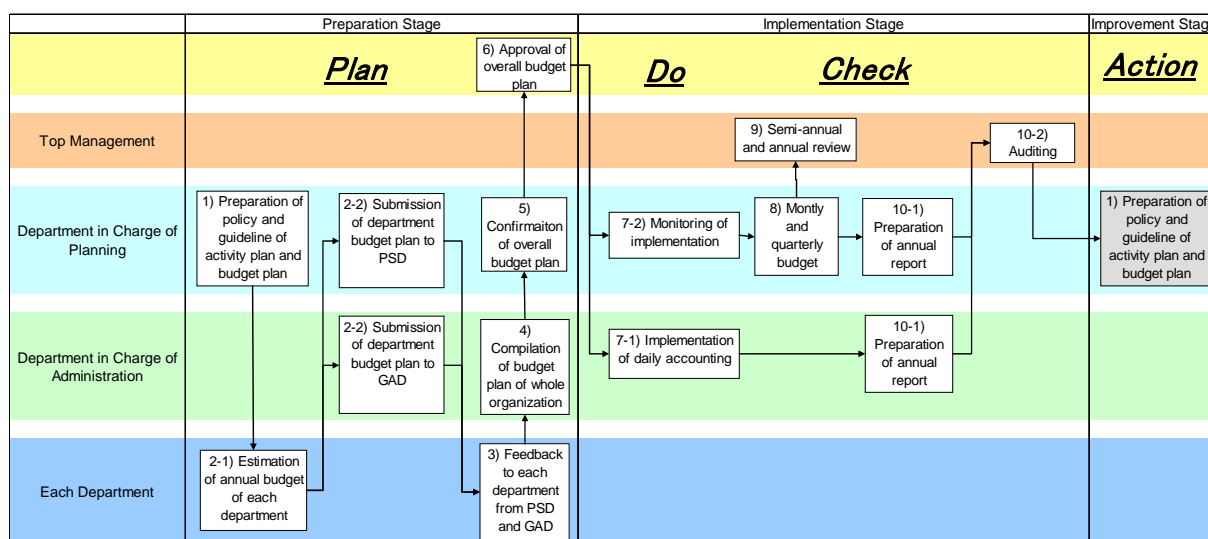
Table 7-5-1 Basic Procedures of Budget Planning

<p>i) A department in charge of planning prepares basic policies, guidelines, rules for activities, and budget planning for the next year as well as formats to be filled in by each department;</p> <p>ii) Each department formulates estimations of the annual budget based on the detailed planning of activities for the year, and reports to both a planning department and a department in charge of administration;</p> <p>iii) A planning department and an administration department provide feedback to each department and have discussions on further revisions with the departments when necessary;</p> <p>iv) Persons responsible for finance and accounting at an administration department summarize and integrate them into annual the budget plan of the organization as a whole;</p> <p>v) A planning department confirms the result of the integration and finalization of the integrated plan;</p>

- vi) Leaders of the organization and CDC’s top people approve the formulated plan and make it open to all members of the organization;
- vii) A administration department implements daily accounting and a planning department monitors the implementation;
- viii) A administration department prepares monthly and quarterly budget implementation reports;
- ix) Semi-annual and annual reviews of activities and budget implementation are conducted among Directors and with high officials inside the organization;
- x) A planning department and a administration department prepare annual reports for auditing by high officials and other financial resource partners such as donors; and
- xi) Having reviewed the results at the end of financial year, a planning department prepares the improved policies and guidelines for activities and budgeting procedures for the next year.

Source: JICA Study Team

Figure 7-5-7 shows a flow of budget planning along with the PDCA cycle.



Source: JICA Study Team

Figure 7-5-7 Flow of Budget Planning

- iii) Obtain a budget required for basic investment promotion services by diversifying financial sources

In order to initiate basic investment services, it is indispensable that the RGC and CDC manage to supply necessary budget resources. The RGC is currently suffering from insufficient revenue. However, it is necessary to allocate more budge to priority services by reviewing the current expenditure structure of CDC and by finding any other available budget.

It is also important to look for other resources, especially from donors, international organizations, and the private sector. Without any clear commitment by the RGC, it would be difficult to receive further financial and technical assistance by various partners including donors.

In this respect, for the commitment to reform and improve transparency and accountability, becoming an SOA can be one of the solutions to this issue.

In addition, it is also recommended to expand the institution's own revenue from investment services in the long-run. Possible sources of revenue are the sale of publications, consultation fees for special services, handling charges for QIP application, and so forth.

(3) Human Resource Management

i) Realize flexibility in human resource management

It is necessary to acquire flexibility in human resource management in order to realize right-person-in-the-right-place management, the overall growth of staff, and the high performance of staff. Then, it is needed to conduct optimal personnel allocation and training that is necessary for investment promotion. Human resource management is also closely related to appraisals and promotions.

Towards that purpose, the status of staff seconded by relevant ministries should be changed to proper staff. This change will enhance the sense of belonging and commitment to the organization.

ii) Formulate new career development plans

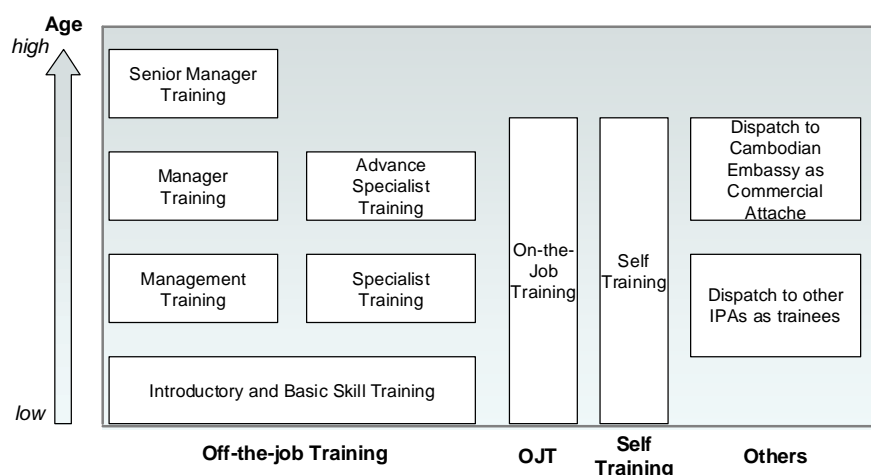
It is preferable to have a career development plan apart from that of the dispatching ministries since the expertise required for investment promotion is quite different from those of the ministries. Investment promotion needs business-oriented personnel who are fully involved in investment promotion activities. Therefore, its own career development plan should be established.

iii) Formulate HRD plans for the effective training of managers and staff based on required competencies

With an integrated human resource allocation plan based on a clear investment promotion strategy, training programs for managers and staff are to be formulated and implemented.

It is necessary to focus on practical education and training closely relating to investment promotion activities. Through basic skills training, staff can acquire the necessary knowledge needed to perform regular work.

Basic skills training includes: a) economic overviews; b) industrial sub-sectors; c) investment trends; d) market research including needs surveys; e) taxation and accounting; f) IT skills; g) QIP manuals; h) foreign languages (English and others); and i) other relevant topics. A basic idea of the HRD framework is as follows.



Source: JICA Study Team

Figure 7-5-8 Sample Framework for Human Resources Development

The education and training framework should be disclosed to all staff at all times so that anyone can prepare to apply or recommend him/herself. Self-development should also be encouraged.

vi) Examine the introduction of performance-based or capability-based remuneration

According to the CIB awareness survey, many claim that their salary level is low. It is worth examining the introduction of performance-based or capability-based remuneration with the purpose of encouraging the motivation of staff.

Development partners have paid Merit-Based Performance Incentives (MBPI) to public officers in implementing their programs. In January 2010, the termination of MBPI is announced. The purpose of termination was to maintain fairness in government compensation and spur broader public administrative reform. The examination of remuneration system must be carefully conducted from the viewpoint of accordance with government basic policies.

v) Implement job rotations for the right person in the right place

The managers and staff should experience job rotations for a certain duration with the purpose of training and giving the opportunity to acquire a wide-range of experience and knowledge in investment promotion activities required. Furthermore, periodic rotation is an effective tool for increasing both the dynamism and effectiveness of the organization as a whole.

vi) Make use of private sector experience

In the long-run, it is advisable to participate in mid-career recruitment from the outside, especially from the private sector. Mid-career personnel will bring a fresh perspective of business orientation into the organization. Furthermore, it will be one of the drastic changes to put a capable private business executive as chairman of the organization for the enhancement of business oriented performance of the organization.

(4) IT Management

Active utilization of IT such as PCs, websites, intranets, and databases will enhance the investment promotion capacity through an increase in the efficiency and effectiveness of their various activities and services. Therefore, the establishment of an integrated IT management system should be emphasized. The IT management system should cover both operational and maintenance perspectives in order to maximize the efficiency and effectiveness of IT utilization.

However, several basic conditions should be satisfied to establish the IT management system: actual formulation of job-descriptions and flows; assignment of capable technical staff for IT; appropriate budget allocation; and the provision of training to Staff for IT operation and maintenance. Top management should understand the importance of IT management and secure the necessary budget allocation.

The following measures are proposed for the establishment of IT management system.

i) Supply a sufficient number of PCs to staff

While the current CIB has provided PCs to about seventy percents of the staff, some of PCs do not work and most of PCs have no installation of anti-virus software. Since the utilization of PCs is a preliminary condition to fully utilize various IT applications, a sufficient number of PCs should be provided to all staff members in good maintenance conditions including the installation of anti-virus software.

ii) Expand internet access

At present, the number of PCs accessing the internet is quite limited in the current CIB due to a shortage of internet access points and weakness in speed capacity. Various kinds of investment-related information such as socio-economic data on Cambodia and overseas FDI providers can be obtained through website searches. Thus, accessibility to the internet by staff should be expanded to improve the investment information services.

iii) Establish the capability of a stable management of website

Information provision through the Website can be a strong tool for promoting investment in Cambodia rather than off-line materials such as books and brochures due to accessibility regardless of location.

The website contents of CIB has transferred from the web server of ASEAN-Japan Center to a web server in CIB in March 2010. Furthermore, an e-application system for QIP is planned to be introduced in CIB.

A stable website management system including the assignment of capable staff for the technical management and maintenance, and the budget confirmation for internet connection and maintenance should be established with urgency.

vi) Promote information sharing within the organization by creating an intranet

Currently, CIB has no integrated system for information sharing utilizing IT, though small PC networks have been used in some of departments. It is the case that three kinds of databases for the QIP application have been prepared by three different departments respectively, mainly due to the lack of an IT network among these departments.

The introduction of an intranet connecting all the departments would allow the realization of smooth information sharing such as for the QIP status, investment-related information/data, and other administrative documents among all related departments. The introduction of a small-scale intranet for specific purposes should be considered, for instance, an intranet for the “tracking system of QIP” in the short-term.

vii) Improve database design and management capabilities

A database will eliminate the duplication of compiling information/data among relevant departments, and enable quick responses to requests by customers. For instance, a database for the investment approval tracking system would enhance the administrative capacity in tracking the progress of QIP applications.

viii) Improve IT capabilities of staff

Training of staff in IT capabilities should be prepared and conducted in order to maximize the effectiveness of the IT utilization and realize stable conditions in IT operation and maintenance. Necessary training is set forth in the following.

Table 7-5-2 Training to Be Conducted to Increase in IT Capabilities

Target	Training Contents
Training for the improvement of IT operational skills of staff	Presentation skills, data analysis skills, database operation, uploading to Website, information sharing through the intranet, and IT security
Training for IT management and maintenance for IT technical staff	Web design and maintenance, creation of databases and maintenance, network design and maintenance, management of all IT equipment including security
Workshops for the awareness of the importance of IT management by top management	Importance of utilization and management of IT, benefits of website operation, advantages of databases and networks, human resource development of IT

Source: JICA Study Team

7.6 Strategy for Organizational Reform

7.6.1 Target for Organization Reform

As analyzed in Chapter 6, the organization reform is needed to realize the investment promotion

services proposed in “7.4”, and to fundamentally strengthen the investment promotion function of CIB. The followings are major targets of reorganization for enhanced investment promotion activities.

- i) Allocate more resource to investment promotion function in comparison with investment approval function

The investment promotion function should be enhanced by enhancing departments/units in charge of investment promotion and allocating more resources. To give a status which enable the diversification of revenue source is also one of measures to realize more resource for investment promotion.

- ii) Acquire the investment promotion function “for all Cambodia”

It is useful both for effective promotion activities and for the convenience and benefit of investors to establish a function representing “all Cambodia” which provides all investors with all relevant investment promotion activities.

- iii) Establish an “investors’ window” function that acts as a front-line for investors

An “investors’ window” unit can act as a front-line service provider for all investors on such activities as information services, consultancy, the reception of investment-related applications, and aftercare services.

- iv) Introduce a “checks and balance” mechanism between investment promotion and investment approval functions

A “checks and balances” mechanism between investment promotion function through “investors’ window” and investment approval function can improve the visibility/transparency of QIP administration to investors and contribute to the improvement of the investment climate in Cambodia.

- v) Implement an organizational renovation and create a good image as an investment promotion agency towards overseas investors and related organizations

Key measures to renovate the organization are the simplification of management layer and decision process, introduction of more flexible human resource management, establishment of governance, etc. These measures will enhance the motivation of staff, increase transparency and accountability, enable quick decision and action, and as the result improve the quality of services.

The implementation of organizational reform will be a clear message to investors that the Cambodian government leaders fully commit to improve investment climate and call for investment from both domestic and global investors.

7.6.2 Recommended Process of Organizational Reform

(1) Time Frame of Organizational Reform

The Study Team recommends for CIB's organizational reform for the strengthening of investment promotion from two perspectives: the short-term perspective; and ii) the medium- and long-term perspectives based on the consideration of various options for organizational reform in Chapter 6.

In order to strengthen investment promotion, it is necessary for the RGC to undertake concrete actions towards a substantial restructuring of CIB, as well as CDC as a whole, when necessary.

Regardless of which proposed option of organizational reform or somewhat modified shape of recommendation RGC takes for its implementation, a clearly asserted and strong commitment by the Prime Minister and high officials of CDC is essential to the initiating of such a brave restructuring move.

Short-term organizational reform

An organizational reform in the short-term should be implemented reflecting the current situation and problems of CDC and CIB with various issues to be resolved and improvements made despite institutional and political constraints that exist simultaneously.

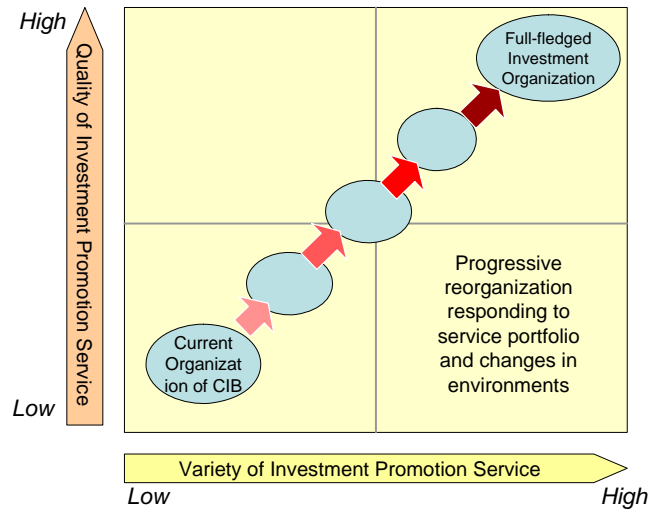
The reform should be implemented under the current legal framework restraints, but with expected modifications to the Sub-Decrees and improvement of QIP-related administrative procedures as well as a definite increase in budget resources orientated towards achieving the purpose of organizational reform in the most effective manner. Short-term reform is to be implemented in a realistic manner, but with consideration of the medium- and long-term goals for the further restructuring of CDC as a whole in the future.

Medium- and Long-term organizational reform

Along with the definite realization of the short-term organizational reform of CIB, it is important for RGC to have a clear image of the target of the organizational reforms in strengthening investment promotion in the medium- and long-term.

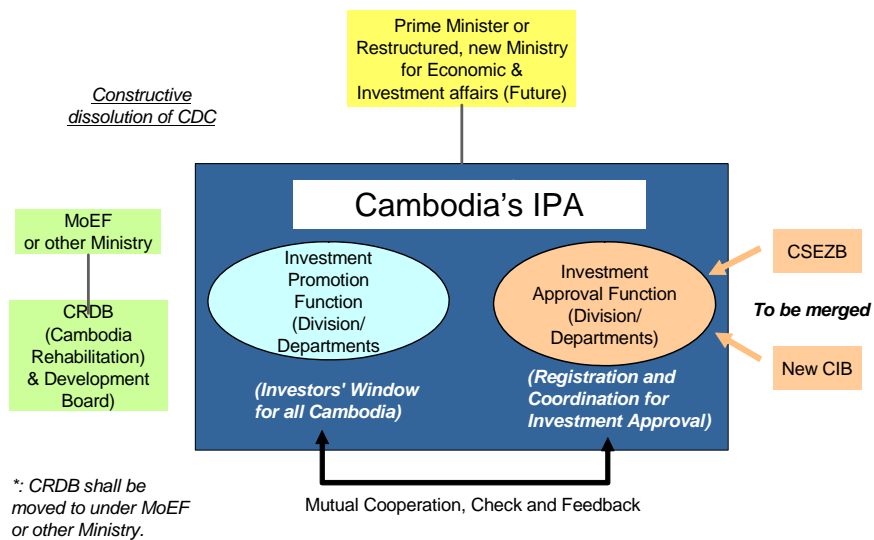
The long-term target of organizational reform is a full-fledged IPA like EDB in Singapore, OBOI in Thailand, and others. This organization consists of well-developed investment promotion function and investment approval function. At this stage, the investment promotion function with "Investor Window" organization will acquire high-level capabilities in investment promotion and establishes a fair reputation. At the same time, the coexisting CIB and CSEZB under CDC will be simplified into one organization. The investment approval administration would attain a better level of transparency and governance. The Option 5 of organizational reform shown in Chapter 6 is a sample of full-fledged IPA.

It is necessary to progressively reorganize and strengthen the organization for investment promotion while responding to the development of its services portfolio and changes in the economic environment.



Source: JICA Study Team

Figure 7-6-1 Progressive Reorganization



Source: JICA Study Team

Figure 7-6-2 Organizational Structure of Full-fledged IPA in the Medium and Long-Term

(2) Process of Organizational Reform

An organizational reform will be prepared and implemented through the following steps:

- Step 1: To build a consensus on the necessity of organizational reform among the CDC Chairman, Vice Chairmen, and relevant Ministers
- Step 2: To make a declaration by CDC Chairman that RGC initiate preparation work of organizational reform of the country's investment promotion agency
- Step 3: To formulate a taskforce team under the responsibility of the Vice Chairman (in charge of CIB)
- Step 4: To draw a road map, details of reform, a new organizational chart, necessary implementation procedures, and time schedule with a reference to this Master Plan
- Step 5: To adopt the above-mentioned road map through the CDC Vice Chairmen and relevant Ministers
- Step 6: To obtain the approval of the Prime Minister
- Step 7: To implement organizational reform with necessary legal procedures (Drafting and enactment of the new Sub-Decree)

(3) Possible Organization Structure

The change of organization structure of CIB will be one of major components of organizational reform. This is because the strengthening of investment promotion calls for a substantial reorganization of organization structure to attain such targets as allocation of more resource to investment promotion, establishment of new units for investment promotion, flexibility and autonomy in budget and human resource management, etc.

In Chapter 6, the Study Team presents the following five options as models for organizational reform that are considered most appropriate under the current conditions of Cambodia. These options will serve as a basis for discussion and consideration by the taskforce team to be formed by CDC/CIB. The Study Team discusses the advantages and disadvantages of each option in Chapter 6. It is recommended for the taskforce to utilize the discussions in Chapter 6 in examining a organization reform.

- Option 1:** Enhancing the existing departments in charge of investment promotion under the current organizational structure of CIB;
- Option 2:** Enhancing the departments in charge of investment promotion with the reforming of CIB into a Special Operating Agency (SOA)⁴ (provisionally-named "Cambodian Investment Agency: CIA") under CDC;

⁴ Special Operating Agency (SOA) is set up, according to the Special Operation on Joint Principles on the Establishment and Introduction of Special Operation Agency NS/RD/0308/346. Details are describe in Chapter 6.2.5

- Option 3:** Establishing a new Board under CDC that engages in the investment promotion function (provisionally-named “Cambodian Investment Promotion Board: CIPB”), separate from CIB;
- Option 4:** Establishing a SOA under CDC that focuses on the investment promotion function (provisionally-named “Cambodian Investment Promotion Agency: CIPA”), separate from CIB; or
- Option 5:** Creating a SOA with both the functions of investment promotion and investment approval (provisionally-named “Expanded Cambodian Investment Agency: Expanded CIA”) under CDC, with an integration of CIB and CSEZB.

A substantial organizational reform such as Option 2 to Option 5 requires lengthy time for both final decision by top leaders and necessary preparation inside RGC. Therefore, it is necessary that CIB initiate its actual action for enhancing investment promotion services right now with further provision of personnel and financial resources to the current Public Relation and Investment Promotion Department. This could be a variation of Option 1 only for a transition period for very short-term until the government’s decision on which Option for substantial reform of CIB should be pursued is finally made.

It should be stressed again that it is urgently required for RGC top leaders to show their clear commitment for strengthening investment promotion services and to initiate quick, concrete actions regardless whichever option for organizational reform is pursued in short-term.

7.7 Annex: Supplemental Consideration on Change of Organization Structure

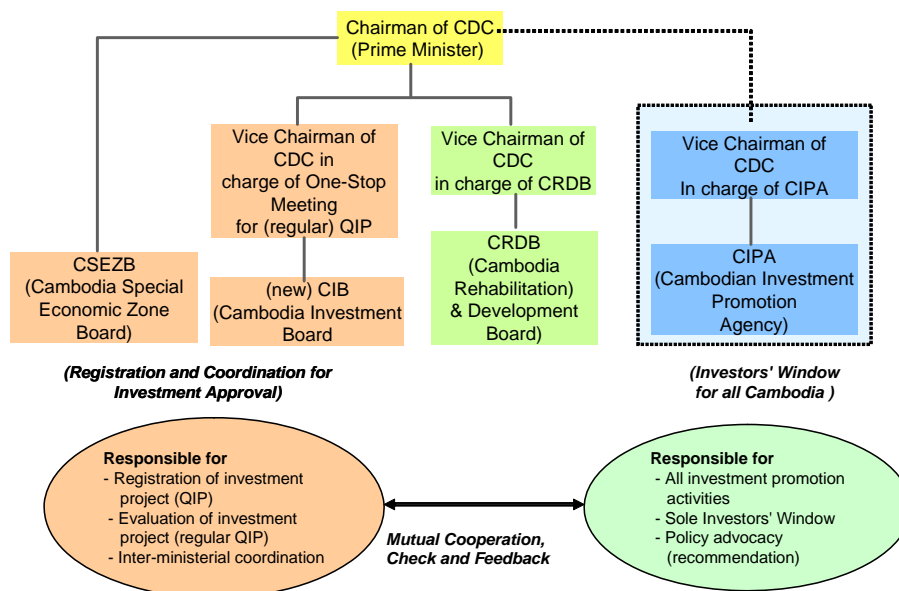
The comparison of advantages and disadvantages of five options in Chapter 6 shows that Option 4 can enjoy most advantages. The Study Team examines a sample organization structure and task descriptions assuming that Option 4 of an SOA for investment promotion is adopted and introduced by RGC as a new organization structure for the short-term. Option 4 is to create a new organization concentrating on the investment promotion function, and detached from the current CIB.

1. Consideration on Reorganization of CDC When RGC Chooses Option 4

The function of investment promotion and that of investment approval will be separated. This reform will be accompanied by a substantial change in departmental structure for both the newly established SOA and the new CIB, including personnel transfers. The new CIB should concentrate on the registration of QIP, evaluation of investment projects for regular QIP (described later), and inter-ministerial coordination including the administration of “One-Stop Meeting” for QIP.

In this organizational structure, a newly established SOA, tentatively-named Cambodian Investment

Promotion Agency (CIPA), would be under CDC as well as the reorganized CIB. The Chief of the new SOA could be either a newly appointed Secretary General of the organization or the Vice Chairman of CDC himself. The person who supervises and creates management contracts with the Chief of SOA in the previous case should be the Vice Chairman of CDC and the same should be the Prime Minister in the latter case.



Source: JICA Study Team

Figure 7-7-1 Organization Structure of CDC under Option 4

2. Mission and Responsibilities of the New Organizations (CIPA and New CIB)

(1) New CIPA offers centralized “Investors’ Window”

The newly established organization (CIPA in the case of Option 4) will support the benefits of investors through the provision of integrated “investor-friendly services”.

The purpose and mission of the proposed organizational reform is “to enhance the organizational mechanism that provides real investment promotion services”. Hence the key word is “service”. As clearly indicated, all staff of the new organization and the organization as a whole should behave as a “service provider” for investors, not as a person or entity that has power for governmental administration against investors.

The new organization will be in charge of investment promotion activities for “all Cambodia” as a single, centralized “Investors’ Window” organization. Investors’ Window functions include information provision, consultation, and image-building activities for all potential and ongoing projects including non-QIP projects. Only the new organization provides investors with services through the provision of investment-related information, pre-investment consultation, receipt of QIP application, receipt of QIP application fee and follow-up of QIP-related application approval

processes. The new organization, as a frontline to investors, is responsible for establishing close and firm relations with investors through the provision of aftercare services so that investors' trust in Cambodia is strengthened and good investment cycles for reinvestment are enhanced.

The policy advocacy function should also be strengthened within the new organization. The new organization should have the power to monitor and provide policy recommendations on improvements with simplistic and transparent QIP procedures as well as improvements in the overall investment climate. Policy advocacy for accelerating the streamlining of licenses and permission from relevant ministries and organizations should also be strengthened.

(2) New CIB concentrates on the registration and evaluation of the QIP applications

The reformed CIB will concentrate on QIP registration and preparatory work relating to information and data on regular QIP to be provided to the One-stop Service Meeting, including recommendations on incentives. The new CIB should maintain a close and firm network with relevant line ministries and organizations by playing the role of core coordinator to assess investment projects.

3. Organization Structures of New Organizations

Figure 7-7-2 illustrates a sample organizational structure under Option 4 that creates an SOA for investment promotion (CIPA) and the new CIB. Even when another option is chosen, it is necessary to balance similarly the two functions (investment promotion and investment approval) and establish a similar composition of departments for investment promotion in order to strengthen the investment promotion function.

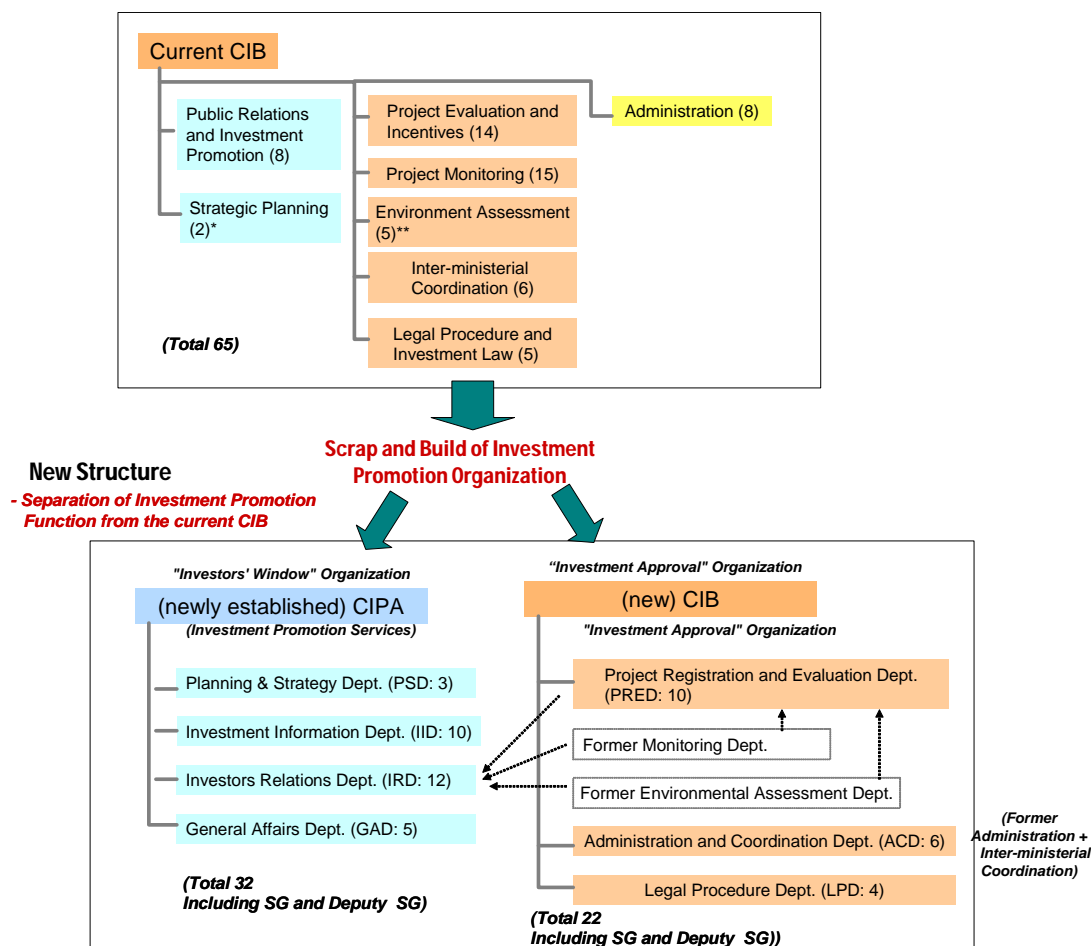
This structure provides a model for a good balance of human resource between the investment promotion function (newly established SOA as CIPA) and the investment approval function (new CIB), and hence, this model could be applied not only to Option 4 but also to other Options for organizational reform in many respects.

The proposed organizational structure of the new investment promotion organization (CIPA) is also a model for a combination of departments necessary for providing satisfactory investment promotion services.

It is recommended to conduct a "scrap and build" approach towards the real investment promotion organization when the RGC implements the organizational reform. In order to achieve the most appropriate design of the two organizations for providing "investor-friendly services", reallocation of capable and motivated staff in the current CIB to the new organization for investment promotion (CIPA) should to be carefully considered, discussed, and implemented.

Because CIPA is a small organization with an expected total number of staff at around 30 in its initial stage, task assignment to each staff should be designed and implemented under a team (group)

assignment with a good level of flexibility, which enables CIPA to conduct defined responsibilities not through an individual but rather through a group of staff in order to increase the organization’s efficiency and transparency.



Source: JICA Study Team

Figure 7-7-2 Model of the Organizational Structure for Enhancing Investment Promotion

4. Functions and Tasks of New Organizations

It is important to stress that the basic functions, task descriptions, work flows, and structure of the departments of the new organization for the investment promotion function should be substantially revitalized and restructured under any option already proposed or somewhat revised in shape with any proposed option for organizational reform.

In this respect, the functions and task of the departments, described below, would be applicable not only to Option 4 but also to other options. With this consideration, it is recommended that CIB establish a taskforce team for discussing and formulating a concrete plan for its final decision on organizational reform as well as defining the functions and task descriptions of the reformed organization, as described in the applicable section of the Action Plan.

Table 7-7-1 and 7-7-2 describe the major functions and tasks for each department of CIPA and the new CIB, respectively. In CIPA, the departments and staff in charge of investors' relations should be the center for the "Investors' Window" function, which includes the whole process of pre-consultation, reception of non-QIP, QIP applied to CIB, QIP applied to the CSEZB, and QIP applied to PMIS as a single window for investors with close cooperation and collaboration with other departments both of CIPA and the new CIB.

Table 7-7-1 Sample Functions and Tasks of Departments of the Proposed CIPA

Department	Function and Task
(1) Planning and Strategy Department (PSD)	<p>1-1. Formulation of investment promotion strategy</p> <ul style="list-style-type: none"> a. Review and analysis of different investment promotion strategies by other ASEAN and developing countries (competitors in investment promotion) b. Design and drafting of short-term and medium-term strategies for investment promotion activities c. Formulation, monitoring, and evaluation of annual strategy <p>1-2. Formulation (integration)/monitoring/evaluation of annual activity and budget plan for CIPA as a whole</p> <ul style="list-style-type: none"> a. Preparation of format of annual planning for activities and budget, and request for formulation to each department b. Collection and integration of plan of each department into CIPA Plan as a whole c. Monitoring and evaluation of plan implementation for all CIPA <p>1-3. Policy advocacy and proposal to CIB, CSEZB, and relevant ministries/organizations (based on requests of investors collected by the Investors Relations Dept. and G-PSF)</p> <ul style="list-style-type: none"> a. Collection and analysis of investors' requests b. Operation and administration of "Investors' Hotline" c. Analysis of comments and recommendations by G-PSF d. Formulation of proposal on improvements to existing laws, regulations, and process implementation for investment e. Coordination of organizing periodic (semi-annual) meetings participated in by CIPA, CIB, CSEZB and relevant ministries/organizations <p>1-4. Establishment of strategic partnerships</p> <ul style="list-style-type: none"> a. Networking and information exchange with donors, private associations/companies, IPAs, and IPA-related organizations in foreign countries b. Design and marketing of partnership fund and financial contributions by donors, the private sector and others <p>1-5. Brain and secretariat to Vice Chairman of CDC in charge, Secretary General and Deputy Secretary General of CIPA</p> <ul style="list-style-type: none"> a. Drafting various documents, and presentation materials for high officials of CIPA b. Periodic meetings on strategy and annual plan implementation with high officials <p>1-6. Institutional design of human resource management</p> <ul style="list-style-type: none"> a. Initial design and periodic review/revision of HRM policy and programs (recruitment, training, compensation, job rotations) b. Assessment and design of human resource allocation for each position, and department structure as a whole
(2) Investment Information Department (IID)	<p>2-1. Planning of overall investment promotion and public relations activity</p> <ul style="list-style-type: none"> a. Design of annual and medium-term plan for concrete activities b. Drafting proposal for annual plan for activities and budget to PSD <p>2-2. Management of seminars and reception of missions (planning, monitoring, evaluation)</p> <ul style="list-style-type: none"> a. Planning and implementation of overseas investment seminars

	<ul style="list-style-type: none"> b. Planning and implementation of receptions for foreign missions and official visitors 2-3. Management of Website <ul style="list-style-type: none"> a. Periodic updating of Website b. Management and administration of Website Server 2-4. ICT Management (planning, implementation, monitoring, improvement) <ul style="list-style-type: none"> a. Management and administration of Database, PCs, and intranet b. Planning and design of improvements in ICT infrastructure 2-5. Integrated data management on registered investment and QIPs <ul style="list-style-type: none"> a. Preparation and updating of investment-related data including QIP b. Periodic (quarterly) analysis and report on the status of investments 2-6. Collection and analysis of investment-related information and data <ul style="list-style-type: none"> a. Information collection from relevant ministries, the private sector, and donors b. Occasional analysis and reporting on select topics 2-7. Preparation, updating and publication of investment-related information <ul style="list-style-type: none"> a. Continual collection and updating of relevant information and data for Investment Guidebook, QIP Manual, and other materials b. Periodic revision and publication of information materials 2-8. Survey of potential investors/investing countries <ul style="list-style-type: none"> a. Occasional analysis and reporting on targeted investors/countries 2-9. Management of Investment Information Library <ul style="list-style-type: none"> a. Management and administration of Library Corner 2-10. Networking/marketing window for donors' program and foreign IPAs <ul style="list-style-type: none"> a. Constant information exchange through e-mail, meeting, seminar and events with donors and relevant organizations b. Participation in donors' events and seminars
(3) Investors Relations Department (IRD)	<ul style="list-style-type: none"> 3-1. Planning of overall investors' relations activities <ul style="list-style-type: none"> a. Design of annual and medium-term plan for concrete activities b. Drafting proposals for the annual plan for activities and budget to PSD 3-2. Provision of general information and consultations on the investment climate, industrial sectors, regions, SEZ, and other issues for all investors <ul style="list-style-type: none"> a. Constant knowledge building on related information b. Participation in seminars, mission receptions, and other events as speakers 3-3. Operation of "Customer Service Desk" equipped with an open space in a corner of library for investment-related information <ul style="list-style-type: none"> a. Reception of potential/existing investors, occasional meetings upon request and appointment b. "One staff – One investor" service based on group assignment 3-4. Consultation services for investment applications <ul style="list-style-type: none"> a. Consultation and support for investment applications b. Receiving and confirmation of QIP applications c. Collection of QIP application fees d. Monitoring of the progress of QIP application 3-5. Evaluation and approval administration for QIP application <ul style="list-style-type: none"> a. Evaluation and administration of "Fast-track" QIP b. Administration and provision of received "Regular" QIP to CIB 3-6. Aftercare consultation and services to investors <ul style="list-style-type: none"> a. Periodical aftercare meetings and site visits b. Consultations, receptions, approval administration, and follow-up on incentive applications 3-7. Collection of investors' requests and feedback to PSD <ul style="list-style-type: none"> a. Reception of requests for improvement in investment climate b. Summarizing and analysis of requests and reports to PSD
(4) General Affairs Department (GAD)	<ul style="list-style-type: none"> 4-1. General affairs of CIPA management <ul style="list-style-type: none"> a. Preparation of internal rules, regulations, procedures, and administrative services b. Office equipment, household, and clerical affairs 4-2. Budget and financial management (drafting, implementation and monitoring)

	<p>of CIPA annual budget plan)</p> <ul style="list-style-type: none"> a. Overall financial monitoring and reporting b. Disbursements to staff, CIB, CSEZB, and relevant ministries and organizations <p>4-3. Accounting and cash flow management</p> <ul style="list-style-type: none"> a. Issuing CIPA official receipt, including for QIP application fees b. Accounting, bookkeeping, treasury, and payroll <p>4-4. Implementation of HRM activities such as training program for staff</p> <ul style="list-style-type: none"> a. Administration of personnel affairs b. Coordination and administration of training activities <p>4-5. Document management</p> <ul style="list-style-type: none"> a. Correspondence and archiving matters
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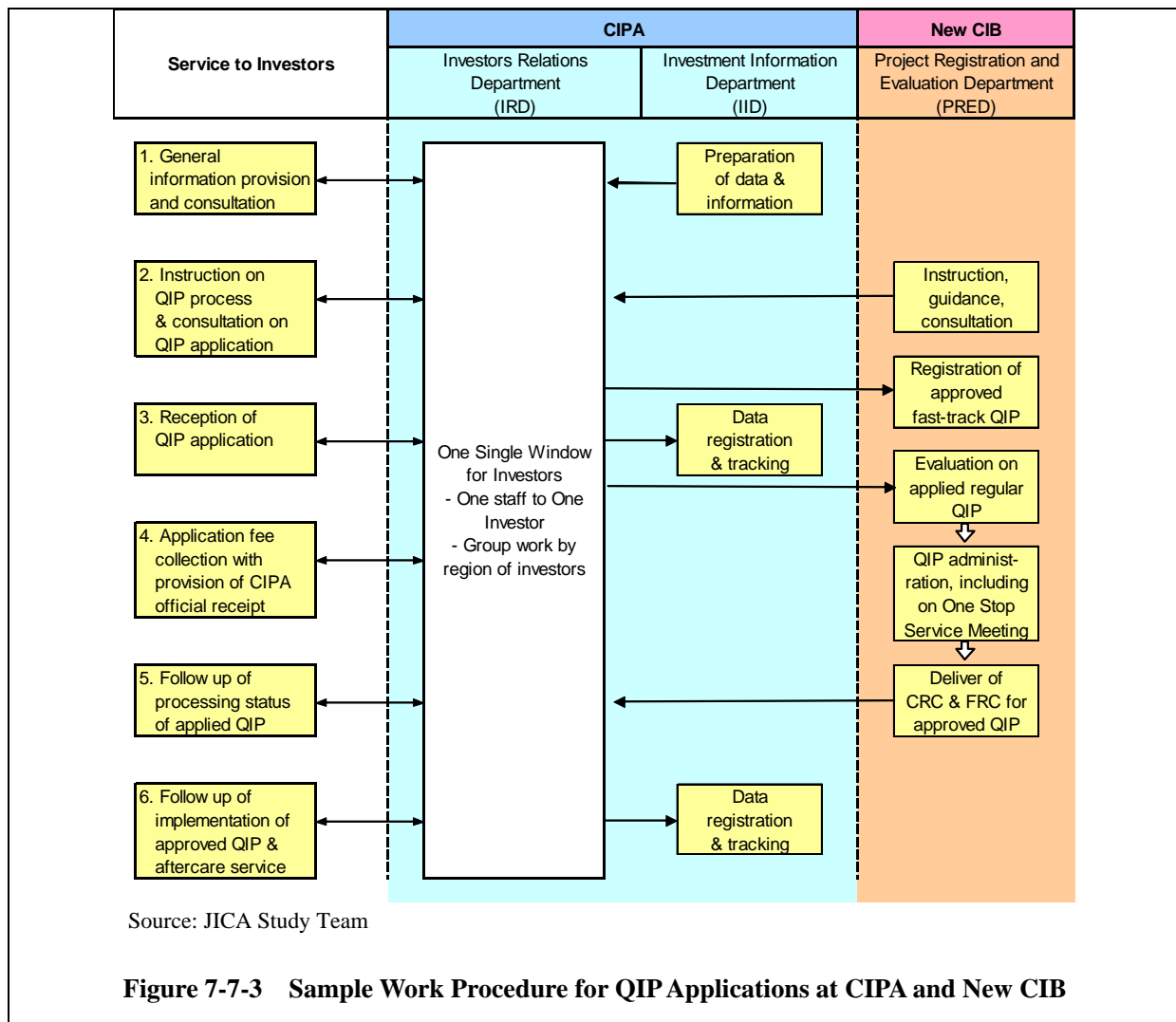
Source: JICA Study Team

Table 7-7-2 Functions and Tasks of Departments of the Reformed New CIB

Department	Function and Task
(1) Project Registration and Evaluation Department (PRED)	<p>1-1. Registration of “Fast-track QIP” approved by CIPA</p> <p>1-2. Review, evaluation and registration of applied “Regular QIP” submitted through IRD of CIPA, according to the defined QIP application process</p> <ul style="list-style-type: none"> a. Evaluation/administration of applied regular QIP b. Coordination/administration of One-Stop Service Meeting c. Administration on confirmation of CRC and FRC provision <p>1-3. Review and evaluation of applied QIP incentives for established QIP submitted through IRD of CIPA, according to the defined QIP incentive provision process</p> <ul style="list-style-type: none"> a. Evaluation/administration of applied incentives for regular QIP b. Coordination/administration of One-Stop Service Meetings c. Administration on confirmation of incentive provision
(2) Legal Procedures Department (LPD)	<p>2-1. Advisor’s role for CIB and CIPA in terms of laws and regulations</p> <ul style="list-style-type: none"> a. General consultation and advice to CIPA, CIB, and CSEZB <p>2-2. Responsible for legal opinions/comments on QIP and investment</p> <ul style="list-style-type: none"> a. Occasional provision of comments/advice when necessary b. Consultation and advice on QIP process to CIPA, CIB, and CSEZB <p>2-3. Provision of comments and advice on policy proposals prepared by PSD of CIPA from legal perspectives</p>
(3) Administration and Coordination Department (ACD)	<p>3-1. Implementation of general administration of CIB</p> <ul style="list-style-type: none"> a. Preparation of internal rules, regulations, procedures, and administrative services b. Office equipment, household, and clerical affairs <p>3-2. Administration and coordination of inter-ministerial matters including One Stop Service Meeting</p> <ul style="list-style-type: none"> a. Administration and minutes preparation in cooperation with PRED <p>3-3. Document management</p> <ul style="list-style-type: none"> a. Correspondence and archive affairs

Source: JICA Study Team

According to newly designed functions and task descriptions described above, a sample work procedure for QIP investors at CIPA and the new CIB is provided in the figure below.



CHAPTER 8 ACTION PLAN FOR THE INSTITUTIONAL STRENGTHENING OF INVESTMENT PROMOTION

8.1 Outline of Action Plan

8.1.1 Policy of Action Plan

In the Master Plan, the Study Team proposed basic policies and strategies to strengthen the investment promotion function of CDC/CIB for the aspects of service provision, management, and organization, as detailed in the previous chapter. The Study Team now proposes **the Action Plan with 16 Actions** to put the proposed policies and strategies into action.

The Action Plan has been formulated with the following approaches:

- i) To target **three key issues** (i.e. organization, management, and services);
- ii) To focus on the **short-term** and/or **urgent issues**;
- iii) To implement a **step-by-step** approach from the basics onward to higher levels; and
- iv) To realize **optimum results** in enhancing investment promotion for investors.

8.1.2 Lessons from Pilot Projects

The Study Team selected two pilot projects, the “Updating Cambodian Investment Guidebook” and the “Application Manual for QIP”, which have been implemented in close cooperation with the WG members of CIB.

The Pilot Projects have achieved satisfactory outputs. The Cambodian Investment Guidebook and Application Manual for QIP will serve as key information resources for investment promotion.

At the same time, the Study Team has learned several lessons through the implementation of pilot projects as set forth below:

- i) The organization structure of CIB is not adequately designed to provide a satisfactory-level investment promotion activities effectively

The number of staff engaging in investment promotion activities is very limited. The PR and Investment Promotion Department are regarded to be responsible for most of the investment promotion activities. However, the number of staff in the PR and Investment Promotion Department totals only 8 persons including the director who has another post as the Deputy Secretary General of CSEZB.

There exists no staff in charge of data and information collection in CIB. For further improvements to data collection system, it is recommended that a unit for data/information collection be

established in CIB. ICT facilities are absolutely insufficient for this purpose due to the lack of a budget allocation.

Under these conditions, even basic investment promotion activities such as minimal formulating and updating of investment-related information have not been conducted. Therefore, it is considered to be very difficult to start and continue basic investment promotion activities when considering the limited staff and budget.

- ii) A cross-functional taskforce is effective as an organizational mechanism for reviewing and improving activities and procedures for investment promotion

A cross-functional taskforce has proved to be an effective organizational mechanism for the further improvement of investment promotion services through the pilot projects. The cross-functional taskforce reviews, discusses, and proposes recommendations for better investment promotion services.

- iii) A change in the mindset of CIB high officials, managers, and staff is needed

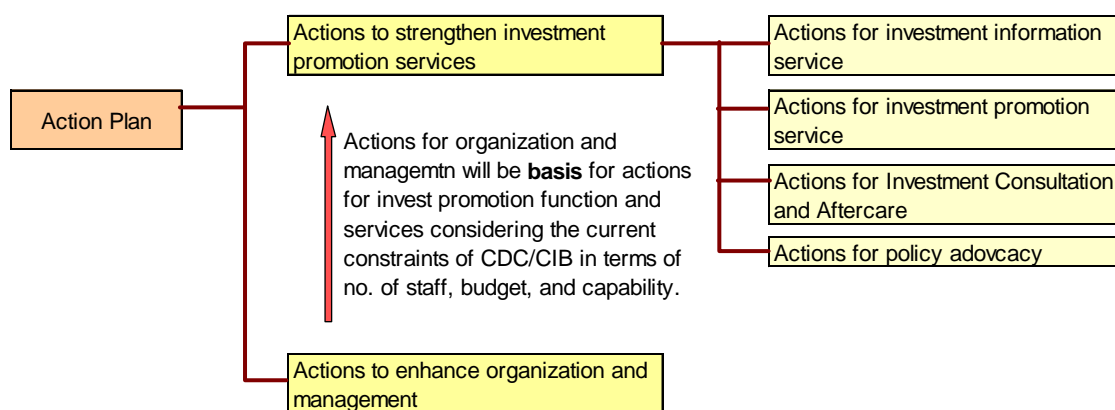
If CDC/CIB really intends to become an effective Investment Promotion Agency (IPA), a strong willingness to further improve the organization's working procedures is essential. A "customer-first" attitude never comes out from the current traditional bureaucratic working norms and procedures.

From these lessons, the Study Team believes that organizational reforms and management improvements should precede the effort to acquire capabilities and start improved and new investment promotion services.

8.1.3 Composition of the Action Plan

The Action Plan herein should be recognized as a set of priority actions proposed for CDC/CIB to enhance investment promotion.

The Action Plan covers all the aspects that CDC/CIB should address from here on for the institutional strengthening of the investment promotion function. The proposed 16 Actions are largely categorized into two fields: i) actions for strengthening investment promotion services; and ii) actions to enhance its organization and management for establishing a base for the investment promotion services. Those actions for strengthening of investment promotion services can be further classified into four areas; investment information services, PR activities, investment consultation services, and aftercare and policy advocacy.



Source: JICA Study Team

Figure 8-1-1 Composition of Action Plan

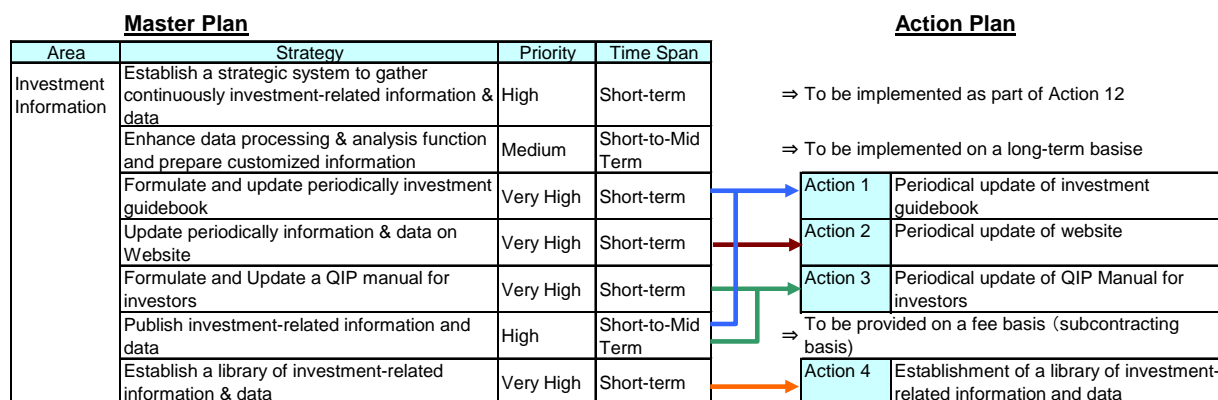
8.2 Proposed Actions to Strengthen the Investment Promotion

8.2.1 Investment Information Services

In the Master Plan, 7 strategies are proposed in order to enhance the investment information services. In order to put these strategies into action, the Study Team proposes the following 4 actions to be implemented.

Action 1	Periodic updating of the investment guidebook
Action 2	Periodic updating of the website
Action 3	Periodic updating of the QIP manual for investors
Action 4	Establishment of a library for investment-related information and data

The relationship between the recommendations in the Master Plan and the proposed actions for investment information services is illustrated in the following figure.



Source: JICA Study Team

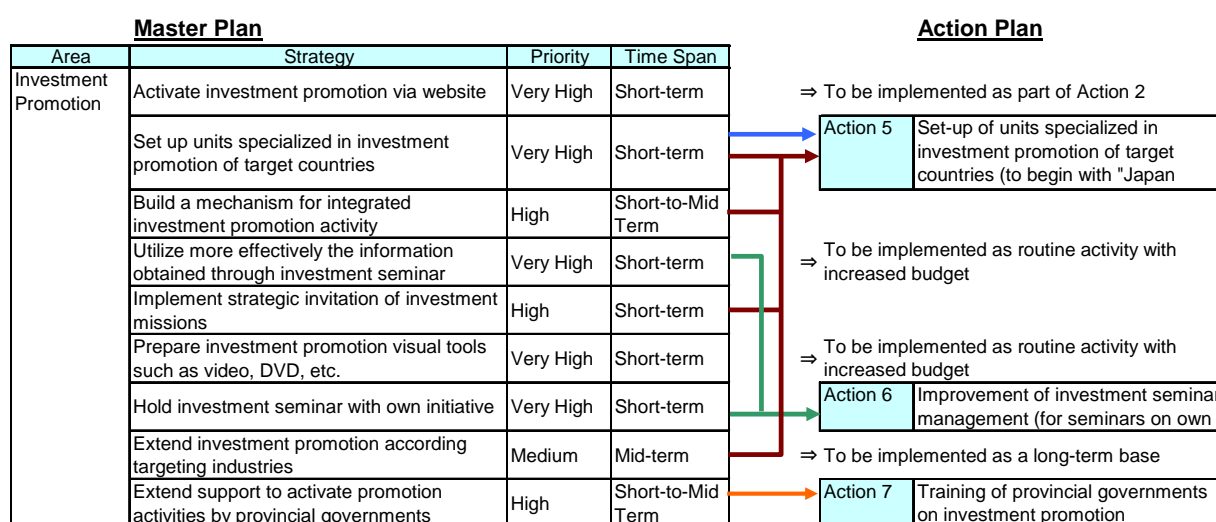
Figure 8-2-1 Relationship between Master Plan and Action Plan for Investment Information Services

8.2.2 PR Activities

In the Master Plan, 9 strategies are proposed in order to enhance PR activities. In order to put these strategies into action, the Study Team proposes the following 3 actions to be implemented.

Action 5	Setup units specialized in the investment promotion of target countries (to begin with a “Japan Desk”)
Action 6	Improvement of investment seminar management
Action 7	Training of provincial governments in investment promotion

The relationship between the recommendations in the Master Plan and the proposed actions for PR activities is illustrated in the following figure.



Source: JICA Study Team

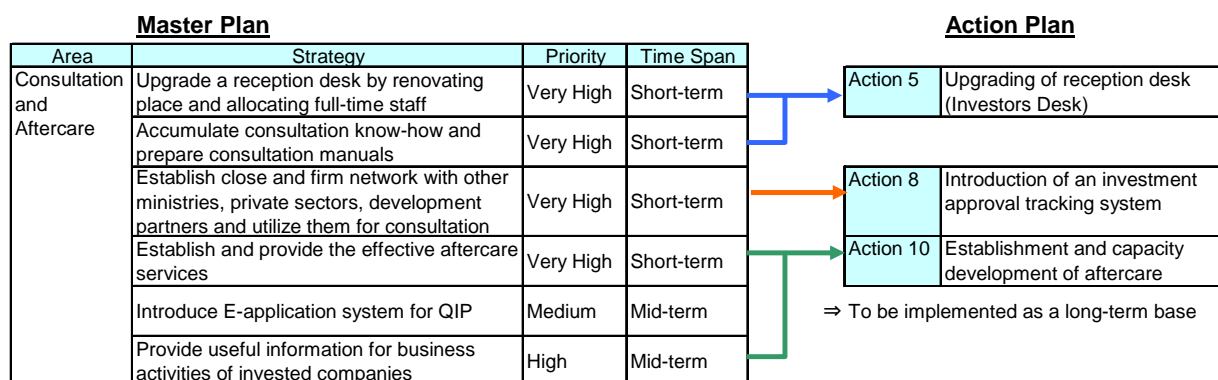
Figure 8-2-2 Relationship between Master Plan and Action Plan for PR Activities

8.2.3 Investment Consultation and Aftercare Services

In the Master Plan, 6 strategies are proposed in order to enhance investment consultation and aftercare services. In order to put these strategies into action, the Study Team proposes the following 3 actions to be implemented.

Action 8	Upgrading of reception desk (Investors Desk)
Action 9	Introduction of an investment approval tracking system
Action 10	Establishment and capacity development of aftercare services

The relationship between the recommendations in the Master Plan and the proposed actions for investment consultation and aftercare services are illustrated in the following figure.



Source: JICA Study Team

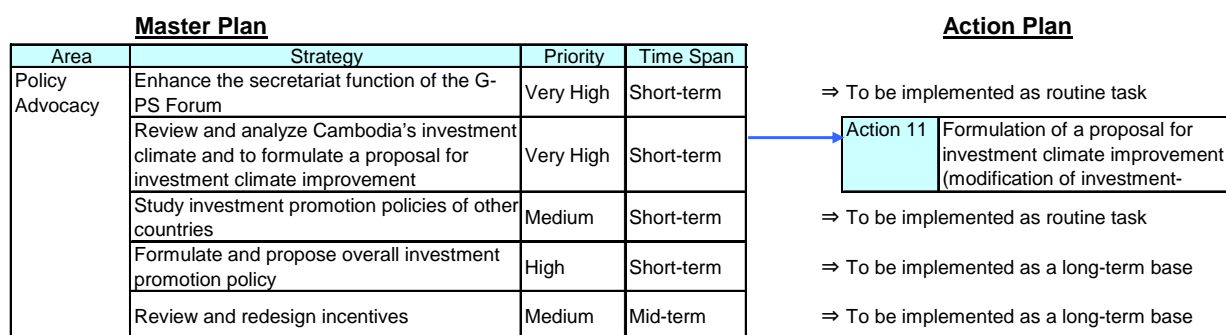
Figure 8-2-3 Relationship between Master Plan and Action Plan for Investment Consultation and Aftercare Services

8.2.4 Policy Advocacy

In the Master Plan, 5 strategies are proposed in order to enhance the policy advocacy function. In order to put these strategies into action, the Study Team proposes the following action to be implemented.

Action 11	Formulation of a proposal for investment climate improvement (to begin with the “modification of investment-related laws and regulations”)
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The relationship between the recommendations in the Master Plan and the proposed action for policy advocacy function is illustrated in the following figure.



Source: JICA Study Team

Figure 8-2-4 Relationship between Master Plan and Action Plan for Policy Advocacy

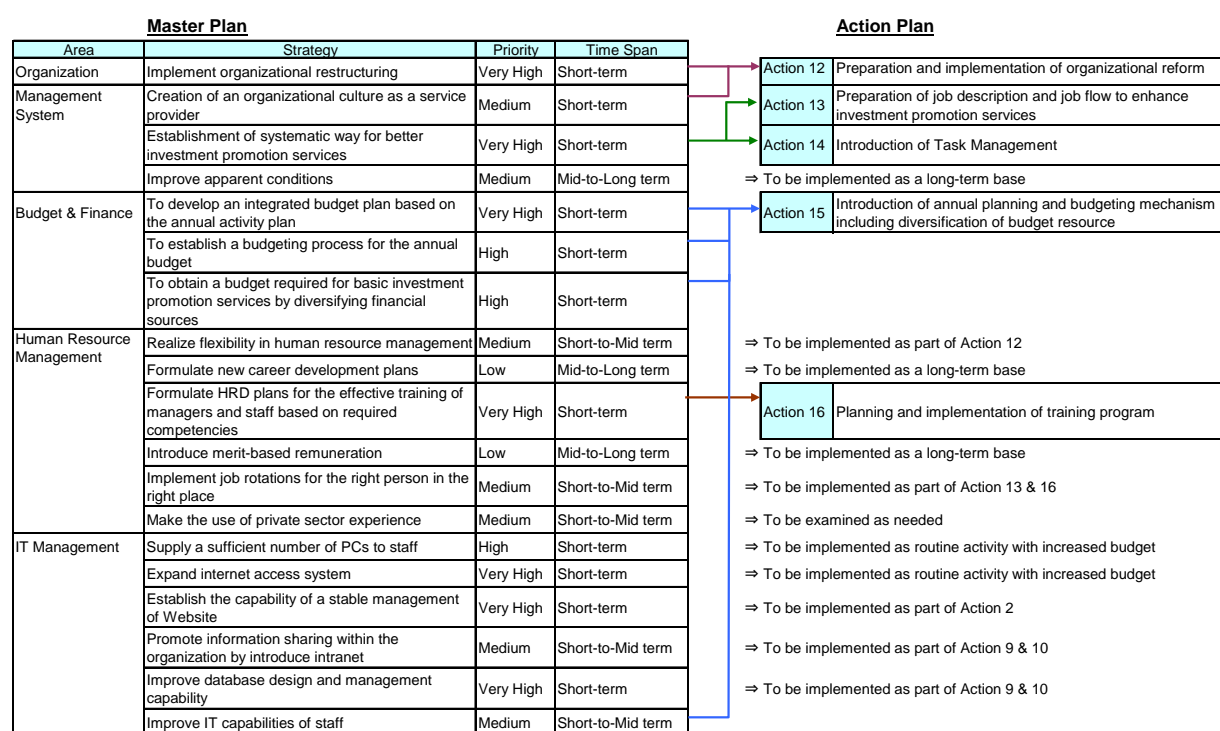
8.2.5 Organization and Management

In the Master Plan, several recommendations regarding organization reform and management improvements are presented. The following five actions in particular have significance in addressing

these recommendations.

Action 12	Preparation and implementation of organizational reform
Action 13	Preparation of job descriptions and job flows to enhance the investment promotion function
Action 14	Introduction of Task Management
Action 15	Introduction of an annual planning and budgeting mechanism including diversification of budget resources
Action 16	Planning and implementation of training programs

The relationship between the recommendations in the Master Plan and the proposed actions for organization and management is illustrated in the following figure.



Source: JICA Study Team

Figure 8-2-5 Relationship between Master Plan and Action Plan for Organization and Management System

8.2.6 Time Frame of Action Plan

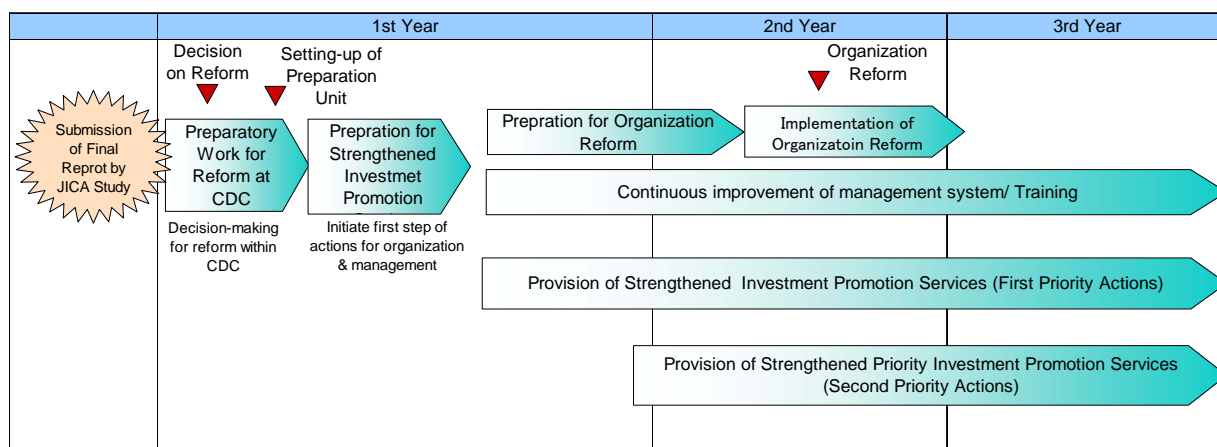
(1) Overall Time Frame

As mentioned in Chapter 7, the Master Plan focuses on the first phase (“Build the Basics”) of the development path of the investment promotion function. This also covers a part of the second phase (“Catch-up”) in advance. The time frame for the implementation of the Action Plan is as set forth in

Figure 8-2-6.

The major suppositions of setting the time frame are as follows:

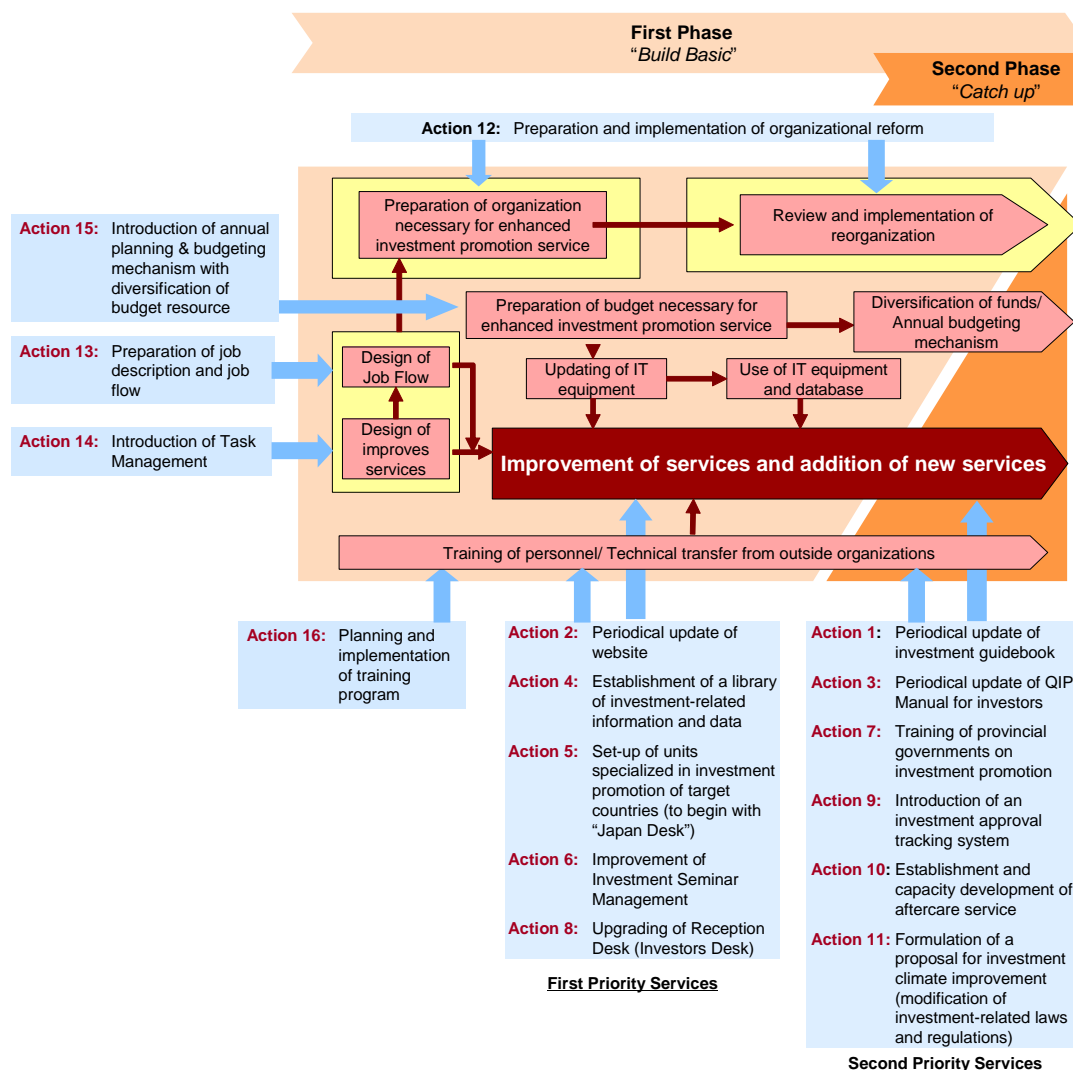
- i) It is assumed that the RGC and CDC will start preparations upon receiving the final report of JICA Study Team;
- ii) The first five months will be spent on the preparation for implementation of actions for investment promotion services;
- iii) Upon preparation, priority services (priority actions) will be initiated. Other services will begin after priority services have built a solid base; and
- iv) During the preparation stage, the RGC and CDC will review, evaluate, and decide on the organization reform. If the RGC and CDC choose the option of separating investment promotion functions to make it independent, whichever option is chosen, a proper period for reorganization will be needed. In this case, a base for services including personnel, equipment, and know-how should have been established prior to the time of the reorganization.



Source: JICA Study Team

Figure 8-2-6 Time Frame of Action Plan

The following figure shows the Action Plan corresponds with the framework of the Master Plan.



Source: JICA Study Team

Figure 8-2-7 Correspondence of Action Plan with Framework of Master Plan

(2) Preparation Stage

The activities during the preparation stage are illustrated in Figure 8-2-8. During this stage, some actions for organization and management should be initiated.

Action 12 for the preparation and implementation of reorganization will be initiated in order to consider, decide, and prepare for the optimum organization for investment promotion. As a part of Action 12, at least the minimum required personnel for investment promotion should be allocated to engage in the new services. Whichever option the RGC and CDC choose, a modification or new enactment of decree or sub-decree will be necessary. Thus, **Action 11** for the modification of investment-related laws and regulations should follow Action 12.

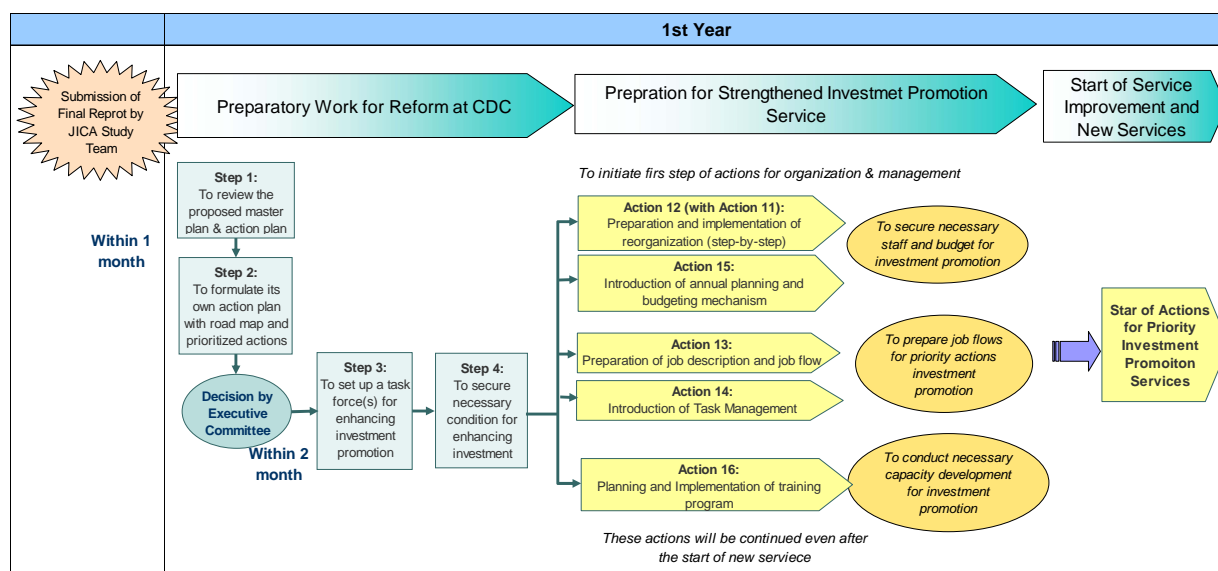
Action 15 for the introduction of an annual planning and budgeting mechanism will also be necessary to secure at least a minimum required budget for priority investment promotion services to be started.

The action includes efforts to seek resources from outside such as donors and international organizations.

Action 13 for the preparation of job descriptions and job flows is conducted for priority investment promotion services in the initial stage. Without job descriptions and job flows, any new service cannot be started.

It is advisable to initiate **Action 14** for the introduction of Task Management before starting priority services. This can enable effective management of these services by monitoring and evaluating the performance of services by comparing with initial targets over time.

Action 16 for the planning and implementation of training programs is crucial for the starting of new services. There are currently almost no capabilities or experience accumulated within CIB for the proposed new services. Intensive training should be provided to personnel to be newly allocated.



Source: JICA Study Team

Figure 8-2-8 Activities during the Preparation Stage

(3) Priority of Actions for Services

The Study Team has given priority to 11 actions for investment promotion services to be strengthened or introduced from the viewpoints of: i) urgency of investors’ requirements; ii) easiness to start; iii) resource requirements; and iv) existing capabilities, etc.

The first priority actions are as follows:

<p style="text-align: center;">Action 2 Periodic updating of website</p>	<ul style="list-style-type: none"> - To establish a mechanism to continuously collect investment-related information and to update periodically and enrich the contents of website so that prospective investors can obtain necessary latest information/data in timely.
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Action 4 Establishment of a library of investment-related information and data	- To establish an investment-related information library as a tool for securing investors' access to reliable investment-related information/data under user-friendly environment.
Action 5 Setup of units specialized in investment promotion of target countries (to begin with a "Japan Desk")	- To provide integrated investment promotion activities by establishing units specialized for specific target countries
Action 6 Improvement of Investment Seminar Management	- To obtain know-how and prepare manuals of how to manage investment seminars effectively so that CIB may produce the maximum results from seminars.
Action 8 Upgrading of Reception Desk (Investors Desk)	- To renovate and furnish the reception space in order to provide investors with better environment for individual consultation.

The secondary priority actions are as follows:

Action 1 Periodic updating of investment guidebook	- To establish a mechanism to continuously collect investment-related information and to periodically update an investment guidebook in order to provide investment-related information in integrated form.
Action 3 Periodic updating of QIP Manual for investors	- To update a QIP manual for investors to improve its quality in a timely manner.
Action 7 Training of provincial governments in investment promotion	- To improve their investment promotion activities by provincial governments.
Action 9 Introduction of an investment approval tracking system	- To make investors possible to obtain information on the progress of the applied QIP with an establishment of an information infrastructure.
Action 10 Establishment and capacity development of aftercare services	- To design and establish a mechanism of providing continuously aftercare service to existing investors
Action 11 Formulation of a proposal for investment climate improvement (to begin with "modification of investment-related laws and regulations")	- To make policy recommendations to improve investment climate by modifying investment-related laws and regulations

(4) Implementation Schedule of Actions

The implementation schedule of actions is shown in the following table.

Table 8-2-1 Implementation Schedule of Actions (Continued)

Action	Activity	1st Year												2nd Year												3rd Year											
		Preparation Stage	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11
13. Preparation of job descriptions and job flows to enhance investment promotion services	1) To setup a task force that is responsible for the preparation of the job design	[Bar chart: Months 1-2]																																			
	- To nominate responsible persons in each department and responsible persons in charge of the facilitation and integration of job designs	[Bar chart: Months 1-2]																																			
	- To provide taskforce members with necessary training in job design	[Bar chart: Months 1-2]																																			
	2) To design a process and flow for each service to be strengthened (according to the recommendations of the Study) by type of service and by department	[Bar chart: Months 1-12]																																			
	3) To compile the processes and flows of services to be strengthened	[Bar chart: Months 1-12]																																			
	4) To estimate necessary resources (number of staff, equipment, etc) for each service	[Bar chart: Months 1-12]																																			
	- The service process and flow may be modified according to the constraints of existing capabilities and resources	[Bar chart: Months 1-12]																																			
	5) To make a plan for allocating resources to each investment promotion service to be strengthened	[Bar chart: Months 1-12]																																			
- The allocation will be made in accordance with the priority and readiness of the individual investment promotion services	[Bar chart: Months 1-12]																																				
6) To prepare job descriptions (or job guidelines) for each investment promotion service to be strengthened	[Bar chart: Months 1-12]																																				
7) To hold workshops for staff on the job flows and job descriptions of services to be strengthened (by each	[Bar chart: Months 1-12]																																				
8) To evaluate continuously the appropriateness of service processes and job descriptions, and modify them when needed	[Bar chart: Months 1-12]																																				
14. Introduction of Task Management	1) To set up a task force for introducing the "Plan-Do-Check-Action (PDCA)" system management.	[Bar chart: Months 1-2]																																			
	2) To formulate the provisional plan of the PDCA system management	[Bar chart: Months 1-2]																																			
	3) To apply the PDCA system management to a particular promotional activity such as receiving missions or holding seminars as a pilot project	[Bar chart: Months 1-2]																																			
	4) To evaluate a pilot project and make necessary modifications to finalize the PDCA system management to be introduced to the new organization	[Bar chart: Months 1-2]																																			
	5) To hold training workshop to staff on the PDCA system management, by referring to the pilot project, and put it into practice	[Bar chart: Months 1-2]																																			
	6) To evaluate continuously the performance of each department according to the PDCA system management and make necessary improvement based on evaluations	[Bar chart: Months 1-12]																																			
15. Introduction of annual planning and budgeting mechanism including diversification of budget resource	The Study Team proposes the introduction of a budgeting system.																																				
	1) To formulate a taskforce team for the preparation of integrated annual planning	[Bar chart: Months 1-2]																																			
	- To nominate responsible persons in each department for annual activities/budget planning	[Bar chart: Months 1-2]																																			
	- To nominate responsible persons in charge of the facilitation and integration of activities/budget planning	[Bar chart: Months 1-2]																																			
	- To provide taskforce members with the necessary training in activities/budget planning	[Bar chart: Months 1-2]																																			
	2) To formulate procedures, standard formats, and time frames for annual activity/budget planning (Taskforce)	[Bar chart: Months 1-2]																																			
	- The formulated procedures, standard formats, and time frame will be approved by the top management of CDC/CIB.	[Bar chart: Months 1-2]																																			
	3) To prepare the annual integrated activities/budget planning with a proposal for the necessary government budget and other financial resources	[Bar chart: Months 1-12]																																			
	- At first, each team member will formulate a budget plan for their relevant department. The budget plans of at the department level will be compiled as an annual budget plan for the organization as a whole	[Bar chart: Months 1-12]																																			
	- The departments seek opportunities for financial support from outside organizations to diversify their resources	[Bar chart: Months 1-12]																																			
4) To implement and monitor the formulated plan	[Bar chart: Months 1-12]																																				
- The budget will be allocated to each activity and should be monitored by the General Affairs Department	[Bar chart: Months 1-12]																																				
5) To review and improve the formulated planning procedures	[Bar chart: Months 1-12]																																				
- The budget procedure will be modified if necessary after review	[Bar chart: Months 1-12]																																				
16. Planning and Implementation of training programs	Formulate HRM and HRD plans for enhanced investment promotion function	[Bar chart: Months 1-2]																																			
	1) To conduct benchmark surveys of HRM and HRD in other Ministries of RGC, the private sector, and IPAs in other	[Bar chart: Months 1-2]																																			
	2) To identify capabilities and competencies of management and staff required for enhanced investment promotion function	[Bar chart: Months 1-2]																																			
	3) To design its own HRM system and career path which are suitable for enhanced investment promotion	[Bar chart: Months 1-2]																																			
	4) To develop an HRD plan including training programs based on the required competency of CIB	[Bar chart: Months 1-2]																																			
	5) To pinpoint resources which provide training programs including the opportunities of receiving assistance from donors	[Bar chart: Months 1-2]																																			
	Implementation of new HRM and HRD																																				
	6) To introduce new HRM system and HRD plan to strengthen the capabilities of management and staff	[Bar chart: Months 1-2]																																			
	7) To implement training programs	[Bar chart: Months 1-12]																																			
Maintenance of HRM system and HRD plan																																					
8) To make individual record sheets of capability/competency, work experience and performance, as well as training records	[Bar chart: Months 1-12]																																				
9) To monitor the implementation of HRD and make necessary adjustments	[Bar chart: Months 1-12]																																				

(5) Envisioned Inputs Necessary for Activities of Actions

Inputs for each action that are considered necessary are as shown in the following table in terms of the: i) mobilization of experts and/or training; ii) procurement of equipment, software, etc.; and iii) expenses for activities.

Table 8-2-2 Envisioned Inputs Necessary for Actions

Action	Mobilization of experts	Procurement of equipment, software, etc.	Expenses
Action 1: Periodic updating of investment guidebook	- Training and guidance for the updating of the investment guidebook		- Purchase of information/data from outside government organizations - Translation charges (especially, for translation of laws and regulations) - Printing and binding fees
Action 2: Periodic updating of website	- IT engineers or technicians, as the case may be - Assistance in designing website framework		- Purchase of information/data from outside government organizations - Translation charges (especially, for translation of laws and regulations) - Internet connection fees
Action 3: Periodic updating of QIP Manual for investors			- Administrative expenses for conducting meetings, data collection, and interviews. - Design and printing fees for the QIP manual - Expense for translation
Action 4: Establishment of a library of investment-related information and data		- Purchase of furniture and equipment - Purchasing of a photo copier	- Purchase of necessary information/data - Administrative expenses for copier paper, maintenance fee for the photo copier etc.
Action 5: Setup of units specialized in the investment promotion of target countries (to begin with a "Japan Desk")	- (Japanese) investment promotion expert - Training of Japan Desk staff	- Database building of potential Japanese investors	- Printing of materials for investment promotion in the Japanese language - Expenses for preparing visual promotion tools in the Japanese language - Travel and accommodation expenses of staff participating in investment missions and seminars abroad
Action 6: Improvement of Investment Seminar Management			(Joint sponsorship by related agencies /organizations of target country) - Printing of materials. - Expenses for processing information - Expenses for speakers honorarium and interpreters - Expenses for event site and publicity
Action 7: Training of provincial governments in investment promotion			- Expenses for holding a training workshop - Expenses for preparing materials for a training workshop

Action	Mobilization of experts	Procurement of equipment, software, etc.	Expenses
Action 8: Upgrading of Reception Desk (Investors Desk)	- Assistance in establishing the basic concept of the Reception Desk, detailing its services and training new organization staff	- Renovation work of Reception Desk. - Purchase of newly-installed furniture and equipment	
Action 9: Introduction of an investment approval tracking system		- Detailed design of system configuration - Purchase of additional ICT equipment	
Action 10: Establishment and capacity development of aftercare service	Preparation Stage and Initial Stage of Service		
	- Training of staff for aftercare service	- Database building for aftercare service	- Travel and meeting expenses for company visits - Expenses for preparing manual/guidebook for aftercare service
	Full Service Stage		
			- A routine annual budget for aftercare service should be secured
Action 11: Formulation of a proposal for investment climate improvement (modification of investment-related laws and regulations)	- Assistance in modifying the QIP approval procedure - Assistance in the drafting of modified provisions of the LOI and Sub-Decree		
Action 12: Preparation and implementation of organizational reform	- Investment promotion expert for occasional advice, if necessary		
Action 13: Preparation of job descriptions and job flows to enhance investment promotion services	- Investment promotion expert(s)		
Action 14: Introduction of Task Management	- Task Management experts		
Action 15: Introduction of annual planning and budgeting mechanism including diversification of budget resources	- Training in standard procedures of activity/budget planning - Training in procedures for the integration of activity/budget planning		
Action 16: Planning and Implementation of training program	- Assistance in new HRM and HRD design		- Expense for visits to other IPAs - Administrative Expenses for conducting training programs

Source: JICA Study Team

It is considered that approximately 10 external experts are required to implement the whole Action Plan as shown in the following table. These 10 external experts will consist of foreign experts and local

experts. One expert may take charge more than one position if this is possible.

Table 8-2-3 Actions Which Individual External Experts Take Charge

		External Experts									
		1	2	3	4	5	6	7	8	9	10
		Investment Promotion Expert	Investment-related Law Expert	Investment Information Expert	Promotion Tool Development Expert	System Expert (E-application)	System Expert (Tracking System)	Inter-ministerial Cooperation Expert	Human Resource Development Expert	Project Management Expert	Budget Planning & Management Expert
<u>Actions for Investment Information Services</u>											
Action 1	Periodic updating of investment guidebook		√	√	√			√			
Action 2	Periodic updating of website		√	√	√			√			
Action 3	Periodic updating of QIP Manual for investors		√	√							
Action 4	Establishment of a library of investment-related information and data		√	√							
<u>Actions for PR Activities</u>											
Action 5	Setup of units specialized in investment promotion of target countries	√			√						
Action 6	Improvement of Investment Seminar Management	√			√						
Action 7	Training of provincial governments on investment promotion		√	√	√						
<u>Actions for Investment Consultation and Aftercare Services</u>											
Action 8	Upgrading of Reception Desk	√		√	√						
Action 9	Introduction of an investment approval tracking system	√	√			√					
Action 10	Establishment and capacity development of aftercare service	√	√	√			√				
<u>Action for Policy Advocacy</u>											
Action 11	Formulation of a proposal for investment climate improvement		√								
<u>Actions Regarding Organization and Management</u>											
Action 12	Preparation and implementation of organizational reform	√									
Action 13	Preparation of job description and job flow	√	√	√	√	√	√				
Action 14	Introduction of task management system	√								√	
Action 15	Introduction of annual planning and budgeting mechanism	√									√
Action 16	Planning and implementation of training program	√							√		

Source: JICA Study Team

An example of organizational set-up for implementing Action Plan is as shown in the following table.

Table 8-2-4 Example of Organizational Set-up for Implementation of Action Plan

External Experts	Members from CDC/CIB
Investment Promotion Expert	Coordinator
Investment-related Law Expert	Two members from Legal Procedure and Investment Law Dept.
Investment Information Expert	Three members from PR & Investment Information Dept. *
Promotion Tool Development Expert	Three members from PR & Investment Information Dept. *
System Expert (E-application)	Two members from Project Evaluation & Incentives Dept.
System Expert (Tracking System)	Two members from Project Evaluation & Incentives Dept. & two members from Project Monitoring Dept.
Inter-ministerial Cooperation Expert	Two members from PR & Investment Information Dept. *
Human Resource Development Expert	Coordinator
Project Management Expert	Coordinator
Budget Planning & Management Expert	Coordinator

* Some members from PR & Investment Information will work with more than one expert.

Source: JICA Study Team

(6) Implementation of Action Plan through Technical Cooperation Project

JICA plans to start a technical cooperation project, “Project for Improving Investment-related Services,” following this Study. The Study Team hope that the Action Plan proposed in the Study will be actually implemented to improve CDC’s investment promotion services through the technology project.

8.3 Details of Proposed Actions

8.3.1 Investment Information Services

Action 1: Periodic updating of investment guidebook

Background and necessity	<ul style="list-style-type: none"> - No systematic effort has been made for information and data collection, and only an ad hoc provision of information has been prevailing - Most of the investment promotional materials have been initiated and prepared by the development partners or the private sector so far - The investment guidebooks have also been compiled and issued with the assistance of JICA in 2006 and 2010, with little participation by CIB - In order to achieve efficient and effective investment promotional activities, CIB needs to become enabled to collect investment- and business-related information/data, and prepare investment promotional materials, especially the investment guidebook, under their own initiative and effort
Objectives	<ul style="list-style-type: none"> - To establish a mechanism to continuously collect investment-related information - To provide the basic and general investment-related information in order to promote the interest of international business societies in Cambodia - To periodically update an investment guidebook in order to provide investment-related information in an integrated form
Activities (by step)	<p><u>Routine Activity</u></p> <ol style="list-style-type: none"> 1) Assigning the staff to be in charge of data collection and compilation of the investment guidebook 2) Deciding the kind and scope of information/data necessary to be collected on a routine basis (including legal information)

	<p>3) Collecting investment-related information/data as routine work (including the translation of Khmer materials into English)</p> <p><u>Revision of Investment Guidebook</u>(Preferably every year, but at least every other year)</p> <p>4) Setting the profile of target investment sector and countries with the selective staff of other departments of the CIB</p> <p>5) Deciding the kind and scope of information/data necessary to be additionally collected for compiling the investment guide book</p> <p>6) Finding the donor(s) for supporting the publication of the investment guidebook.</p> <p>7) Collecting additional information/data and translating it into English</p> <p>8) Writing and compiling information/data into guidebooks in English</p> <p>9) Collecting comments from the investment-related sections and other ministries of the RGC</p> <p>10) Proofreading and finalizing the draft of the investment guidebook in a printing software format</p> <p>11) Printing and binding the investment guidebooks</p> <p>12) Arranging the translation of the guidebook into foreign languages other than English</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
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<p>Required inputs (other than CIB staff mobilization)</p>	<p>- Budget for purchasing the information/data from outside of Government organizations</p> <p>- Translation charges (especially, for translation of laws and regulations)</p> <p>- Printing and binding fees</p> <p>- Assistance in training and guidance in preparing the updated version of the investment guidebook</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
<p>Expected Achievements</p>	<p>- Investment guidebook is periodically updated solely by CIB staff</p> <p>- Multi-use of information/data contained in the guidebook becomes possible</p> <p>- More investment projects are materialized through provision of efficient and effective investment-related information in a timely manner</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								

Action 2: Periodic updating of website

Background and necessity	<ul style="list-style-type: none"> - No systematic effort has been made for information and data collection and only ad hoc provision of information has been prevailing in the CIB. - Most of the investment promotional materials have been initiated and prepared by the development partners or the private sector thus far. - The CIB website has been updated and maintained with the assistance of ASEAN - Japan Center until March 2009 but, as the contract term has expired, the updating work has now been suspended and it has become difficult to maintain the website as well. The websites server was transferred to the CIB at the end of March 2010. - The CIB's website does not contain sufficient information, compared to those of the BOI of Thailand and the FIA of Vietnam. The coverage and depth of information is not competitive and the frequency of updates has not been sufficient. - The investment-related information that the CIB delivers is in most the cases outdated and investors may have difficulty finding and collecting adequate and useful information. - CIB should have the capability of updating the website on its own initiative so that its contents can be more target-specific and kept up-to-date.
Objectives	<ul style="list-style-type: none"> - To periodically update and enrich the contents of website so that prospective investors can obtain necessary information/data timely - To maintain the website contents to be more target-specific and kept up-to-date by utilizing fully the information/data collected on a routine basis by the CIB staff
Activities (by step)	<ol style="list-style-type: none"> 1) Assigning staff in charge of website updates 2) Deciding the kind and scope of information/data necessary to be collected on a routine basis (including legal information) in cooperation with staff in charge of the investment guidebook 3) Collecting investment-related information/data as routine work (including the translation of Khmer materials into English) in cooperation with the staff in charge of the investment guidebook 4) Deciding the website contents to be promoted with the staff of the Planning and Strategy Dept. 5) Deciding the kind and scope of information/data necessary to be collected for the updating of the website (including the utilization of the information/data contained in the investment guidebook) 6) Designing the website framework and modifying the detailed contents 7) Basically, the website updating should be made according to a fixed schedule; e.g. quarterly or semi-annually. In addition to such scheduled updating, the website should be modified whenever vital laws or regulations are enacted, or important investment promotional events have taken place

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Required inputs (other than CIB staff mobilization)	<ul style="list-style-type: none"> - Budget for purchasing the information/data from outside of Government organizations - Translation charges (especially for translations of laws and regulations) - Fees for hiring outside IT engineers or technicians, as the case may be - Assistance in designing the website framework, compiling the detailed contents, and uploading them - Note: Internet connection fee has to be separately borne by the CIB or donor(s) 																																																																																																																																																																																																																																													
Expected Achievements	<ul style="list-style-type: none"> - CIB's website is periodically updated timely by the CIB staff. - More investment projects are materialized through the provision of efficient and effective investment-related information. 																																																																																																																																																																																																																																													

Action 3: Periodic updating of QIP Manual for investors

Background and Necessity	<ul style="list-style-type: none"> - Actual application procedures for both the approval of the QIP status and the provision of QIP incentives to investment projects has not been provided to investors in a visible manner, which increases skepticism among potential and established investors toward CIB services. - To overcome this problem, a QIP manual for investors was formulated through the implementation of the pilot project of this Study. - Periodic updating of a QIP manual for investors enables CIB to provide clear and transparent information on the QIP application to investors.
Objectives	<ul style="list-style-type: none"> - To update the QIP manual for investors in order to improve its quality in a timely manner - To provide clear and transparent information on the QIP application to investors
Activities (by step)	<ol style="list-style-type: none"> 1) Organizing a cross-sectional taskforce and selecting the members from CIB 2) Reviewing in whole the procedures for the QIP application through internal discussions to evaluate the necessity of updating 3) Collecting the voices of investors for the improvement of QIP application procedures and identifying unclear parts of the procedures for the investors 4) Modifying the descriptions of the QIP manual to clarify unclear parts of the procedures with the addition of Q&As 5) Getting the comments and the internal approval of the draft contents from CIB top management 6) Printing of the revised QIP manual and distributing them to investors

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Required inputs (other than CIB staff mobilization)	- Administrative expenses for conducting meetings, data collection, and interviews - Expenses for design and printing fees of the QIP manual - Expense for translation																																																																															
Expected Achievements	- The QIP manual for investors is updated in a timely manner - Clear and transparent information on the QIP application is provided to investors by CIB.																																																																															

Action 4: Establishment of a library for investment-related information and data

Background and Necessity	<ul style="list-style-type: none"> - CIB has not made any systematic efforts towards the collection and compilation of investment-related information/data according to the needs of investors. - The collected information/data has not been provided to potential/existing investors in a comprehensive and orderly manner. - The establishment of an investment information library secures investors' access to reliable investment-related information/data.
Objectives	<ul style="list-style-type: none"> - To establish an investment information library as a tool for securing investors' access to reliable investment-related information/data in a user-friendly environment <p><u>Information/data to be accumulated</u></p> <ul style="list-style-type: none"> * Investment-related laws and regulations (in English) * Economic statistics, trade and investment statistics, and other economic and business related statistics * Information on sub-sectors (relevant ministries, business associations, donors) * Provincial information * Periodic publications of the Government-Private Sector Forum, economic research institutions, etc. * Study reports <p><u>Services to be provided to visitors</u></p> <ul style="list-style-type: none"> * Access to information/data through an open shelf system * Reference services * Copy services
Activities (by step)	<p><u>Preparation of establishment</u></p> <ol style="list-style-type: none"> 1) Organizing the taskforce and determining the assignment of staff 2) Formulating a preparatory plan to establish the library including service contents (i.e., how to provide collected information/data, inquiry, and photo copy/ printing)

	<p>services) and layout plan</p> <p>3) Identifying the necessary information/data, in particular investment-related laws, and regulations, to be collected</p> <p>4) Building various networks both domestically and internationally to periodically and consistently obtain necessary information/data</p> <p>5) Collecting (including purchasing) necessary information/data</p> <p>6) Preparing the list of information/data collected and the list of contact information of the related organizations</p> <p>7) Purchasing necessary equipment and furniture</p> <p>8) Continuous collection of necessary information/data</p> <p><u>Continuation of improvement activities</u></p> <p>9) Accumulating and sharing the records of inquiries among all departments of the organization</p> <p>10) Conducting questionnaire surveys of customer satisfaction and discussing among the taskforce team members for further service improvements</p> <p>11) Identifying the necessary information/data to be additionally collected and securing the budget if necessary</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
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<p>Required inputs (other than CIB staff mobilization)</p>	<p>- Expenses for purchasing furniture and equipment</p> <p>- Expenses for purchasing necessary information/data</p> <p>- Expenses for purchasing a photo copier</p> <p>- Administrative expenses for copier paper, maintenance fee for the photo copier etc.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
<p>Expected Achievements</p>	<p>- Investment information library is established in CIB</p> <p>- A more user-friendly environment providing appropriate services to investors is established</p> <p>- Constant networks with various organizations to collect, distribute, exchange investment related information and data are built</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				

8.3.2 PR Activities

Action 5: Setup of units specialized in the investment promotion of target countries (to begin with the “Japan Desk”)

<p>Background and necessity</p>	<p>(1) Importance of targeting of investment promotion The targeting of investment promotion by priority investing country and/or priority sector is important for effective investment promotion. For the targeting of investment promotion by country, integrated investment promotion should focus on specific investing countries.</p> <p>(2) Necessity of identifying target investing countries for integrated investment promotion In terms of the cumulative FDI approved in the period of 15 years ending 2008, the largest investing country is China, followed by Korea, Malaysia, USA, Taiwan, and Thailand. The outstanding feature is the very low-profile of Japan, which is one of major investing countries in the ASEAN countries, among inward FDI into Cambodia. At the first onset of targeted investment promotion, Japan may be one of the primary target countries.</p>
<p>Objectives</p>	<p>- To provide integrated investment promotion activities by establishing units specialized in specific target countries</p> <p><u>Services to be provided</u></p> <ul style="list-style-type: none"> - Build networks with organizations and companies of target country - Prepare and supply investment-related information in the language of the target country - Accept potential investors visiting Cambodia from target country and provide investment information and advice on investment in Cambodia - Provide integrated assistance to investors from the target country in preparing and applying for an investment project in Cambodia - Organize business missions to the target country
<p>Activities (by step)</p>	<p>Here, recommended activities are described taking the “Japan Desk” as an example.</p> <p>Step 1: Establish a unit specialized in investment promotion of the target country, a “Japan Desk”</p> <p>1) Assign the staff to be in charge of the Japan Desk The Japan Desk will be established in the PR and Investment Promotion Department under the existing organization (this will be transferred to such department as the Investors Relation Department of new organization if the organizational reform is conducted.). The task of the Japan Desk is to exclusively engage in promotion with Japanese investors. The Japan Desk is preferably staffed with personnel who have Japanese language abilities.</p> <p>Step 2: Prepare the operation of the Japan Desk</p> <p>2) Prepare an activity plan for the Japan Desk The Japan Desk will formulate a mid-term activity plan with phased activity development and capability building. The activities of the Japan Desk can be classified into the categories shown in the following table.</p>

Target	Type of Service			
	Information Service	Promotion Service	Aftercare service	Networking
Japanese investors in Japan	Preparation of investment information in Japanese/ information on website in Japanese/ newsletter in Japanese	Investment Seminar/ mission to Japan		
Japanese investors in the neighboring countries		Investment Seminar/ mission to concerned countries		
Potential Japanese investors visiting Cambodia		Consultation for / assistance in investment in Cambodia		
Invested Japanese companies			Aftercare service	
Investment-related Japanese organizations (in Japan, Cambodia, and neighboring countries)				Networking and collaboration

3) Prepare essential information in Japanese
 The Japan Desk will prepare a Japanese-version of the fundamental promotional materials including: i) the investment guidebook, ii) the investment promotion brochure, iii) major investment-related laws and regulations, and iv) the website in Japanese under the guidance of a Japanese investment promotion expert.

4) Train staff members of the Japan Desk
 The training of staff of the Japan Desk will be conducted. Training focuses on business practices and mannerisms of Japanese companies, basic business Japanese, and communication with Japanese companies.

5) Establish an information network with Japanese Organizations
 The Japan Desk should establish information and collaboration relationships with Japanese investment-related organizations. As for organizations within Cambodia, the Japan Desk should establish mutual collaboration relationships with the newly-established JETRO office.

Step 3: Start the operation of the Japan Desk

6) Update promotional materials in Japanese
 Promotional materials in the Japanese language should be periodically updated reflecting the changes in related laws and regulations, economic conditions, and investment climate.

7) Receive potential Japanese investors visiting Cambodia
 This is one of the major activities of the Japan Desk. The Japan Desk provides information and consultation services to them if necessary in the Japanese language.

8) Receive Japanese missions to Cambodia
 Japanese business associations and regional governments occasionally organize investment missions to Cambodia. The Japan Desk will make necessary arrangements, including appointments with relevant government offices, existing Japanese companies in Cambodia, business associations, potential Cambodian partners, etc.

9) Organize/participate in investment missions and seminars in Japan and neighboring countries
 The Japan Desk will be involved in organizing investment missions and seminars targeting Japanese companies in Japan and neighboring countries.

	<p>10) Conduct company visits for promotion in Japan The Japan Desk will visit Japanese potential investors in Japan as a part of investment promotion (perhaps at the time of investment missions and seminars) or ask the Cambodian embassy in Japan for company visits.</p> <p>11) Prepare strategic promotion plans The Japan Desk will build a database of potential Japanese investors and plan for strategic promotion activities targeting these potential investors.</p>																																																																																																																																																					
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<p>Required inputs (other than CIB staff mobilization)</p>	<ul style="list-style-type: none"> - Mobilization of a (Japanese) investment promotion expert - Expenses for preparing printed materials for investment promotion in the Japanese language - Expenses for preparing visual promotion tools in the Japanese language - Expenses for building a database of potential Japanese investors - Expenses for training staff of the Japan Desk - Travel and accommodation expenses for staff who participate in investment missions and seminars abroad 																																																																																																																																																					
<p>Expected Achievements</p>	<ul style="list-style-type: none"> - A unit specialized in investment promotion of the target country (Japan Desk) is established - Investment promotion materials in the Japanese language are prepared - Investment information and consultancy services are provided to potential Japanese investors in the Japanese language - A database of potential Japanese investors is prepared - A strategic investment promotion plan targeting Japanese companies is formulated 																																																																																																																																																					

Action 6: Improvement of Investment Seminar Management

<p>Background and necessity</p>	<ul style="list-style-type: none"> - CIB has no clear strategy for setting target countries/sectors for investment promotion - CIB has not been able to hold promotional seminars on its own initiative due to a lack of budget - Most of the seminars held were under the sponsorship of development partners. - The experience and know-how for implementing seminars effectively should be accumulated in CIB.
<p>Objectives</p>	<ul style="list-style-type: none"> - To obtain know-how of how to manage investment seminars - To improve management of investment seminars so that CIB may produce the maximum results from seminars

	- To create an operational manual for implementing seminars
Activities	<p><u>Preparation</u></p> <ol style="list-style-type: none"> 1) To set up a task force team to carry out promotional investment seminars 2) To set the target countries/industries for investment promotion activities 3) To formulate annual activity plan for investment promotion seminars 4) To discuss with the embassies of the target countries in Phnom Penh/ donors for the cooperation to hold investment promotion seminars domestically and internationally 5) To create an operational manual for implementing seminars 6) To prepare an actual plan to hold an investment promotion seminar <ol style="list-style-type: none"> (i) To decide objective, target participants, and tentative agenda for the seminar (ii) To setup dates and venues for the seminar (iii) To select presenters and key note speakers (iv) To prepare presentation materials in English by utilizing the collected information/data (v) To prepare an invitation letter as well as brochures or newsletters for the seminar and distribute them to the target participants (vi) To compile the list of participants for the seminar and individual business consultation (vii) To list foreign news media and extend them invitations to the seminar (viii) To arrange transportation, and accommodation for the persons such as speakers, staff members, and interpreters (ix) To set up the necessary equipment at the site <p><u>Implementation</u></p> <ol style="list-style-type: none"> 7) To implement the investment seminar 8) To conduct talk and business sessions following the seminar 9) To arrange factory visits (If the seminar is implemented in Cambodia) 10) To get feedback from attendants of the seminar utilizing questionnaires <p><u>Follow-up of seminar</u></p> <ol style="list-style-type: none"> 11) To analyze the result of questionnaires 12) To discuss among the task force team members the issues to be improved for the seminar implementation and identify needs/requests of the participants 13) To prepare the report and share it in CIB 14) To conduct follow-up activities for the participants 15) To update the operational manual

<p>Activities (by step)</p>	<ol style="list-style-type: none"> 1) To prepare a plan to hold a training workshop for directors and related staff of the provincial governments on the importance of investment promotion and know-how for attracting FDIs 2) To consider the use of programs by donors for the implementation of training workshops 3) To develop the contents of the workshop, (e.g. how to prepare your own promotional materials, how to receive investment missions, how to coordinate with CIB, etc.) 4) To promote a training workshop to local governments and mass media 5) To hold a training workshop in Phnom Penh or respective provinces 6) To evaluate the results of the training workshop by the staff in charge and by participants 7) To utilize the occasion for mission visits from foreign countries <p>Note: A training workshop should be aimed to the provinces such as Preah Sihanouk where an SEZ is getting ready to open and expand to other regions in the future.</p>																																																																																																																																																																																																																																																																																																																																												
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<p>Expected Achievements</p>	<ul style="list-style-type: none"> - The materials for a training workshop are developed - PMISs' capability to approve QIPs and attract FDIs is developed 																																																																																																																																																																																																																																																																																																																																												

8.3.3 Investment Consultation and Aftercare Services

Action 8: Upgrading of Reception Desk (Investors Desk)

<p>Background and necessity</p>	<ul style="list-style-type: none"> - When the investors examine their investment opportunities or establish their investment plans, they may often require individual consultation based on their specific needs regarding the investment climate, sub-sector situation, investment approval procedures, as well as other factors - Even after the investment project is implemented, various problems may keep arising in daily operation so that further requests may be raised from the investors. The investment promotional section has to take care of such problems and provide investors with adequate advice - To carry out such consultation. A particular location should be provided to make the investors feel comfortable and secure. Current space provided at the reception
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Action 10: Establishment and capacity development of aftercare services

Background and necessity	<p>(1) Importance of Aftercare Services</p> <p>There are mostly three purposes of aftercare services for existing investors in Cambodia:</p> <p>a. Anchoring existing investors in Cambodia A good business climate should be continuously provided for the operation of an established investor after the investment is done. Otherwise, the investor may lose the advantages of operating in Cambodia and consider divestment. It is necessary to keep the existing investors satisfied by providing appropriate aftercare services.</p> <p>b. Develop investors' business and induce reinvestment in Cambodia With aftercare services to existing investors, they may expand their operation and diversify into more value-added operations. This will lead to further business linkages with local industries and technology transfer as well as reinvestments by existing investors. In other ASEAN countries, reinvestment by existing investors generally occupies a certain portion of new investment.</p> <p>c. Word-of-mouth investment promotion by existing investors The aftercare services including troubleshooting may enhance the satisfaction of investors. Satisfied investors will be good promoters of foreign investment as potential investors usually visit existing investors for information at the feasibility study stage.</p> <p>The Prime Minister advocated the importance of aftercare services to investors in 1999 and took up one of issues of the Government-Private Sector Forum. Now it is the stage for narrowing down this issue from the policy level to a technical level at CDC.</p> <p>(2) Current Situation of Aftercare Services of CIB In practice, CIB does not provide extensive aftercare services except for the monitoring of compliance. The Project Monitoring Department engages in checking the investors' compliance with the conditions of their application. The Monitoring Department visits investors from time to time. In the questionnaire survey to the managers and staff of CIB, 42% of respondents replied that <u>aftercare services for existing investors should be further strengthened.</u></p>
Objectives	<ul style="list-style-type: none"> - To design and establish a mechanism for providing continuous aftercare services to existing investors - To build on the good relationship of mutual trust between CIB and existing investors <p><u>Services to be enhanced:</u></p> <ul style="list-style-type: none"> * Periodically provide information on new laws and regulations, economy and business, etc. * Provide consultations for problem solving with existing investors. * Network existing investors with local businesses including business associations * Advocate investors' opinions on investment climate so that national policy reflects them
Activities (by step)	<p><u>Step 1: Preparatory Stage</u></p> <ol style="list-style-type: none"> 1) Examine the types of aftercare services to be introduced and enhanced 2) Set up a unit for aftercare services as a task force base 3) Start periodic company visits to existing investors and chambers of commerce of foreign countries 4) Report the results of company visits to the management of CDC/CIB and review the types of aftercare services to be introduced and enhanced

	<p><u>Step 2: Initial Stage of Service</u></p> <ol style="list-style-type: none"> 5) Prepare a manual/guidebook for aftercare services 6) Build and maintain a database of existing investors 7) Develop a network with resources for aftercare services 8) Conduct training of staff of the unit for aftercare services 9) Provide basic aftercare services to existing investors (including holding of joint meeting of investors, local companies and business associations) <p><u>Step 3: Full Service Stage</u></p> <ol style="list-style-type: none"> 10) Formulate an annual activity plan and provide proactive aftercare services according to the plan 11) Provide information useful for the operations and business development of existing investors 12) Provide consultations and problems solving services to existing investors 13) Promote networking with existing investors 14) Collect investors' opinions on the investment climate and transfer them to relevant divisions of CIB so that the national policy reflects them 																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
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<p>Required inputs (other than CIB staff mobilization)</p>	<p><u>Preparation Stage and Initial Stage of Service</u></p> <ul style="list-style-type: none"> - Travel and meeting expenses for company visits - Expenses for preparing manual/guidebook for aftercare services - Expenses for building database for aftercare services - Mobilization of experts for staff training <p><u>Full Service Stage</u></p> <ul style="list-style-type: none"> - A routine annual budget for aftercare services should be secured 																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
<p>Expected Achievements</p>	<ul style="list-style-type: none"> - A unit for aftercare services is set up in CIB - Company visits to existing investors are periodically conducted - Manual/guidebook for aftercare services is prepared - A database of existing investors is introduced - The capability of staff in charge of aftercare services is developed - A good relationship with existing investors is established 																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	

8.3.4 Policy Advocacy

Action 11: Formulation of a proposal for investment climate improvement (modification of investment-related laws and regulations)

Background and necessity	<ul style="list-style-type: none"> - According to the provisions of the 2003 Law on Investment (2003 LOI) and Sub-Decree No.111 on the Implementation of the LOI, a CRC has to be issued within 3 working days of the receipt or submission of the QIP application and a FRC within 28 working days of the issuance of the CRC, however, CIB fails to keep such time frames in many cases. - Article 6.1.(d) of Sub-Decree No.111 stipulates that CDC or PMIS has the right to postpone the registration of specific Investment Projects related to the national interest or that are environmentally sensitive, which requires them to be processed through the one-stop mechanism of the Council. Meanwhile, one of the features of the 2003 LOI is the automatic approval of issuing CRC within 3 working days. There is no provision in 2003 LOI that allows for the postponement of the issuance of the CRC beyond 3 working days. - In practice most of the non-routine projects have to be processed in the one-stop mechanism (meeting) of CIB, which usually takes place once every month, in order to be approved as a QIP. Thus, most of the non-routine investment projects fail to obtain a CRC within 3 working days. - The 2003 LOI also stipulates that CIB has to provide a “one-stop service” for obtaining, on behalf of the investors, other licenses listed in the CRC, which would be issued by line ministries and necessary for start-up and operation of the investment project. Contrary to such provision of 2003 LOI, Article 7.1 of the Sub-Decree No.111 stipulates that CDC or PMIS must, on behalf of the Applicant, assist with the issuance of the approvals, authorizations, licenses, permits, or registrations listed in CRC. In actuality, the investors have to obtain most of those approvals, authorizations, licenses, permits, and registrations by themselves. - Although the ministerial licenses are never provided by the CIB at the time of the issuance of the FRC, the application fee of 7 million Riel is still collected as an administration fees for securing the approvals, authorizations, licenses, and registrations from all relevant ministries and entities including stamp duty (Article 5.1 of Sub-Decree No.111). - According to the study in CIB, it also fails to issue FRC to 20% of the QIP applications within the 28 working days after the issuance of the CRC due to a delay in obtaining necessary authorization signature inside of CIB. - There is no clear and detailed definition of “specific Investment Projects related to the national interest” or “One-stop mechanism” neither in the 2003 LOI nor the Sub-Decree No.111. - It inappropriate for CIB as a governmental organization to not observe the provisions of the laws and regulations. This may undermine the confidence of the investors in the investment-related legal system of Cambodia. - The above-mentioned discrepancies among the provisions of the 2003 LOI and Sub-Decree No.111, and actual practices have to be modified and aligned so that in no case will a Sub-Decree supersede a Law.
Objectives	<ul style="list-style-type: none"> - To make policy recommendations to improve investment climate in terms of investment-related legal schemes - To align investment-related laws and regulations based on the legal hierarchy

<p>Activities (by step)</p>	<ol style="list-style-type: none"> 1) Assigning the task force team from the staff of the Legal Procedure and Investment Law Dept. and Project Evaluation and Incentives Dept. of CIB 2) Identifying the discrepancies among the provisions of the 2003 LOI and Sub-Decree No.111, and current practice 3) Drafting modified procedures by examining the possible measures for modifying the QIP approval procedures, which should substitute for the current procedures, in cooperation with representatives from the line ministries 4) Examining and authorizing the draft modified procedures by top management of CIB, then by top management of CDC and the line ministries 5) Drafting the modified provisions of the 2003 LOI and Sub-Decree No.111 6) Authorizing the proposed modified provisions of the 2003 LOI and Sub-Decree No.111 by top management of CIB and then by top management of CDC and line ministries <p>Note: After the completion of the CDC proposal for the modification of investment-related laws and regulations, its enactment process should be as follows:</p> <ol style="list-style-type: none"> 1) Review of the draft law and sub-decree by the Private Sector Working Group of G-PSF, the Judicial Council and the Economic, Social and Cultural Council 2) Sending of the draft law and sub-decree to the Council for Ministers (COM) for examination and approval 3) Submitting the draft law to the National Assembly for adoption 4) Submitting the adopted draft law to the Senate for ratification 5) Submitting the adopted law to the King for signature 6) Issuance of the modified sub-decree by the COM 																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
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<p>Expected Achievements</p>	<ul style="list-style-type: none"> - Investment climate in terms of legal scheme is improved - The confidence of the investors in the investment-related legal scheme is secured - More investment projects materialize 																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										

8.3.5 Organization and Management

Action 12: Preparation and implementation of organizational reform

Background and necessity	<ul style="list-style-type: none"> - The organizational reform of CIB is essential in order to create and enhance real investment promotion services, while the current organizational structure of CIB focuses on the investment approval function - Establishing a new organizational structure that puts emphasis on the investment promotion function representing “all Cambodia” can become a symbolic image that largely appeals to investors 																																																																																																																				
Objectives	<ul style="list-style-type: none"> - To make a preparation and implement an organizational reform to enhance the investment promotion function of CIB to allocating more resource to investment promotion and establishing a window organization (unit) for all investors investing in Cambodia with the following goals: <ul style="list-style-type: none"> * To formulate an effective/efficient investment promotion service providing organization with flexibility and autonomy in budget and human resource management * To increase the quality of services for investment promotion with increasing awareness and motivation among staff for investor-friendly services * To show the commitment of the Cambodian government leaders to call for increasing investment in Cambodia from both domestic and global investors 																																																																																																																				
Activities (by step)	<ol style="list-style-type: none"> 1) To create a consensus on the necessity of organizational reform among the CDC Chairman, Vice Chairmen, and relevant Ministers 2) To declare by CDC Chairman that RGC initiate preparation work of organizational restructuring of the country’s investment promotion agency 3) To formulate a taskforce team under the responsibility of the Vice Chairman (in charge of CIB) 4) To draw a road map, details of reform, a new organizational chart, necessary implementation procedures, and time schedule with a reference to the M/P prepared by JICA 5) To decide the above-mentioned 4) through the CDC Vice Chairmen and relevant Ministers 6) To obtain the approval of the Prime Minister 7) To implement organizational reform with necessary legal procedures (Drafting and enactment of the new Sub-Decree) 																																																																																																																				
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Required inputs (other)	<ul style="list-style-type: none"> - Occasional advice from investment promotion experts, if necessary 																																																																																																																				

than CIB staff mobilization)	
Expected Achievements	<ul style="list-style-type: none"> - Commitment to the reforming of the investment promotion organization by top leaders by the Government becomes clear and widely shared. - Strategy, direction, and details of the organizational reform are clearly defined, which leads to an acceleration of effective implementation of other Actions for strengthening investment promotion services. - Schedule and necessary procedures for the organizational reform become clear.

Action 13: Preparation of job descriptions and job flows to enhance investment promotion services

Background and necessity	<ul style="list-style-type: none"> - There has not been a consistent organizational mechanism for CIB to formulate, implement, and monitor the annual integrated investment promotion plan and to take actions towards effective investment promotion. - The investment promotion activities extended by CIB are very confined to participation in seminars and the provision of limited information. In addition, CIB does not have an operation manual except for the QIP approval procedures. - The Study Team proposes a set of new investment promotion activities, which should be initiated by CIB for the strengthening of investment promotion. However, CIB does not have experience in this area.
Objectives	<ul style="list-style-type: none"> - To compile the service processes and flows of investment promotion services to be strengthened - To compile the data on necessary the inputs and resources for investment promotion services to be strengthened - To prepare job flows, job descriptions and manuals for each of enhanced investment promotion service.
Activities (by step)	<ol style="list-style-type: none"> 1) To setup a task force that is responsible for the preparation of the job design <ul style="list-style-type: none"> - To nominate responsible persons in each department and responsible persons in charge of the facilitation and integration of job designs - To provide taskforce members with necessary training in job design 2) To design a process and flow for each service to be strengthened (according to the recommendations of the Study) by type of service and by department 3) To compile the processes and flows of services to be strengthened 4) To estimate necessary resources (number of staff, equipment, etc) for each service <ul style="list-style-type: none"> - The service process and flow may be modified according to the constraints of existing capabilities and resources 5) To make a plan for allocating resources to each investment promotion service to be strengthened <ul style="list-style-type: none"> - The allocation will be made in accordance with the priority and readiness of the individual investment promotion services 6) To prepare job descriptions (or job guidelines) for each investment promotion service to be strengthened 7) To hold workshops for staff on the job flows and job descriptions of services to be strengthened (by each department) 8) To evaluate continuously the appropriateness of service processes and job descriptions and modify them when needed

Time frame	Activity			
	Preparation Stage	1st Year	2nd Year	3rd Year
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Department in charge	- Administration Dept.			
Required inputs (other than CIB staff mobilization)	- Mobilization of investment promotion expert(s)			
Expected Achievements	- Service processes and job flows of investment promotion services will be clarified - Data necessary for planning of required number of staff and other resources will be clarified - Job descriptions of each staff will be clarified and an appropriate allocation of staff to each service will be realized			

Action 14: Introduction of Task Management

Background and necessity	- There is no Task Management method (Plan-Do-Check-Action: PDCA) practiced in CIB for the implementing of promotional activities - No delegation of power to lower management levels was observed in CIB - There is a necessity for applying the PDCA method to the CIB activities widely in order to improve efficiency
Objectives	- To establish a Task Management system based on the PDCA cycle with the purpose of improving CIB's activities at the departmental level - To have each department prepare a plan and set objectives for activities - To have each department be able to objectively evaluate the results of the activities and make improvements
Activities (by step)	1) To set up a task force for introducing the "Plan-Do-Check-Action (PDCA)" system management 2) To formulate the provisional plan of the PDCA system management 3) To apply the PDCA system management to a particular promotional activity such as receiving missions or holding seminars as a pilot project 4) To evaluate a pilot project and make necessary modifications to finalize the PDCA system management to be introduced in CIB 5) To hold training workshops for staff in the PDCA system management, by referring to the pilot project, and put it into practice

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Department in charge	- Administration Dept.																																			
Required inputs (other than CIB staff mobilization)	- Mobilization of Task Management experts																																			
Expected Achievements	<ul style="list-style-type: none"> - PDCA system management is introduced - Investment promotional services are provided more effectively and efficiently - CIB's activities are continuously improved and upgraded - CIB staff become conscious of their contribution to the organization and are more motivated 																																			

Action 15: Introduction of annual planning and budgeting mechanism including diversification of budget resource

Background and necessity	<ul style="list-style-type: none"> - Most investment promotion activities are passively conducted without an integrated annual activity plan. - Annual budget planning for activities has not been implemented with the allocation of the necessary budget and clear budgeting procedures in CIB. - There is no responsible person or department in charge of drafting and integrating the annual activity/budget planning into CIB. - It is strongly expected that the reform of CIB into the new organization will be implemented in order to solve the above-mentioned issues.
Objectives	<ul style="list-style-type: none"> - To establish a sound organizational mechanism for integrated annual planning of activities and budget in order to obtain the necessary government budget - To enhance clear and transparent budgeting procedures for the strengthening of investment promotion activities - To increase potential for increasing the institutions own revenue and contributions from relevant organizations including donors
Activities (by step)	<p>The Study Team proposes the introduction of a budgeting system.</p> <ol style="list-style-type: none"> 1) To formulate a taskforce team for the preparation of integrated annual planning <ul style="list-style-type: none"> - To nominate responsible persons in each department for annual activities/budget planning - To nominate responsible persons in charge of the facilitation and integration of activities/budget planning

Action 16: Planning and Implementation of training programs

Background and necessity	<ul style="list-style-type: none"> - Most staff of CIB do not have sufficient experience in investment promotion, e.g., investment seminar and information service. Therefore, know-how of investment promotion is not accumulated within CIB. - The organizational culture of CIB is not customer-oriented, which is necessary for a service-providing agency like CIB. - CIB has not established total human resource management (HRM) system and does not implement systematic human resource development (HRD) plan. - Intensive training of staff is required for providing strengthened investment promotion services of CIB.
Objectives	<ul style="list-style-type: none"> - To implement intensive training of staff based on total HRM system and HRD plan to enable enhanced investment promotion activities. - To introduce a total HRM system and HRD plan - To establish career paths - To establish a good practice of HRM and HRD (e.g. evaluation, personnel relocation, compensation, and training of staff)
Activities (by step)	<p><u>Formulate HRM and HRD plans for enhanced investment promotion function</u></p> <ol style="list-style-type: none"> 1) To conduct benchmark surveys of HRM and HRD in other Ministries of RGC, the private sector, and IPAs in other countries 2) To identify capabilities and competencies of management and staff required for enhanced investment promotion function 3) To design its own HRM system and career path which are suitable for enhanced investment promotion 4) To develop an HRD plan including training programs based on the required competency of CIB 5) To pinpoint resources which provide training programs including the opportunities of receiving assistance from donors <p><u>Implementation of new HRM and HRD</u></p> <ol style="list-style-type: none"> 6) To introduce new HRM system and HRD plan to strengthen the capabilities of management and staff 7) To implement training programs <ul style="list-style-type: none"> <i>Basic Skill Training for staffs</i> <ul style="list-style-type: none"> - Knowledge on investment (Economic overview, Industrial sub-sectors, Investment trend, Taxation and accounting, and QIP manual) - IT operational skills (Presentation, data analysis, uploading website etc.) - Foreign language (English and others) - Service improvement (KAIZEN, 5S) <i>Specialist Training for staff</i> <ul style="list-style-type: none"> - Market research including needs survey - IT maintenance skill (web-design, database network design) <i>Management Training for managers</i> <ul style="list-style-type: none"> - HRM and HRD design - Leadership and management skill - Personnel rating system <p><u>Maintenance of HRM system and HRD plan</u></p> <ol style="list-style-type: none"> 8) To make individual record sheets of capability/competency, work experience and performance, as well as training records

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Required inputs (other than CIB staff mobilization)	<ul style="list-style-type: none"> - Assistance in new HRM and HRD design - Expenses for visits to other IPAs - Administrative Expenses for conducting training programs (Input for training of element skills is mentioned in each relevant Action.)																																																																																																																																																																																																		
Expected Achievements	<ul style="list-style-type: none"> - HRD programs are prepared and implemented based on the needs of services. - Skills and capabilities of each staff will be developed based on planed career path. 																																																																																																																																																																																																		
Remark	<ul style="list-style-type: none"> - It is also useful constructive to consider a change of status of CIB staff seconded by ministries to be proper status. - It is desirable to conduct regular job rotation so that staffs can accumulate a wide range of knowledge and be encouraged to better internal communication. 																																																																																																																																																																																																		