

Reference

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Appendix

Appendix 1

Awareness Survey of CIB: Questionnaire Result

Result of the Questionnaire survey to CIB managers and staff
(Secondary summary)

as of June 16, 2009

Question	Answer (Mark)				Average Score	
	Yes, very much 3	Yes, to some extent 2	No, not much 1	Not at all 0		
A. Questions about Roles and Functions of CDC/CIB						
1. Do you think that CDC/CIB has a clear mission as an IPA?	16 37%	19 44%	7 16%	1 2%	0 0%	2.16
2. What do you recognize of the mission of CDC/CIB?	7 16%	13 30%	23 53%	0 0%	Other	-
3. Do you think that the legal status of CDC/CIB is clearly defined and informed well to the wide range of relevant people outside CDC/CIB?	13 30%	18 42%	12 28%	0 0%	Other	2.02
4. Do you think that CDC/CIB is assigned the responsibility/function of advocacy within government to seek necessary approvals or urge the removal of obstacles to investment?	16 37%	14 33%	9 21%	3 7%	1 2%	2.02
5. Do you think that CDC/CIB actually and effectively conduct "advocacy"?	11 26%	23 53%	7 16%	1 2%	1 2%	2.05
6. Do you think that CDC/CIB has direct and effective access to the related ministries and government organizations to facilitate its advocacy role?	24 56%	16 37%	1 2%	1 2%	1 2%	2.50
7. Do you think that CDC/CIB has enough control (leverage) and authority (legal mandate) over other related ministries as the "lead agency" in terms of effective conduct of "advocacy"?	6 14%	20 47%	10 23%	7 16%	0 0%	1.58
8. How can CDC/CIB strengthen the "advocacy" role in your opinion?	-	-	-	-	-	-

Question	Answer					Average Score
	Yes, very much	Yes	No, not much	Not at all	Other	
9. Do you think that CDC/CIB is assigned the responsibility/function of image building to promote the country as an investment destination?	3 14	2 20	1 8	0 0	- 1	2.14
10. Do you think that CDC/CIB actually and effectively conduct “image building”?	33% 11	47% 21	19% 9	0% 2	2% 0	1.95
11. What kind of concrete activities for image building are frequently conducted currently by CDC/CIB in your opinion? * (*: Multiple Choice)	(1) Advertising on TV, magazines, and journals 12 28% (6)Others 1 2%	(2) Providing promotional materials 27 63%	(3) Organizing investment seminars/fairs 20 47%	(4) Operating Website 27 63%	(5) Sending investment E-newsletter 15 35%	-
12. What kind of concrete activities should CDC/CIB strengthen in order to conduct effective image building? *	(1) Advertising on TV, magazines, and journals 11 26% (6)Others 3 7%	(2) Providing promotional materials 18 42%	(3) Organizing investment seminars/fairs 16 37%	(4) Operating Website 25 58%	(5) Sending investment E-newsletter 10 23%	-
13. How can CDC/CIB strengthen the “image building” role in your opinion?	- -	- -	- -	- -	- -	-
14. Do you think that CDC/CIB is assigned the responsibility/function of investor servicing or facilitation to help solve problems faced by existing and potential investors?	15 35%	16 37%	5 12%	4 9%	3 7%	2.05
15. Do you think that CDC/CIB actually and effectively conduct “investor servicing or facilitation”?	7 16%	20 47%	15 35%	0 0%	1 2%	1.81

Question (Mark)	Answer (Mark)					Average Score
	Yes, very much	Yes	No, not much	Not at all	Other	
16. What kind of concrete activities for investor services or facilitation are frequently conducted currently by CDC/CIB in your opinion? * <i>(*: Multiple Choice)</i>	3 14 33%	2 12 28%	1 13 30%	0 19 44%	- 19 44%	-
17. What kind of concrete activities should CDC/CIB strengthen in order to conduct effective investor services or facilitation? * <i>(*: Multiple Choice)</i>	(1) Data collection & analysis of information on business environment	(2) Data collection & analysis of strategies/activities of foreign investors	(3) Provision of data collected/analyzed and information to potential and existing investors	(4) Promotion activities such as organizing seminars and hosting investment study missions from abroad	(5) Services for enquiries and consultation by potential and existing investors	-
	(6) Aftercare services for existing investors	(7) Others				
18. How can CDC/CIB strengthen the “investor servicing or facilitation” role in your opinion?	18 42%	21 49%	14 33%	12 28%	13 30%	-
19. Do you think that CDC/CIB is assigned the responsibility/function of targeting or investment generation by actively seeking out investors based on national development plans or other criteria?	18 42%	14 33%	4 9%	2 5%	5 12%	2.26

Question	Answer (Mark)					Average Score
	Yes, very much	Yes	No, not much	Not at all	Other	
(Marks)	3	2	1	0	-	
20. Do you think that CDC/CIB actually and effectively conduct "targeting or investment generation"?	12 28%	21 49%	4 9%	3 7%	3 7%	2.05
21. Do you think that CDC/CIB effectively divides its time and resources between such four basic IPA functions as advocacy, image building, facilitation and direct targeting?	14 33%	14	8	2	5	2.05
22. Do you think of any other responsibility/function of CDC/CIB that are assigned and actually implementing beside such four basic IPA functions as advocacy, image building, facilitation and direct targeting?	-	-	-	-	-	-
23. What kind of responsibility/function of CDC/CIB should further be strengthened?	Advocacy 5 12%	Image building 8 19%	Investors servicing/facilitation 19 44%	Targeting/investment generation 5 12%	Others 6 14%	-
B. Questions about Organizational Issues of CDC/CIB						
1. Do you think that the organization of CDC/CIB is appropriately designed and structured?	22 51%	12 28%	4 9%	2 5%	3 7%	2.35
2. Do you think that the organization of CDC/CIB is structured in order to effectively conduct such four major functional roles as advocacy, image building, facilitation and direct targeting?	20 47%	16 37%	4 9%	0 0%	3 7%	2.40
3. Do you think that communication and team working both inside the department and among departments are good enough?	10 23%	23 53%	6 14%	0 0%	4 9%	2.10
4. Do you think that CDC/CIB has a clear human resource management and allocation plan?	8 19%	18 42%	12 28%	2 5%	3 7%	1.80
5. Do you think that CDC/CIB has an appropriate number of and good quality of staff?	6 14%	21 49%	10 23%	3 7%	3 7%	1.75

Question	Answer (Mark)					Average Score
	Yes, very much	Yes	No, not much	Not at all	Other	
(Mark)						
6. Do you think that periodical rotation of staff among departments is necessary and important?	3 6 14%	2 15 35%	1 12 28%	0 5 12%	- 5 12%	1.58
7. Do you think that training for managers and staff is necessary and important?	31 72%	8 19%	0 0%	1 2%	3 7%	2.73
8. Do you think that CDC/CIB is appropriately funded, particularly by the government budget?	4 9%	4 9%	23 53%	6 14%	6 14%	1.16
9. Do you think that the decision procedures for budget allocation for CDC/CIB are clear and appropriate?	3 7%	13 30%	14 33%	4 9%	9 21%	1.44
10. Do you think that budget-planning procedures inside CDC are clear and appropriate?	4 9%	11 26%	16 37%	2 5%	10 23%	1.52
11. Do you think that CDC/CIB budget is appropriately allocated across the four functional roles of advocacy, image building, promotion/facilitation and direct targeting?	0 0%	17 40%	12 28%	5 12%	9 21%	1.35
12. Do you think that the salary range of CDC/CIB staff appropriate with compared to similar positions and qualifications in the private sector?	0 0%	1 2%	18 42%	14 33%	10 23%	0.61
13. Do you think that the current dispersed allocation of CDC/CIB offices puts adverse effect of efficient communication and collaboration inside the organization?	15 35%	14 33%	5 12%	4 9%	5 12%	2.05
14. Do you think that IT infrastructure including access to Internet is appropriately installed and operated?	2 5%	5 12%	19 44%	10 23%	7 16%	0.97
15. Do you think that the performance of each position, department and CIB as a whole is periodically monitored, reviewed and evaluated?	7 16%	10 23%	16 37%	5 12%	5 12%	1.50

Question	Answer (Mark)					Average Score
	Yes, very much	Yes	No, not much	Not at all	Other	
(Mark)	3	2	1	0	-	
16. Do you think that the performances of investment promotion such as levels of FDI inflows, number of jobs created and transferred technology are regularly reviewed and analyzed?	4 9%	21 49%	10 23%	2 5%	6 14%	1.73
17. Do you think that CDC/CIB has an effective dialogue mechanism with businesses?	7 16%	21 49%	9 21%	2 5%	4 9%	1.85
18. Do you think that CDC/CIB has an effective dialogue mechanism within government?	20 47%	6 14%	12 28%	1 2%	4 9%	2.15
19. Do you think that working procedures for application of QIP registration and its approval are clear and appropriate?	19 44%	17 40%	2 5%	0 0%	5 12%	2.45
20. Do you think that CDC/CIB currently meets the promised timeframe (28 days rule) for the completion of investment approvals?	18 42%	14 33%	6 14%	0 0%	5 12%	2.32
21. Do you think that CDC/CIB currently conducts necessary services for investors to get all the required licenses and permissions to fulfill the conditionality for the investment approval within 28 days?	18 42%	13 30%	7 16%	0 0%	5 12%	2.29
22. Do you think that the tracking of potential and existing investor (project) is appropriately conducted?	7 16%	23 53%	8 19%	0 0%	5 12%	1.97

Note: Total returned questionnaire = 43

The Study on the Institutional Strengthening of Investment Promotion in Cambodia Questionnaire for Directors, Managers and Staff of CIB (Awareness Survey)

2009.05.04. JICA Study Team

Dear Madam/Sir,

This is a questionnaire prepared for " The Study on the Institutional Strengthening of Investment Promotion in Cambodia " ("the Study") to be carried out by Japan International Cooperation Agency (JICA) in close cooperation with the Council for the Development of Cambodia (CDC). The Study, with a purpose of formulating a comprehensive Master Plan for the further strengthening of the country's Investment Promotion Agency (IPA), the CDC and especially its subordinate body, the Cambodian Investment Board (CIB), started in February 2009 for the duration of around 16 months.

In order to better understand the current situation of CDC/CIB, particularly the awareness of directors, managers and staff on CIB functions and weakness, JICA Study Team and Counterpart members of CIB decided to conduct a Questionnaire Survey to all managers and staff who has at least 3-year work experience at CIB regardless permanent or contracted. The response from each individual is anonymous and confidential, and the result will be statistically processed and summarized as important information for the further analysis. The Questionnaire will also provide a good opportunity for each respondent to well reconsider expected functions of IPA, CIB's reality and directions for future improvement.

The implementation of the Questionnaire Survey was approved at the meeting between the Counterpart members (Directors/Deputy Directors of CIB) and the JICA Study Team attended by H.E. Mr. Sun Chanthol on April 24. So please feel free to provide us your very frank opinions by marking and commenting to the questions below.

Please respond all the questions as much as possible. It will take only 20-30 minutes for you to fill out your own frank and subjective observation to all the questions. **The Study team assures that we keep confidentiality of each response, and therefore, please respond to the questions by using "your own knowledge and understanding" without any discussion and consultation with your colleague and supervisors. Please tick only one mark on each question, unless * mark for multiple choices is instructed. If you feel difficulties to respond to some specific questions because of the limitation of your knowledge and responsibility, please put a mark on "Other (N/A)" on that question. But please make your best effort to put a mark between (1) and (4) based on your own understanding and observation as many as possible.** If you have any questions about the meaning of questions, the Study Team is happy to answer you anytime. After filling out the Questionnaire, please put it inside the attached envelope, seal the envelope and send it back either through a contact person of each department or directly to the JICA Study Team by Thursday, May 7.

Thank you very much for your attention and cooperation. We are looking forward to receiving your reply soon.

JICA Study Team

A. Questions about Roles and Functions of CDC/CIB

Mission

1. Do you think that CDC/CIB has a clear mission as an IPA?
(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

2. What do you recognize of the mission of CDC/CIB?

- (1) “We contribute to promoting investment through efficient conduct of application processing, approval, permission and monitoring activities.
- (2) “We serve for investors as important customers for the development of Cambodia.”
- (3) “We want to be the Government Investment Promotion Agency with efficient and effective work and outputs, delivering benefits to the people of Cambodia through increased investment.”
- (4) Others _____

Comments:

Legal Status

3. Do you think that the legal status of CDC/CIB is clearly defined and informed well to the wide range of relevant people outside CDC/CIB?

- (1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Policy advocacy*

****: “Advocacy” includes such activities for the improvement in policy and regulations inside the government for investment promotion as information collection requested by investors, policy analysis, information exchange with relevant people, policy recommendation and call for proper decision.***

4. Do you think that CDC/CIB is assigned the responsibility/function of advocacy within government to seek necessary approvals or urge the removal of obstacles to investment?

- (1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

5. Do you think that CDC/CIB actually and effectively conduct “advocacy”?

- (1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Major reasons and comments to reply so:

6. Do you think that CDC/CIB has direct and effective access to the related ministries and government organizations to facilitate its advocacy role?

- (1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

7. Do you think that CDC/CIB has enough control (leverage) and authority (legal mandate) over other related ministries as the “lead agency” in terms of effective conduct of “advocacy”?

- (1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

8. How can CDC/CIB strengthen the “advocacy” role in your opinion?

Comments:

Image building

9. Do you think that CDC/CIB is assigned the responsibility/function of image building to promote the country as an investment destination?

- (1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

10. Do you think that CDC/CIB actually and effectively conduct “image building”?

- (1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Major reasons and comments to reply so:

11. What kind of concrete activities for image building are frequently conducted currently by CDC/CIB in your opinion? * **(*: You can choose multiple answers as many as you like.)**

- (1) Advertising on TV, magazines and journals (2) Providing promotional materials (3) Organizing investment seminars/fairs (4) Operating Website (5) Sending investment E-newsletter (6) Others _____

12. What kind of concrete activities should CDC/CIB strengthen in order to conduct effective image building? *

- (1) Advertising on TV, magazines and journals (2) Providing promotional materials (3) Organizing investment seminars/fairs (4) Operating Website (5) Sending investment E-newsletter (6) Others _____

13. How can CDC/CIB strengthen the “image building” role in your opinion?

Comments:

Investor servicing/facilitation

14. Do you think that CDC/CIB is assigned the responsibility/function of investor servicing or facilitation to help solve problems faced by existing and potential investors?

- (1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

15. Do you think that CDC/CIB actually and effectively conduct “investor servicing or facilitation”?

- (1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Major reasons and comments to reply so:

16. What kind of concrete activities for investor services or facilitation are frequently conducted currently by CDC/CIB in your opinion? *

- (1) Data collection and analysis of information on investment environment in Cambodia

- (2) Data collection and analysis of strategies/activities of foreign investors (Basic material for investment promotion activities)
- (3) Provision of collected/analyzed data and information to potential and existing investors
- (4) Promotion activities such as organizing seminars and hosting investment study missions from abroad
- (5) Services for inquiries and consultation by potential and existing investors
- (6) Aftercare services for existing investors
- (7) Others _____

17. What kind of concrete activities should CDC/CIB strengthen in order to conduct effective investor services or facilitation? *

- (1) Data collection and analysis of information on investment environment in Cambodia
- (2) Data collection and analysis of strategies/activities of foreign investors (Basic material for investment promotion activities)
- (3) Provision of collected/analyzed data and information to potential and existing investors
- (4) Such concrete promotion activities as organizing seminars and hosting study missions from abroad
- (5) Services for inquiries and consultation by potential and existing investors
- (6) Aftercare services for existing investors
- (7) Others _____

18. How can CDC/CIB strengthen the “investor servicing or facilitation” role in your opinion?

Comments:

Targeting/Investment generation

19. Do you think that CDC/CIB is assigned the responsibility/function of targeting or investment generation by actively seeking out investors based on national development plans or other criteria?

- (1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

20. Do you think that CDC/CIB actually and effectively conduct “targeting or investment generation”?

- (1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Major reasons and comments to reply so:

Balance and other functions

21. Do you think that CDC/CIB effectively divides its time and resources between such four basic IPA functions as advocacy, image building, facilitation and direct targeting?

(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Major reasons and comments to reply so:

22. Do you think of any other responsibility/function of CDC/CIB that are assigned and actually implementing beside such four basic IPA functions as advocacy, image building, facilitation and direct targeting?

Comments:

23. What kind of responsibility/function of CDC/CIB should further be strengthened?

(1) advocacy (2) image building (3) investor servicing/facilitation (4) targeting/investment generation (5) Others_____

24. Please provide other comments on roles and functions of both of CDC/CIB and expected IPA, if any?

Comments and opinions:

B. Questions about Organizational Issues of CDC/CIB

Organization and administration

1. Do you think that the organization of CDC/CIB is appropriately designed and structured?
(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

2. Do you think that the organization of CDC/CIB is structured in order to effectively conduct such four major functional roles as advocacy, image building, facilitation and direct targeting?
(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

3. Do you think that communication and team working both inside the department and among departments are good enough?
(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Human resource

4. Do you think that CDC/CIB has a clear human resource management and allocation plan?
(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

5. Do you think that CDC/CIB has an appropriate number of and good quality of staff?
(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

6. Do you think that periodical rotation of staff among departments is necessary and important?
(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

7. Do you think that training for managers and staff is necessary and important?
(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Budget and compensation

8. Do you think that CDC/CIB is appropriately funded, particularly by the government budget?
(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

9. Do you think that the decision procedures for budget allocation for CDC/CIB are clear and appropriate?
(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

10. Do you think that budget-planning procedures inside CDC are clear and appropriate?
(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

11. Do you think that CDC/CIB budget is appropriately allocated across the four functional roles of advocacy, image building, promotion/facilitation and direct targeting?
(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

12. Do you think that the salary range of CDC/CIB staff appropriate with compared to similar positions and qualifications in the private sector?
(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Major reasons and comments to reply so:

Infrastructure including ICT

13. Do you think that the current dispersed allocation of CDC/CIB offices puts adverse effect of efficient communication and collaboration inside the organization?

(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

14. Do you think that IT infrastructure including access to Internet is appropriately installed and operated?

(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Monitoring performances

15. Do you think that the performance of each position, department and CIB as a whole is periodically monitored, reviewed and evaluated?

(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

16. Do you think that the performances of investment promotion such as levels of FDI inflows, number of jobs created and transferred technology are regularly reviewed and analyzed?

(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Dialogue mechanism (communication, negotiation and coordination)

17. Do you think that CDC/CIB has an effective dialogue mechanism with businesses?

(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

18. Do you think that CDC/CIB has an effective dialogue mechanism within government?

(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Working procedures

19. Do you think that working procedures for application of QIP registration and its approval are clear and appropriate?

(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Major reasons and comments to reply so:

20. Do you think that CDC/CIB currently meets the promised timeframe (28 days rule) for the completion of investment approvals?

(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Major reasons and comments to reply so:

21. Do you think that CDC/CIB currently conducts necessary services for investors to get all the required licenses and permissions to fulfill the conditionality for the investment approval within 28 days?

(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Major reasons and comments to reply so:

22. Do you think that the tracking of potential and existing investor (project) is appropriately conducted?
(1) Yes, very much (2) Yes, to some extent (3) No, not much (4) No, not at all (5) Other (N/A)

Major reasons and comments to reply so:

23. Please provide other comments on organizational issues both of CDC/CIB and expected IPA, if any.

Comments and opinions:

Thank you very much for your kind cooperation.

If you directly report the filled Questionnaire to the JICA Study Team, please provide it to Ms. Phanna, a secretary of the Team or Mr. Nobuhisa IWASE (089-238-582), a consultant in responsible for organizational development, who are stationed at the rooms of the Public Relations and Investment Promotion Department of CIB.

Appendix 2

Results of Survey on Potential Investors

Appendix 2 Results of Survey on Potential Investors

This survey intends to sort out the interests of foreign investors in Cambodia and those who made investment in neighboring countries such as Thailand and Vietnam with the target of Japanese, Chinese and Korean companies in Cambodia, Thailand and Vietnam.

The survey tries to clarify the elements that determine their investments. It aims to find out the needs for investment promotion and investment information providing services. It is also intended to grasp investors' investment behavioral patterns among different nationalities.

1. Outline of the Survey

The surveying work was implemented in two steps: i) questionnaire survey; and ii) interview to investors.

The JICA Study Team conducted the questionnaire survey toward Japanese, Chinese and Korean Investors that have invested into two neighboring countries (Thailand and Vietnam) and Cambodia. The Study Team chose seven industrial sectors subject to the survey. They are seven industries which are positioned as target priority industries in this Study. Questionnaires were distributed to the investors in advance to interview survey. The interviews were supplementary conducted to follow up questionnaires and to get more detailed information.

The survey was conducted during the period May - June 2009. The contents of the questionnaire survey are as presented below.

Table 2-1 Items of the Questionnaire Survey

Surveying Item	Questioning Item
1. Outline of Responding Companies	(Basic questions) - Industrial sector, dealing products, location, number of employees, production & sales amount - Major market, export ratio, export destination (countries) - Major overseas investment location, and dealing items
2. Investment Plan	New & expansion investment plans in the advanced Country. Whether or not, there happen to be any investment plans towards Cambodia.
3. Elements for determining Investments	- Investment promoting sectors and its incentive measures (exemption from various taxation & tax reduction measures; including corporate tax and import custom duties on raw materials and capital goods) - One-Stop-Services, low corruption rate, costs for opening business - Labor Environment (legal minimum wage, easiness of acquisition of employees, quality of labor force, employee turnover rate, industrial dispute occurrence rate, etc.) - Opportunities of vocational training, adequate curriculums set according to industrial sectors & required expertise - Industrial park land cost, industrial parks' facilities, electricity, water & gas charges, black-out occurrence rate, necessity of installing private power generators, bonded zone merits, etc.

	<ul style="list-style-type: none"> - Access to market (distance, physical distribution) - Existence of supporting industries (local procurement of raw materials & component materials) - Established situation of distribution infrastructures (airports, ports, roads, railways), easy access to such infrastructures - Custom duties, required days to clear customs, animal & plant quarantine, food hygiene inspection procedures, corruption rate during such procedure
4. Investment incentives and investment promotion services provided by investment promotion agencies (IPAs), utilization rate of investment information providing services	
5. Any requests, etc., in improving incentive measures in regard with investment towards Cambodia	
6. Any elements to be paid into attention, specific to industrial sectors (elements for determining investments)	

Source: CDC

In order to secure certain level of response, a survey company was employed and dispatched to Thailand and Vietnam to make direct interview surveys.

2. Findings of the Survey

(1) Questionnaire Survey

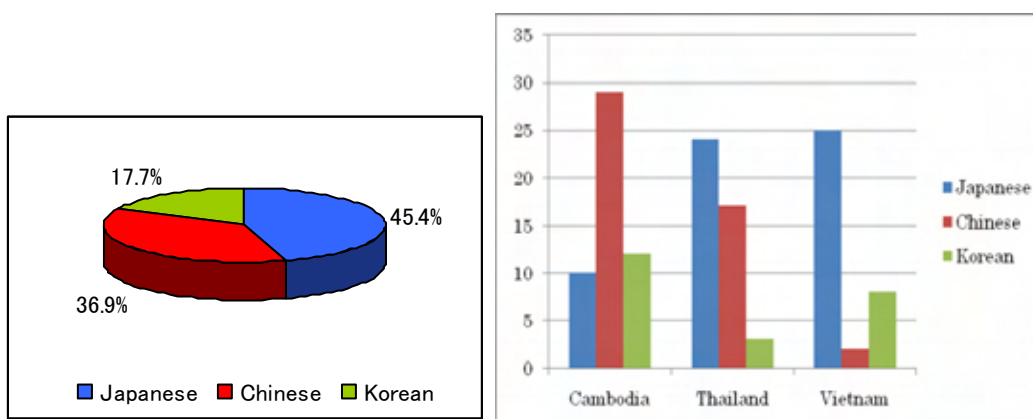
a. Number of Distributed and Responded

Questionnaire was distributed to 662 companies and total respondent is 130 with 19.6% turnover that consists of 59 Japanese companies, 48 Chinese companies and 23 Korean companies.

Table 2-2 Number of Distributed and Responded Questionnaires

Nationality Location	Distributed (a)				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: CDC



Source: CDC

Figure 2-1 Numbers of Responded Companies

b. Industrial Profiles of the Surveyed Companies

The number of surveyed companies by industrial classification for each subject country is as presented in Table 2-3. Among the respondents in Cambodia, garment/ textile companies occupy the largest share (34 companies to total 51 companies). In Thailand, simple electronics companies are the largest (14 companies) followed by agro-industry companies (11 companies). In Vietnam, agro-industry companies are 14 companies followed by simple machine processing companies of 9 companies.

Table 2-3 Classification of Companies by Industry

	Cambodia	Thailand	Vietnam
Garment/Textile	34	6	4
Agro-industry	6	11	14
Footwear	3	1	1
Simple electronics	2	14	5
Simple machine processing	2	9	9
Natural rubber	0	3	0
Tourism	4	0	2
Total	51	44	35

Source: CDC

c. Basic information of the company

The number of employees varies according to the industry as presented in the following table.

In Cambodia, ten companies of garment/ textile industry are in the range of 501-1000 employees. In Thailand, four companies of agro-industry employ over 1000. In Vietnam, 101-300 are employed in agro-industry.

Table 2-4 Number of Employees

	Cambodia		Thailand		Vietnam	
Garment/Textile	501-1000	10	51-100, 101-300, 301-500	1	101-300, 501-1000 No Answer	1
Agro-industry	11-50, 51-100	2	1000-	4	101-300	5
Footwear	1000-	2	No Answer	1	No Answer	1
Simple electronics	51-100, 101-300	1	No Answer	5	1000-	2
Simple machine processing	51-100, 101-300	1	101-300	3	11-50	4
Natural rubber	-	-	11-50, 101-300, No Answer	1	-	-
Tourism	0-10, 11-50, 101-300, No Answer	1	-	-	51-100	2

Source: CDC

The majority of the Japanese companies have high export ratio of over 50%. Japanese companies are export oriented in Thailand (11) and Vietnam (17), whereas Chinese and Korean companies are aiming their business in the located countries. However, Chinese companies in Cambodia are actively involved in export with 14 out of 20 companies who are exporting over fifty percent.

Table 2-5 Companies with Exporting Ratio Over 50 %

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

Source: CDC

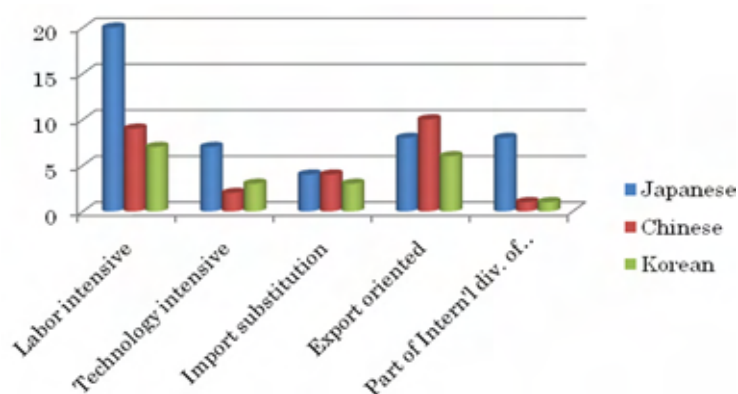
d. Management and Business Strategy

Management and business strategy are different among the companies. Leading strategies are labor intensive and export oriented. Japanese companies are in heavily labor intensive, and Chinese and Koreans are more or less equal in labor intensive and export oriented.

Table 2-6 Management and Business Strategy

	Japanese	Chinese	Korean	Total
Top 5 Answers				
Labor intensive	20	9	7	36
Technology intensive	7	2	3	12
Import substitution	4	4	3	11
Export oriented	8	10	6	24
Part of International div. of labor	8	1	1	10
Grand Total	59	48	23	130

Source: CDC



Source: CDC

Figure 2-2 Management Type

e. Purpose of Investment

Major purposes of investment are concentrated on “establishment of manufacturing base (48 %)” and “market cultivation (16%)”.

Table 2-7 Major Purpose of Investment

	Japanese		Chinese		Korean		Total		Total
	Thai	Viet	Thai	Viet	Thai	Viet	Thai	Viet	
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
Establish Manufacturing Base	13	12	7	0	3	3	23	15	38
As supporting industry	1	0	1	0	0	0	2	0	2
Technology acquisition or development	0	0	0	0	0	0	0	0	0
Resource & energy acquisition	1	1	0	0	0	2	1	3	4
Brand popularity	0	0	0	0	0	0	0	0	0
Tax reduction	0	0	0	0	0	0	0	0	0
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	24	25	17	2	3	8	44	35	79

Source: CDC

f. Investment Plan

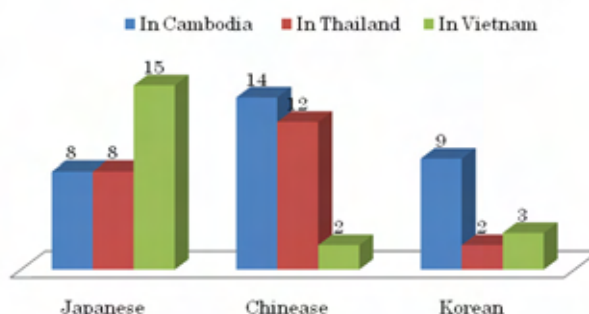
- 1) Whether they have new or expansion investment plans in future in their located country?

All three nationalities of companies show strong interest to invest newly or expand in their located countries.

Table 2-8 Future Investment or Expansion in Located Country

	Japanese	Chinese	Korean	Total
Have a Investment Plan (a)	31	28	14	73
Of which in Cambodia	8	14	9	31
Of which in Thailand	8	12	2	22
Of which in Vietnam	15	2	3	20
Grand Total (b)	59	48	23	130
(a)/(b)	53%	58%	61%	56%

Source: CDC



Source: CDC

Figure 2-3 Future Investment or Expansion in Located Country

- 2) Whether they have investment plans or interest toward investment to Cambodia in future from Thailand and Vietnam?

Japanese companies in Vietnam and Chinese companies in Thailand show high interest toward Cambodia to invest in the future.

Table 2-9 Investment Plan or Interest to Cambodia in Future

	Japanese	Chinese	Korean	Total
From Thailand	4	6	1	11
From Vietnam	9	1	2	12
Total having investment plan/ interest	13 (27%)	7 (39%)	3 (27%)	23 (29%)
Operating total in both countries	49	19	11	79

Source: CDC

- 3) Major purpose of investment plan in Cambodia

Among fifty-five companies (including companies located in Cambodia) who showed plans or interest to invest to Cambodia eighteen companies (32.7%) are thinking Cambodia as *market cultivation* place. Japanese companies in Vietnam point *market cultivation* (4) and *establishment of manufacturing base* (3) as their interest. Companies who presently operate in Cambodia show diverse interest. Chinese companies (6) pick *market cultivation*. Koreans (4) pick their interest as *export to 3rd country or homeland*. Japanese raise *supporting industry* as their needs.

Table 2-10 Major Purpose of Investment Plan in Cambodia

	Japanese			Chinese			Korean			Total			Total
	Cam	Thai	Viet	Cam	Thai	Viet	Cam	Thai	Viet	Cam	Thai	Viet	
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 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
Invest or 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

Source: CDC

- g. Major factors in investment decision -making

- 1) Investment decision factors in located country

“*Labor market condition - low wage*” was selected as the most necessary factors for decision

making in investment.

Japanese companies put the highest priority on “low wage” followed by “labor quality”. Chinese and Koreans companies also pointed out “*labor market condition - low wage*” as important. However, Chinese companies chose “*investment incentive policy on specific industrial sectors*” as the most necessary element. The factor of “*social & political stability*” is considered as the third important factor by all the parties.

Table 2-11 Basic Requirements

(Requirements for Opening Businesses, Investment Incentives, etc.)

Top 5 Factors	Japanese	Chinese	Korean	Total	
	No.	No.	No.	No.	Share
2 Investment incentive policy on specific industrial sectors (tax exemption or reduction measures on corporate tax, custom duties in regard with raw material and/or capital goods, etc.)	17	24	9	50	38%
6 Labor market condition 1 (low wage)	37	15	13	65	50%
7 Labor market condition 2 (quality of labor force, adequate opportunities for potential employees to acquire vocational training, etc.)	27	7	5	39	30%
14 Distribution conditions 1 (distribution infrastructures: airports, ports, roads, railways, etc. & accessibility to such infrastructures)	19	12	4	35	27%
22 Social & Political stability	26	17	8	51	29%
Total of responded companies in 3 countries	59	48	23	130	100%

Note: Respondents were asked to click multiple answers.

Source: CDC

2) Expectation for Cambodia

The highest expected factors in Cambodia is “*quality of labor force*”, followed by “*social & political stability*”, and “*distribution conditions related to distribution infrastructures such as airports, ports, roads, railways & accessibility to such infrastructures*”.

Table 2-12 Factor of Expectation in Cambodia

Top 5 Factors	Japanese	Chinese	Korean	Total
7 Labor market condition 2 (quality of labor force, adequate opportunities for potential employees to acquire vocational training, etc.)	21	4	5	30 (23%)
14 Distribution conditions 1 (distribution infrastructures: airports, ports, roads, railways, etc. & accessibility to such infrastructures)	24	1	3	28 (22%)
18 Existence of domestic supporting industries and natural resource industries (easy domestic procurement of components & raw materials)	17	4	2	23 (18%)
21 Foreign representative staffs' living environment in general	19	0	3	22 (17%)
22 Social & Political stability	16	7	7	30 (23%)
Total responded companies in 3 countries	59	48	23	130

Note: Respondents were asked to click multiple answers.

Source: CDC

3) Current Issues in Cambodia

Beside “social and Political stability”, “existence of domestic supporting industries and natural resource industries” is seen as current issue in Cambodia. Foreign companies desire the easy domestic procurement of components and raw materials in Cambodia. As seen in the factor of expectation for Cambodia, “distribution conditions: distribution infrastructure” is a major current issue, particularly for Japanese investors. *Public utility charges* (electricity, water, gas etc.) are the next concern for investors. (Table 2-13)

Table 2-13 Current Issues in Cambodia

		Japanese	Chinese	Korean	Total
Top 5 Factors					
7	Labor market condition 2 (quality of labor force, adequate opportunities for potential employees to acquire vocational training, etc.)	15	6	7	28
11	Industrial Park conditions 3 (electricity black-out rate, including duty to install private power generators)	13	10	5	28
13	Public Utility Charges (Electricity, Water, Gas, etc.)	13	11	9	33
14	Distribution conditions 1 (distribution infrastructures: airports, ports, roads, railways, etc. & accessibility to such infrastructures)	26	9	4	39
18	Existence of domestic supporting industries and natural resource industries (easy domestic procurement of components & raw materials)	28	9	5	42
20	Compliance (official procedures in general)	16	6	6	28
22	Social & Political stability	20	15	10	45
Total responded companies in 3 countries		59	48	23	130

Source: CDC

h. Investment Incentives and Services provided by Investment Promotion Agencies

Majority of companies (58%) replied that the incentives or services provided by IPAs are very beneficial or beneficial. Especially Thailand IPA seems to be more highly evaluated than that in Vietnam.

Table 2-14 Incentives and Services by IPA

	Japanese		Chinese		Korean		Total		
	Thai	Viet	Thai	Viet	Thai	Viet	Thai	Viet	Total
Very beneficial	7	0	8	0	1	1	16	1	17
Beneficial	11	9	4	1	1	3	16	13	29
Not beneficial	3	9	1	0	0	2	4	11	15
Not at beneficial	2	2	2	0	1	1	5	3	8
no answer	1	5	2	1	0	1	3	7	10
Total	24	25	17	2	3	8	44	35	79

Source: CDC

1) Most Beneficial Investment Incentives or Services Acquired from IPAs

The invested companies acquired several incentives or services from IPAs in their located countries. Among those incentives or services, top five are raised as seen in the following table.

Table 2-15 Most Beneficial Incentive or Services already Acquired

	Japanese		Chinese		Korean		Total		Total
	Thai	Viet	Thai	Viet	Thai	Viet	Thai	Viet	
Top 5 Factors									
1.Incentive to specific industry or district	5	2	1		2		8	2	10
2.Bondded zone incentive	3	1		4			3	5	8
3.One-stop-service	1	2	1				2	2	4
4.Investment guide	2	1	3			3	5	4	9
7.Investment related law & regulation info.	1	2	1				2	2	4
8.Website & PR free mail	2	1	2				4	1	5

Source: CDC

2) Recognition of the Existence of Cambodian IPAs.

The existence of CDC is not well known by investors surveyed. Out of 130 responded, 37 companies (28%) know CDC. Among these 37 companies, three companies are located in Vietnam, and the remaining 34 are located in Cambodia.

Table 2-16 Recognition of Cambodian IPAs

No. of Companies Answered "yes"	Japanese			Chinese			Korean			Total			Total
	Cam	Thai	Viet	Cam	Thai	Viet	Cam	Thai	Viet	Cam	Thai	Viet	
1. Ever known the existence of CDC,CIB and CSEZB ?	9	0	1	17	0	0	8	0	2	34	0	3	37
2. Contacted or Serviced ?	4	0	0	11	0	0	6	0	1	21	0	1	22
3. Satisfied?	0	0	0	11	0	0	4	0	0	15	0	0	11

Source: CDC

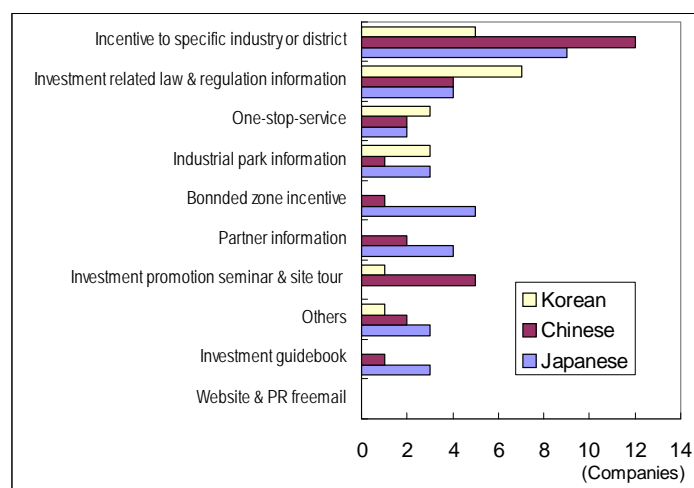
3) Incentives expected for Cambodian IPA

Highly expected incentives or services to be provided by Cambodian IPAs are incentive to specific industry or district and information of investment related law and regulation.

Table 2-17 Highly Expected Incentives or Services from Cambodian IPA

	Japanese	Chinese	Korean	Total
1.Incentive to specific industry or district	9	12	5	26
2.Bondded zone incentive	5	1		6
3.One-stop-service	2	2	3	7
4.Investment guidebook	3	1		4
5.Industrial park information	3	1	3	7
6.Partner information	4	2		6
7.Investment related law & regulation info.	4	4	7	15
8.Website & PR free mail	-	-	-	-
9.Investment promotion seminar & site tour	-	5	1	6
10.Others	3	2	1	6

Source: CDC



Source: CDC

Figure 2-4 Highly Expected Incentives or Services from Cambodian IPA by Nationality**(2) Summary of Findings from Questionnaire Survey**

Results of the questionnaire survey on one-hundred and thirty companies located in three countries (Cambodia-51, Thailand-44 and Vietnam-35) responded are summarized as below.

- i) Major purposes of the investment are *establishment of manufacturing base* and *market cultivation* in their current located countries.
- ii) Altogether 73 out of 130 (56%) expressed that they have new or expansion investment plan in future in their located countries.
- iii) Twenty-three companies (29.1%) from Thailand (11) and Vietnam (12) have future investment plans or such interest toward Cambodia.
- iv) Major purposes of future investment to Cambodia are *market cultivation* among various purposes followed by establishment of manufacturing base and interest to export to 3rd country or homeland.
- v) Major elements in investment decision-making in the located countries are *labor market condition 1- low wage*, followed by social and political stability and incentive policy.
- vi) The expected elements in Cambodia for their investment are *labor market condition 2 - the quality of labor force*, social and political stability and distribution infrastructure.
- vii) As to the current issues in Cambodia, *social and political stability* is selected as the first concern followed by *existence of supporting industries and distribution conditions1* (distribution infrastructure).
- viii) Incentives or services provided by IPAs in Thailand and Vietnam are highly evaluated as indicated in their approval rate of 58.2 %.
- ix) Cambodian IPAs are not well known with only 28% recognition (37 companies out of 130 responded companies), in which 34 companies are in Cambodia and only three companies in Vietnam.
- x) Highly expected incentives or services to be provided by Cambodian IPAs are *Incentive to specific industry or district* and *information of investment related law and regulation*.

(3) Findings from Interview Survey

The questionnaire was distributed to 662 companies, while interview was undertaken to 85 companies located in Cambodia (36), in Thailand (29) and in Vietnam (20).

Table 2-18 Number of Questionnaires Distributed and Responded Interviews

	Distributed (a)				Responded (b)			
	Japanese	Chinese	Korean	Total	Japanese	Chinese	Korean	Total
Cambodia	11	44	18	73	10	16	10	36
Thailand	204	100	45	349	17	10	2	29
Vietnam	161	36	43	240	15	2	3	20
Total	376	180	106	662	42	28	15	85

Source: CDC

a. Summary of interviews to the companies who made investment in Thailand and Vietnam

1) Common comments

- i) They are satisfied with the present business surroundings in Thailand and Vietnam.
- ii) They do not find any reason to go out and invest in any other countries including Cambodia risking the uncertainty for the time being.
- iii) Cambodia is seen as the market for selling of their products not as the place to produce. Some companies mentioned that they have established their agents or branch offices in Cambodia.
- iv) They see potential in agricultural and fisheries in Cambodia and wish for their quality improvement.
- v) As to the function of IPAs in their host countries, they evaluate them positively as helpful for companies.
- vi) As to the information on Cambodia, they see no pertinent information relating to investment. They hold negative image on Cambodia.
- vii) Japanese SMEs have tendency to follow their parents companies.

2) Specific comments in Thailand

Japanese companies

- i) Amata Industrial Park provides them with various merits for FDI
- ii) Infrastructures are well developed in Thailand.
- iii) Living condition for families is secured such as Japanese school.
- iv) Procedure for work permit is simple.
- v) Corruptions are still seen in Thailand, yet it is predictable level of control.

Chinese companies

- i) Enforcement of law in Thailand is healthy. No problem happens as far as operating in the frame work of the regulations.
- ii) “Made in Thailand” is now universal brand. It is vital necessity for a manufacturer to secure the supply of water, electricity and safe transport which are available in Thailand.

Korean companies

- i) Education level for workers is much higher in Thailand.
- ii) High technology is found in Thailand for world wide product production.

3) Specific comments in Vietnam

Japanese companies

- i) Incentives for FDI are very visible, the import tax is free for the first two years and following two years are taxed in half.
- ii) In the Tantoan Industrial Park fifty-five Japanese companies are operating creating merits of concentration.
- iii) Cannot find attractiveness in Cambodia compared with Vietnam in current business environments.

Chinese companies

Presently seeking for a partner in Cambodia in the area of coal and scrapped iron dealings.

Korean Companies

- i) Selling products presently to Cambodia but facing competition from illegal importing in Cambodia.
- ii) Have established selling agent in Cambodia but due to difference of business culture, they leave business in the hands of Cambodian agents.

b. Summary of interviews to the companies who made investment in Cambodia

1) Common comments

They raise negative aspects of Cambodia asking for the improvement of its business environment as it is their vital needs operating in Cambodia.

- i) Insufficient infrastructure: electricity, water, transportation
- ii) Necessity of reinforcement of law practice: prevention of illegal import/export, abolishment of informal fee requested by government officials
- iii) Lack of policy for encouragement to SMEs (Small and Medium Enterprises): Cost reduction for consolidated accounting system or no requirement to SMEs, establishment of comprehensive policy for SMEs.
- iv) Request to IPA: Incentives, one -stop –services, partner information, enforcement of law & regulations, website/free mail info.

2) Specific comments

Japanese companies

- i) Law and regulations are not visible. They should be more openly publicized
- ii) It is troublesome in importation of materials and exportation of processed products
- iii) Tax collection system is not definite.
- iv) Tourist visa should be abolished and should reduce the entrance fee for ancient monuments.

Chinese companies

- i) Too many holidays in Cambodia make productivity low. The productivity of Cambodian workers seems to be 30% lower than that of Vietnam.
- ii) Job hopping is very frequent in Cambodia.
- iii) Business environment in Cambodia is relatively poor compared with neighboring countries and merits of operating in Cambodia are decreasing.

Korean companies

Tax reduction for garment industry should be materialized as it is the major industry in Cambodia.

**Questionnaire Sheet (for Foreign Investors Survey in
JICA's Study on The Institutional Strengthening of Investment Promotion
in the Kingdom of Cambodia**

Please fill in the answers to the questions about your company listed below.

Instruction:

Please answer to each of the questions below in either text strings, or numbers, or check box. Each of the answer box are colored and each color presents either, text, or numeric answers, or check by simply clicking the mark "Yes".

Choose from fixed category	Com. Code (Internal use only: Pls. don't touch!)	
Input text		#
Input Numeric (Numbers)		
<input type="checkbox"/> Yes		

Please read instruction in the comment box for your reference.

No.	Questionnaire	Pls. Choose from below fixed Category	Answer: Check if "Yes"	Answer: Check if "Yes"	Answer: Check if "Yes"	Description (Pls. input text or numeric numbers for your answer)
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I. Basic Questions (regarding outline of your company and investment policy):

1 **Company Name (for tentative use only. We assure all company names to be treated as confidential information to public, including when reporting to Cambodian & JICA officials)**

2 Equity position (%) (by country)

3 Your company's closest industrial category (choose from either fixed category)

4 Name of Contact person (title) (tentative use only. Confidential to public)

Tel/ Fax:

Email:

5 Main dealing items / products

6 Company location (city or district & country)

7 Foundation Year/ Advanced year to your located country

8 Number of employees

9 Production scale (annual quantity & amount)

10 Annual Sales Revenue(Avg. of past 3 yrs.)

11 Major market (domestic & overseas)

12 Exporting Ratio

13 Major invested countries (branches, factories) & dealing items / products

14 How would you best categorize your company management type?

Tel:
Email:

1. Quantity:
2. Amount:
1. Domestic (city):
2. Overseas (country):

--

No.	Questionnaire	Pls. Choose from below fixed Category	Answer: Check if "Yes"	Answer: Check if "Yes"	Answer: Check if "Yes"	Description (Pls. input text or numeric numbers for your answer)
15	Major purpose of investment in your located country (important)					
16	Future new or expansion investment plans within your located country		<input type="checkbox"/> Yes			
17	Future investment plans or interest towards investments in Cambodia (important)		<input type="checkbox"/> Yes			
18	Future OEM/ ODM order plans or such interests towards Cambodia (important)		<input type="checkbox"/> Yes			
19	If yes in question 17, what would most probably be the major purpose of your investment plan in Cambodia? (important)					
20	If yes in either above question 17 or 18, in which dealing item or sub-sector within your industrial sector, would you have such a plan or interest? (important)					

II. Major influential elements in investment decision-making

(Important):

Please check (by simply clicking on the mark "Yes") on whichever elements that relatively influences on your investment decision-making in your located country and towards Cambodia (numerous answers possible).

Investment decision element in located country	Elements of Expectation in Cambodia	Current Issues in Cambodia
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(1) Basic requirements (Requirements for opening businesses, Investment incentives, etc.)

- 1 **Requirements for opening business** (openness towards 100% foreign capital, foreign capital restrictions, land acquisition period requirements, etc.)
- 2 **Investment incentive policy on specific industrial sectors** (tax exemption or reduction measures on corporate tax, custom duties in regard with raw material and/or capital goods, etc.)
- 3 **Investment incentive policy on specific districts** (except bonded zones)
- 4 **Costs required for opening business**
- 5 **One-stop-service; Required period until opening business**

<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes

(2) Labor market's environment

- 6 **Labor market** condition 1 (low wage)
- 7 **Labor market** condition 2 (quality of labor force, adequate opportunities for potential employees to acquire vocational training, etc.)

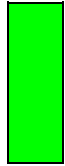
<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes

No.	Questionnaire	Pls. Choose from below fixed Category	Answer: Check if "Yes"	Answer: Check if "Yes"	Answer: Check if "Yes"	Description (Pls. input text or numeric numbers for your answer)
8	Labor market condition 3 (easiness of labor force acquisition, employee turnover rate, labor dispute rate, etc.)		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
(3) Industrial parks' environment, Bonded zone incentives, Public utility charges						
9	Industrial Park conditions 1 (entry requirements & industrial land price)		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
10	Industrial Park conditions 2 (facilities in general, besides electricity facilities)		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
11	Industrial Park conditions 3 (electricity black-out rate, including duty to install private power generators)		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
12	Bonded zone incentives (SEZ, FTZ, EPZ, etc.)		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
13	Public Utility Charges (Electricity, Water, Gas, etc.)		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
(4) Distribution & Customs						
14	Distribution conditions 1 (distribution infrastructures : airports, ports, roads, railways, etc. & accessibility to such infrastructures)		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
15	Distribution conditions 2 (distribution costs in general)		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
16	Customs conditions 1 (custom duty on goods & raw materials)		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
17	Customs conditions 2 (custom clearance - Customs, Animal & Plant Quarantine, Food Hygiene Inspection: required period of time)		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
(5) Supporting industries & Procurement of components & raw materials						
18	Existence of domestic supporting industries and natural resource industries (easy domestic procurement of components & raw materials)		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
19	Easy procurement of components & raw materials from neighboring countries		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
(6) Others						
20	Compliance (official procedures in general)		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
21	Foreign representative staffs' living environment in general		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
22	Social & Political stability		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	

III. Investment Incentives & Services provided by Investment Promotion Agencies (IPAs) in your advanced country (either Thailand or Vietnam)

Pls. choose the most beneficial investment incentives or investment promotion services your company have had acquired from Investment Promotion Agencies (IPAs) in your advanced country, and to what degree the services were beneficial.

1 How beneficial are the Investment Promotion Agencies (IPAs) services in your located country?



No.	Questionnaire	Pls. Choose from below fixed Category	Answer: Check if "Yes"	Answer: Check if "Yes"	Answer: Check if "Yes"	Description (Pls. input text or numeric numbers for your answer)
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2 Pls. choose the most beneficial investment incentive or services your company have had acquired from Investment Promotion Agencies (IPAs) in your located country

IV. Any requests toward Cambodian IPAs (Cambodian Development Council/ Cambodian Investment Board, etc.) for their Investment Promotion Service improvements, and on Incentives provided to Foreign Investors (important)

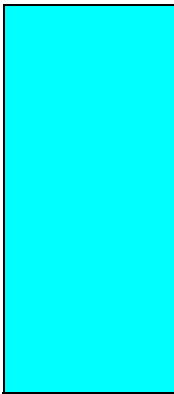
1 Had you ever known the existence of CDC, CIB and CSEZB (Cambodia SEZ Board) as Cambodian Investment Promotion Agencies?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2 Have you ever made any contact or acquired any services from any of these agencies?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
3 If "Yes" on above question 2, were you satisfied with their services?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

4 Pls. choose whichever incentives or services you would most want to acquire from Cambodian Investment Promotion Agencies.

V. Request on investment incentives specific to your industry, or any other in general

If you would like to point out, above mentioned aspects, pls. do so by inputting text

- Ex. (1) Apparel industry: Export Quota on Vietnam-manufactured apparel goods was lifted in January 2007, due to Vietnam's official affiliation to WTO. Vietnamese apparel industry is also capable of dealing with many model small lot orders.
 (2) Footwear industry: Europe imposes anti-dumping tariffs on Vietnam-manufactured footwear goods.
 (3) Cambodia enjoys the privilege of receiving Generalized System of Preferences (GSP) status, in terms of exports to the US and European countries in general.



Appendix 3

Comparative Data on Investment Costs

Comparative Survey on Investment Costs (1/5)

	Cambodia (Phnom Penh)	Thailand (Bangkok)	Vietnam (Hanoi)	Indonesia (Jakarta)
1. Monthly Wage (1) General Worker	50USD in average Source: Ministry of Labor and Vocational Training	(A) Manufacturing (machinery, metal, electricity, etc.) (B) Manufacturing (chemistry, textile, food) (A) 231.9-361.2USD/Month 7,683-11,967Bhts./Month (B) 255.3-393.2USD/Month 8,459-13,027Bhts./Month Source: Nikkei Research (Indonesia), including basic salary, allowance and bonus Revised date: Jan. 1, 2008 Remarks: Annual to Monthly revision by JETRO	(A) Manufacturing (machinery, metal, electricity, etc.) (B) Manufacturing (chemistry, textile, food) (A) 78.7-125.6USD/Month 1,266,667-2,022,249VND/Month (B) 69.8-115.8USD/Month 1,123,667-1,865,000VND/Month Source: Nikkei Research (Vietnam), including basic salary, allowance and bonus Revised date: Jan. 1, 2008	(A) Manufacturing (machinery, metal, electricity, etc.) (B) Manufacturing (chemistry, textile, food) (A) 125.0-261.9USD/Month 1,175,000-2,461,667Rp./Month (B) 142.3-262.4USD/Month 1,337,500-2,466,667Rp./Month Source: Nikkei Research (Indonesia), including basic salary, allowance and bonus Revised date: Jan. 1, 2008
(2) Engineer (mid-level)	250USD (Start working) Additional 10-15% every two year 300 USD (Electricity, Electron and Information Technology) Source: Ministry of Labor and Vocational Training	(A, B) Category, same as above (A) 314.0-551.6USD/Month 10,404-18,275Bhts/Month (B) 414.7-675.2USD/Month 13,740-22,368Bhts/Month Source, Remarks: Same as above	(A, B) Category, same as above (A) 100.5-208.5USD/Month 1,618,750-3,358,279VND/Month (B) 88.3-170.7USD/Month 1,422,500-2,748,583VND/Month Source, Remarks: Same as above.	(A, B) Category, same as above (A) 181.2-289.8USD/Month 1,703,728-2,724,333Rp./Month (B) 254.7-483.3USD/Month 2,393,750-4,543,332Rp./Month Source, Remarks: Same as above
(3) Mid-Management Class (White Color)	150USD for fresh graduate Source: Ministry of Labor and Vocational Training	(A, B) Category, same as above (A) 1,234.0-2,050.8USD/Month 40,883-67,942Bhts/Month (B) 1,103.0-1,996.7USD/Month 36,543-66,150Bhts/Month Source, Remarks: Same as above	(A, B) Category, same as above (A) 391.2-736.1USD/Month 6,300,000-11,853,333VND/Month (B) 335.5-586.2USD/Month 5,403,333-9,439,083VND/Month Source, Remarks: Same as above	(A, B) Category, same as above (A) 648.9-1,040.8USD/Month 6,100,000-9,783,500Rp./Month (B) 583.8-1,170.2USD/Month 5,488,125-11,000,000Rp./Month Source, Remarks: Same as above
(4) Legal Minimum Wage	50USD per month Source: Ministry of Labor and Vocational Training Remarks: Garment and footwear only	5.87USD/Day 194Bhts/Day Remarks: Revised date, Jan. 1, 2008	62.1USD/Month 1,000,000VND/Month Remarks: Revised date, Jan. 1, 2008	103.47USD 972,605Rp. Remarks: in the case of the Special Capital Territory of Jakarta, 8% increase from last year
(5) Bonus (fixed, flexible)	Remarks: The concept of bonus is not generally shared in Cambodia. The employees can only receive the allowance for returning to their hometowns before the Khmer New Year, etc. Source: Ministry of Labor and Vocational Training	Management Class: 2.0-3.3 Months of Basic Salary White Color, Non-Management Class: 2.0-3.4 Months of Basic Salary Blue Color: 2.0-3.2 Months of Basic Salary Source: Nikkei Research (Thailand) Remarks: Overall bonus state, including Manufacturing & Non-manufacturing sector. Pls. see item 34 for detailed explanation of Manufacturing Sector.	Management Class: 1.0-2.0 Months of Basic Salary White Color, Non-Management Class: 1.0-2.0 Months of Basic Salary Blue Color: 1.0-2.0 Months of Basic Salary Source: Nikkei Research (Vietnam) Remarks: Overall bonus state, including Manufacturing & Non-manufacturing sector. Pls. see item 34 for detailed explanation of Manufacturing Sector.	Management Class: 1.0-3.0 Months of Basic Salary White Color, Non-Management Class: 1.2-2.5 Months of Basic Salary Source: Nikkei Research (Indonesia) Remarks: Overall bonus state including Manufacturing & Non-manufacturing sector. Pls. see item 34 for detailed explanation of Manufacturing sector.
(6) Social Insurance bearing rate (employee & employer)	0.5% each Source: Ministry of Labor and Vocational Training	Employer bearing rate: 5% Employee bearing rate: 5% Remarks: Including sickness & wounds, births, disorders, deaths, Old-Age Pension (OAP), child support, unemployment	Employer bearing rate: 17% Employee bearing rate: 6% Detailed content of Employer bearing rate: -Social Insurance: 15% -Health Insurance: 2% Detailed Content of Employee bearing rate: -Social Insurance: 5% -Health Insurance: 1%	Employer bearing rate: 4.24-5.74% Employee bearing rate: 2.0% Source: The company handling the Social Security Scheme (PT.Jansostek), in regard with work accidents, deaths and pensions
(7) Nominal Wage Increase Rate	6USD per month Source: Ministry of Labor and Vocational Training	6.9% (as of 2005) 6.2% (as of 2006) 1.8% (as of 2007) Remarks: Official announcement of the National Statistic Office of Thailand (NSO) on quarterly average wage of employers, converted to annual basis	- Remarks: No official data	Remarks: No official data Legal minimum salary increase rate (based on rupiah, Special Capital Territory of Jakarta): 6.0% 6.0% (as of 2005) 15.1% (as of 2006) 9.9% (as of 2007)

Comparative Survey on Investment Costs (2/5)

	Cambodia (Phnom Penh)	Thailand (Bangkok)	Vietnam (Hanoi)	Indonesia (Jakarta)
2. Land Price, Office Leasing Fee, etc.				
(1) Industrial Estate Land Purchase (per m²)	50USD/m ² Remarks: Phnom Penh Special Economic Zone (PPSEZ), with 99 yrs. of land usage right.	75.5USD/m ² 2,500Bhts/m ² Remarks: Amata Nakorn Industrial Estate	- Remarks: Forbidden to purchase land	40-50USD/m ² 376,000-470,000Rp./m ² Remarks: Kota-Bukit-Indah Industrial Estate, apart from above, fixed assets tax of annual 0.1% up to 1 Btl. Rupiah (those above 1 Btl. Rupiah, same tax of annual 0.2%)
(2) Industrial Estate Land Lease (per m²)	approx. 20USD/m ² (120,000Rmb/667m ²) (workshop: 1.5USD/m ² /month) 50 yrs. Lease contract basis Remarks: Shanoukville Special Economic Zone (SSEZ)	6.04USD/m ² 200Bhts/m ² Remarks: Amata Nakorn Industrial Estate (factory area: 2,100 m ² , office space: 350 m ²)	Average:30-60USD/m ² 50 yrs.* Lease contract basis * Construction Period is deducted from the above period. (Dai An Industrial Estate: 0.095-0.103USD/m ² = 1.536-1.655VND/m ² 38-42USD/45yrs. + Management fee 0.3USD/yr. Que Vo Industrial Estate: 0.09-0.11USD/m ² = 1.449-1.771VND/m ² 36-48USD/49yrs. + Management fee 0.4USD/yr.)	3.5-4.0USD/m ² 32,900-37,600Rp./m ² Remarks: Kota-Bukit-Indah Industrial Estate, does not include management fee
(3) Office Lease Fee (per m²)	12-15USD/m ² (for main road in P.P) Source: Telephone Interview from Bonna Realty Group	19.6USD/m ² 650Bhts/m ² Remarks: Ocean Tower, Soi Asok, 1st Floor 559m ²	DMC Tower: 25USD/m ² = 402.575VND/m ² 63 LTT Office Building: 62.5USD/m ² = 1,006,438VND/m ² Remarks: 63 LTT Office Building = Lease fee 54USD + Management fee 8.5USD	23-26USD/m ² 216,200-244,000Rp./m ² Remarks: Summitmas (central part of Jakarta), including management fee
(4) Foreign Representative Residence Leasing Fee	2,250USD/Month (Service Apartment) Street 21 (Area: 120 m ²). Including pool, car paking, gym	1,962USD/Month 65,000Bhts/Month Remarks: Baan Siri 24, Sukhumvit Soi 24 (Condo-minium, area 92 m ²). Including pool, car parking space, gym and sauna.	Hanoi Tower: 3,500USD/Month = 56,360,500VND/Month Service apartment at the central part of Hanoi city. Including pool, tennis court. Including tax, water supply, expenses for light & heat, local phone calls, miscellaneous costs. 83m ² , 2 Bedrooms, including furniture. Jana Garden: 2,100USD/Month = 33,816,300VND/Month Service apartment at the southern part of Hanoi city. Tax & miscellaneous costs included. 86m ² , 2 Bedrooms, including furniture.	1,800-2,500USD/Month 16,920,000-23,500,000Rp./Month Remarks: Residential area for Foreigners (Apartment), within 15km range from central part of Jakarta 150-250m ² , including pool & parking space. Including management fee (tax bared by the owner; fee by advanced payment for contracted period

Comparative Survey on Investment Costs (3/5)

	Cambodia (Phnom Penh)	Thailand (Bangkok)	Vietnam (Hanoi)	Indonesia (Jakarta)
3. Telecommunications Fee (1) Telephone installation fee	50.00USD Source: Ministry of Post and Telecommunications, as of April 2009	101USD 3,350Bhts Source: Telephone Organization of Thailand (TOT)	33.87–45.16USD 545,454–727,272VND Source: Vietnam Post and Telecommunications Group (VNPT), fee differs according to area	47.87USD 450,000Rp. Source: PT. Telekom
(2) Telephone charge (monthly basic fee & extra charge per minute, etc.)	Monthly fee: 7.00USD (Standard), 10.00USD (Business) Local Call: To Camintel – 0.01USD/min.(Standard) 0.01USD/min.(Business) To other fixed phones – 0.04USD/min.(Standard) 0.03USD/min.(Business) To mobile phones– 0.10USD/min.(Standard) 0.10USD/min.(Business) Other rates for Long Distance Calls. Source: same as above, as of April 2009	Monthly basic fee: 3.00USD = 100Bhts Extra charge per call: 0.1USD = 3Bhts Source: Same as above. Telephone charge in case of local and long distance (7:00–18:00, 0–50). Long distance (out-of-town) charge differs according to time zone and distance. Extra charge based not on connecting time, but on every call.	Monthly basic fee: 1.68USD = 27,000VND Extra charge per minute: 0.002–0.007USD = 40–120VND Source: Same as above. Phone charge per minute – up to 200 minutes: 120VND, 201–1,000 minutes: 80VND, over 1,000 minutes: 40VND	Monthly basic fee: 6.13USD = 57,600Rp. Extra charge per minute: 0.02USD = 166.67Rp. Source: same as above, rate during 9:00–15:00
(3) International call charge (per 3 minutes to Tokyo)	2.70USD (Weekday) 2.16USD (Weekend)	1.8USD 60Bhts. Source: Communication Authority of Thailand (CAT)	1.21–1.44USD/US\$ only Monday–Sat: 6sm–11pm 0.85–1.0USD other than above time Source:VNPT	2.88USD 27,072Rp. Source: same as above, rate during 9:00–12:00
(4) Mobile telephone entry fee	None, Source: Cellcard	None, Source: Advanced Info Services (AIS)	7.45USD/119,900VND	None, Source: PT. Indosat
(5) Mobile telephone basic connecting fee	Monthly fee (name of service): Cellcard Post Plans 3G High Speed: 24USD 3G Full Package: 40USD Extra charge per minute: within network call – 5US Cent./min. (7:00–19:59) across network call – 8US Cent./min. (7:00–19:59) Source: Cellcard	Monthly basic fee: 15.09USD = 500Bhts. Extra charge per minute: within same area – 0.09USD = 3Bhts. with neighboring area – 0.24USD = 8Bhts. with other area – 0.36USD = 12Bhts. Source: Same as above	Monthly basic fee: 4.1USD=66,000VND Extra charge per minute 0.075USD=1,200VND Source:VNPT	Monthly basic fee: 6.91USD = 65,000Rp. Extra charge per minute: 0.09USD = 813Rp. Source: same as above, service name = Matrix, rate during 8:00–20:00, 0–30km range
(6) Internet access fee (Broadband)	CamDSL–Business @512kbps (Name of Service) Monthly fee (Data Allowance: ex.5400MB): USD 220.00 (Deposit: USD 220.00) Day Time: USD 0.050/MB Night Time: USD 0.025/MB Remarks: Night time from 8:00 p.m. to 6:00 a.m., exclusive of government VAT 10% Source: Ministry of Post and Telecommunications, as of April 2009	Monthly basic fee: 27USD = 890Bhts. Source: Telephone Organization of Thailand (TOT). ADSL (1.024/512kbps)	Initial contract fee: 149.04USD=2,400,000VND Monthly basic fee: 186.3USD=3,000,000VND Source:FPT	Initial contract fee: None Monthly basic fee: 31,38USD = 295,000Rp. Source: PT. FasnNet, 768kbps

Comparative Survey on Investment Costs (4/5)

	Cambodia (Phnom Penh)	Thailand (Bangkok)	Vietnam (Hanoi)	Indonesia (Jakarta)
4. Public utility charges (1) Electricity charge for business use (monthly basic charge & extra charge per kWh)	Small commercial and Industrial: 650R/KWh (previous month) + 0.036USD/KWh = 0.191USD Medium commercial and Industrial: 650R/KWh (previous month) + 0.028USD/KWh = 0.183USD For big commercial and Industrial customers: 650R/KWh (previous month) + 0.024USD/KWh = 0.179USD Commercial and Industrial Customers who is directly connected to MV: 650R/KWh (previous month) + 0.020USD/KWh = 0.175 USD Source: Compiled by EAC, as of September 2008	Monthly basic fee: 6.88USD = 228Bhts. Charge per 1kWh 0.08USD = 2.6138Bhts. Source: Metropolitan Electricity Authority (MEA) Peak time (Monday to Friday 9:00–22:00, in case of over 64kV) Apart from above, demand price per 1kW (74.14 Bhts. = 2.24USD) shall be charged	Monthly basic fee Manufacturing: 0.049–0.056USD=785–895VND Service Sector: 0.088–0.098USD=1,410–1,560VND Source: EVN Group	Monthly basic fee: 3.14USD = 29,500Rp. Extra charge per 1kWh: 0.09USD = 878Rp. Source: PT. Perusahaan Listrik Negara (PLN) Over 200kVA, monthly utility hour less than 350 hours (in case above 350 hour, extra charge of 439Rp. Per 1kWh)
(2) General electricity charge (monthly basic charge & extra charge per kWh)	1. 0.093USD/KWh = 390R/kWh (Consumption up to 50 kWh/Month) 2. 0.146USD/KWh = 610R/kWh (Consumption between 51 to 100 kWh/Month) 3. 0.172USD/KWh = 720R/kWh (Consumption over 100kWh/Month) Source: Compiled by EAC, as of September 2008	Charge per 1kWh 1–150 kWh: 0.05USD = 1.8047Bhts. 151–400 kWh: 0.08USD = 2.7781Bhts. 401kWh–: 0.09USD = 2.9780Bhts. Source: Same as above. In case of over 150kWh per Month	No basic fee 0.034–0.11USD/kwh 550–1,780VND/kwh Source: EVN Group	Monthly basic fee: 3.21USD = 30,200Rp. Extra charge per 1kWh: 0.05USD = 495Rp. Source: same as above. Up to 2,200VA, in the case of over 60kWh
(3) Water supply charge for business use (monthly basic charge & extra charge per m³)	1. 0–100 m ³ = 0.227USD = 950R 2. 101–200 m ³ = 0.275USD = 1,150R 3. 201–500 m ³ = 0.323USD = 1,350R 4. 501 m ³ = 0.347USD = 1,450R Source: Phnom Penh Municipality as of January 2001	Monthly basic fee: None Price per 1m ³ : 0.29–0.48USD = 9.5–15.81Bhts Source: Metropolitan Waterworks Authority (MWA), unit price based on water usage volume.	Monthly basic fee: 14.18USD = 133,245Rp. Extra charge per 1m ³ : 0.28USD=4,500VND per 1m ³ . Service Sector 0.47USD=7,500VND per 1m ³ . Source: Water Supply	Monthly basic fee: 14.18USD = 133,245Rp. Extra charge per 1m ³ : 1.34USD = 12,550Rp. Source: Jakarta Water Supply Regulatory Body, including VAT
(4) General water supply charge (monthly basic charge & extra charge per m³)	1. 0–7 m ³ = 0.131USD = 550R 2. 8–15 m ³ = 0.184USD = 770R 3. 16–50 m ³ = 0.241USD = 1,010R 5. 51 m ³ = 0.303USD = 1,270R Source: Phnom Penh Municipality as of January 2001	Monthly basic fee: None Price per 1m ³ : 0.26–0.44USD = 8.5–14.45Bhts. Source: Same as above. Unit price based on water usage volume.	Monthly basic fee: 1.27USD = 11,950Rp. Extra charge per 1m ³ : 0.52USD = 4,900Rp. Source: same as above, including VAT	Monthly basic fee: 1.27USD = 11,950Rp. Extra charge per 1m ³ : 0.52USD = 4,900Rp. Source: same as above, including VAT
(5) Gas supply charge for business use (per m³)	15kg=10.8USD Source: Interview from Seng Hour Selling Gas	Monthly basic fee: None Price per 1 Mil. BTU: 3.66USD = 121.21Bhts. Source: Ministry of Energy, Natural gas, Erawan District (as of Nov., 2007). 1BTU (British Thermal Unit) = 252 cal	Monthly basic fee: None Extra charge per 1m ³ : 0.08USD = 735Rp. Source: PT. Pertamina (Persero), LNG	Monthly basic fee: None Extra charge per 1m ³ : 0.08USD = 735Rp. Source: PT. Pertamina (Persero), LNG
(6) Gas supply charge for general use (per m³)	15kg=13.5USD Source: Interview from Seng Hour Selling Gas	Monthly basic fee: None 1.31USD=21,154VND per kg Note: 275,000VND/13kgLPG Container Source: hearing	Monthly basic fee: None Extra charge per 1m ³ : 0.33USD = 3,140Rp. Source: same as above, LNG	Monthly basic fee: None Extra charge per 1m ³ : 0.33USD = 3,140Rp. Source: same as above, LNG

Comparative Survey on Investment Costs (5/5)

	Cambodia (Phnom Penh)	Thailand (Bangkok)	Vietnam (Hanoi)	Indonesia (Jakarta)
5. Transportation (1) by Container (40ft.)	(A) Export to Japan: from Sihanouk Ville port to Yokohama port (B) Export to USA: from Sihanouk Ville port to L.A port (A) 1,200USD (B) 3,200USD Source: Hearing from private company	(A) Export to Japan: nearest port (Leam Chabang Port) to Port of Yokohama (B) Export to USA: nearest port (Leam Chabang Port) to L.A. Port (A) 885USD = 29,320Bhts. (B) 3,663USD = 121,355Bhts. Source: Japanese distribution company	(A) Export to Japan: nearest port (Hai Phong Port) to Port of Yokohama (B) Export to USA: nearest port (Hai Phong Port) to L.A. Port (A) 800--1000USD=12,882,400--16,103,000VND (B) 3,750-4,250USD=60,386,250-68,437,750VND Source: hearing from local transportation company	(A) Export to Japan: nearest port (Tanjung Priok Port) to Port of Yokohama (B) Export to USA: nearest port (Tanjung Priok Port) to L.A. Port (A) 900-1200USD = 8,460,000-11,280,000Rp. (B) 1,800-2,000USD = 16,920,000-18,800,000Rp.
(2) Regular Gasoline price (per litre)	0.90USD =3800 R Source: Caltex Station as of July 6, 2009	0.98USD = 32.39Bhts. Source: PTT	0.81USD 13,000VND Remarks:VAT10%, traffic tax500VND are included Source: Price is set by Government 0.64USD=10250VND Source: same as above	0.48USD 4,500Rp. Remarks: Legal price, including VAT
(3) Light Oil price (per litre)	0.78USD = 3300 R Source: Caltex Station as of July 6, 2009	0.90USD = 29.74Bhts. Source: Same as above	1USD = 16,103VND	0.46USD 4,300Rp. Remarks: Legal price, including VAT
6. Exchange Rate (1) Exchange Rate against Dollar (1USD)	1USD= 4178 R (Riel to \$) Source: www.nbc.org.kh as on July 6, 2009	1USD = 33.13Bhts.	1USD = 16,103VND	1USD = 9,400 Rp.
7. Taxation (1) Corporate Income Tax (%)	Legal person: 20% of profit Oil or natural gas production and exploitation of natural resources (timber, ore, gold, precious stones): 30% of profit QIP approved by CDC (5 yr. transition period): 9% QIP approved by CDC (tax exemption period): 0% Source: Department General for Taxation/MoEF	30%	28%	Standard Taxation (10%): 0-50 Mil. Rp. Standard Taxation (15%): over 50 Mil. Rp.-100Mil. Rp. Standard Taxation (30%): over 100Mil. Rp.
(2) Individual Income Tax (%)	20% (Maximum taxation rate) Remarks: 5 Step Progressive Taxation from 0% to 20% Source: Department General for Taxation/MoEF	37% (Maximum taxation rate) Remarks: 5 Step Progressive Taxation from 0% to 37%	40% (Maximum taxation rate) Remarks: 5 Step Progressive Taxation from 0% to 40%	35% (Maximum taxation rate)
(3) Value Added Tax (%)	10% (VAT) Remarks: detailed taxable person, supplies and non-taxable supplies, etc. defined in Article 55-84, Law on Taxation (Jan., 2004)	7% (VAT) (Standard taxation rate) Remarks: General commodity, Service Tax (GST)	VAT(Standard taxation rate) 0%, 5%, 10% Remarks: varies depending on goods	VAT(Standard taxation rate) 10%
(4) Interest Remittance Taxation to Japan (%) (Maximum tax rate, Bilateral taxation treaty, etc.)	14% (Maximum taxation rate) Remarks: details defined in Article 23-26, Law on Taxation (Jan., 2004), no bilateral tax treaty with Japan yet. Source: Department General for Taxation/MoEF	15% (Maximum taxation rate) Remarks: Article 11, Japan--Thailand Tax Treaty	10% (Maximum taxation rate) Remarks: Article 11, Japan--Vietnam Tax Treaty	10% (Maximum taxation rate) Remarks: Article 11, Japan--Indonesia Tax Treaty
(5) Dividend Remittance Taxation to Japan (%) (Maximum tax rate, Bilateral taxation treaty, etc.)	14% (Maximum taxation rate) Remarks: details defined in Article 23-26, Law on Taxation (Jan., 2004). Source: Department General for Taxation/MoEF	10% (Maximum taxation rate) Remarks: Article 10, Japan--Thailand Tax Treaty	0% Remarks: Abolished on Jan.1, 2004	10% / capital ratio over 25% 15% / capital ratio less than 25%
(6) Royalty Remittance to Japan (%) (Maximum tax rate, Bilateral taxation treaty, etc.)	14% (Maximum taxation rate) Remarks: details defined in Article 23-26, Law on Taxation (Jan., 2004). Source: Department General for Taxation/MoEF	15% (Maximum taxation rate) Remarks: Article 12, Japan--Thailand Tax Treaty	10% (maximum taxation rate) Remarks: Article 12, Japan--Vietnam Tax Treaty	10% (Maximum taxation rate) Remarks: Article 12, Japan--Indonesia Tax Treaty

Appendix 4

Benchmark Survey of Other IPAs : Data by Country

Appendix 4 Benchmark Survey of Other IPAs : Data by Country

1. Vietnam: Foreign Investment Agency (FIA)

(1) Overview, Organization and Function

a. Overview

Foreign Investment Agency (FIA) under the Ministry of Planning and Investment (MPI) plays the role of an IPA for Vietnam. It manages both inflow of foreign direct investments (FDIs) from overseas to Vietnam and the country's FDIs to abroad¹. However, domestic investment projects by local investors such as of SMEs are not mandated to FIA, but to the Department of Domestic Industry of the MPI.

b. Organization and its Evolutional Change

FIA has become the substructure of MPI since 2003, following the overall reorganization of the government structure and the issuance of the new Government's Decree on the function and duties of the MPI. Prior to the reorganization, it was an independent agency, established in 1989 and named State Committee for Cooperation and Investment (SCCI).

c. Mandate and Responsibility Sharing with Other Organization

Until 2006, FIA had performed both "investment promotion" and "supervision of investment / coordination for obtaining licenses" functions, while Department of Evaluation of MPI implemented actual evaluation and approval of investment projects. However, following the recent "Decentralization" efforts by the Government, the supervision and coordination functions for approval and permission has been transferred from FIA to the Department of Planning and Investment under the People's Committee in each province and municipality. Routine work such as tax exemption issues have also been moved to the regional governments and industrial estate committees. Currently, the shortcomings in the coordination between central and provincial authorities in investment promotion activities have been reported². Aside from these authorities, the Management Board of Industrial Zones, Export Processing Zones, Hi-Tech Zones and Economic Parks, are in charge of granting approval and permission of projects in the industrial zones and economic parks.

d. Organization and Functions

Given backgrounds stated above, FIA has shifted its concentration on policy issues (Advocacy), investor servicing/facilitation and supervising/monitoring of activities on investment that regional

¹ MPI, Decision No. 1087/QD-BKH of 31 of the Minister of Planning and Investment about the function, tasks, and organizational structure of the Investment promotion Center – Northern Vietnam

² OECD, Policy Framework for Investment Assessment of Vietnam's Investment Policies: Key findings and a roadmap for future reforms, 2008, March

People's Committees supervise, evaluate and approve. Figure 4-1 shows the organizational structure of FIA. There is a total of 45 staff at Hanoi Headquarter, including one Director General, four Deputies, eleven members who belong to the current "Investment Promotion Division". According to the Interview by the Study Team, there is not much opportunity of rotation of human resources among divisions. Salary level is not reported to be high compared to the level of private sector, while government officials are seen to have some pride as well as social status.

There are three regional offices of FIA in North, Central, and South of Vietnam. Regional offices are structured directly under the FIA and carries out investment promotion function over their provinces. The organizational structure of regional offices is comprised of Directors, Vice Directors, Investment Promotion Department, Consultancy Department, and Administration Department³. At each of the regional offices, there is around 15 to 20 staff, which makes a total number of FIA staff as around 100-110.

Restructuring of FIA organization is now under way and is planned to become clear in June-July 2009. Major departments (functions) will be "Policy (regulation)", "Investment promotion" and "Investment (monitoring)". New "Investment (monitoring) Division" will be a merger and restructuring of the current three divisions such as "Service sector", "Industrial & Construction" and "Forestry & Agriculture", sector-wise departments.

FIA also conducts such fee-based services as investment consultation/facilitation for Japanese prefecture governments, while it also has several business partnership agreements with Japanese major and local commercial banks.

There is also a plan to set up foreign investment promotion sections in Vietnamese Embassies and Consulates abroad, following the joint issuance of a Circular in March 2008 by the MPI and the Ministry of Foreign Affairs. The investment promotion sections will be tasked to carry out various investment promotion activities as well as to take part in monitoring and urging the implementation of international treaties or agreements on investment cooperation⁴.

e. Budget and Finance

According to the interview with the Deputy Secretary General of FIA, the organization does not have a critical issue on the size of the budget for the year of 2009. In addition to the annual operation budget for FIA, the recent "National Program for Calling Investment", the Government program, provides the budget of US\$ 1.2 million in 2009 and "Investment Promotion Fund" does US\$ 1.0-1.5 million. The program is to cover the costs for organizing conferences at home and participating in those aboard, overseas visits of businesses, and training courses for the staffs in FIA⁵.

³ Ibid.

⁴ JETRO, retrieved from http://www.jetro.go.jp/world/asia/vn/invest_01/

⁵ "Look at Vietnam, 20 trillion VND earmarked for investment promotion. 2009", April 14, retrieved from

f. Website

FIA Website is available in such three languages as Vietnamese, English and Japanese. The Website of FIA in Japanese language has been made available with assistance from the Japanese private company.

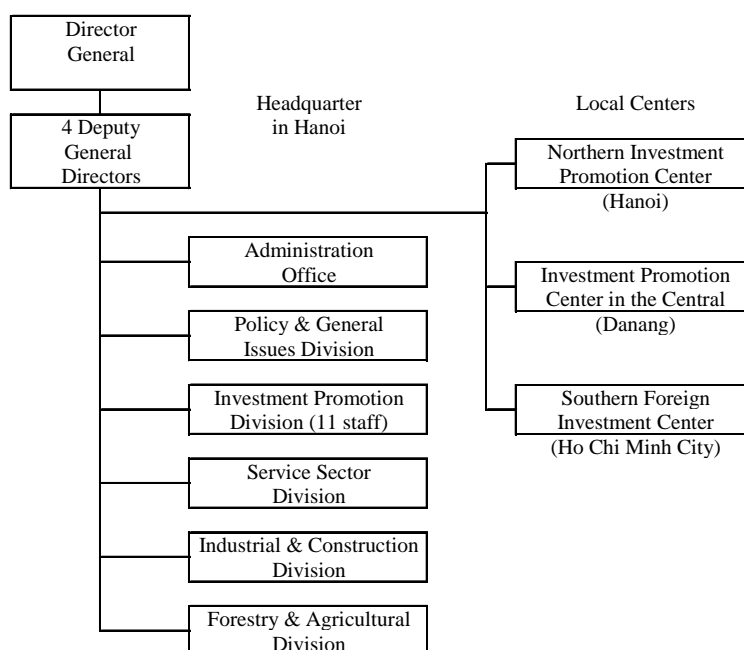


Figure 4-1 Organization Chart of FIA in Vietnam (as of May 2009)

(2) Activities of FIA

The FIA is to implement the state management function of the FDI in Vietnam and Vietnam’s direct investment abroad.⁶ The FIA’s responsibilities regarding the FDI management include the followings.

a. Formation and Implementation of FDI Policy

- i) Helping the Minister manage the FDI in Vietnam; hosting, coordinating with other units in the Ministry and other ministries, branches, local authorities to work out the plans, the list of projects to attract FDI in each period in line with the general investment and development of the whole country to submit to the authoritative levels for approval.
- ii) Gathering FDI plans for the generalization of the national economic plans; generalizing and proposing the issues concerning general guidelines about FDI; providing information about FDI.
- iii) Hosting the construction, amendment and addition to the mechanism, policies on FDI; coordinating with the Legislation Department and the concerned units to build up, amend and supplement the legal normative documents about FDI in Vietnam; Supervising, guiding the implementation of legal regulations related to FDI .

<http://www.lookatvietnam.com/2009/04/20-trillion-vnd-earmarked-for-investment-promotion.html>

⁶ Decision No: 521/Q§-BKH on functions, responsibilities and organizational structure of the Foreign Investment Agency of April 16, 2009

- iv) Monitoring and proposing solutions to arising problems in the implementation of the decisions to devolve the management of FDI to the local levels; cooperating with the Industrial Zone and Export Processing Zone Management Department to monitor the implementation of the decisions of the Minister of Planning and Investment delegated to the Management Units of Industrial Zones, Export Processing Zones and Hi-tech Zones.
 - v) Coordination with concerned units, bodies to regulate statistic reports on FDI
- b. Investment Promotion
- i) Building the programs and plans, and organizing the investment promotion activities; establishing partner relationships to promote FDI; hosting the preparation and organization of meetings with investors to promote investment
 - ii) Supporting investors to look for investment opportunities and form investment projects; mobilizing and promoting investment in key programs and projects
 - iii) Taking part in inter-governmental cooperative programs, working groups with the concerned countries and international organizations to negotiate and settle FDI problems
 - iv) Hosting the synthesis, evaluation and construction of the National Investment Promotion Program
 - Taking part in the evaluation committee and the secretary board of the Program
 - Guiding the construction and receiving, synthesizing projects under the National investment promotion program and receiving requests for amendment, adjustment, supplementation and termination of these projects
 - Hosting the draft of annual National investment promotion program as regulated; drafting adjustments, balances of parts of the Program when being informed of the total budget by the Ministry of Finance.
 - Hosting the supervision, monitoring and synthesis of the implementation of the program annually
 - v) Investment Promotion Seminar and Workshop

The FIA has been participating actively in the investment seminar held by the ASEAN-Japan Center. Recent Vietnam investment seminars sponsored by the ASEAN-Japan Center are as follows.

 - Vietnam Investment Seminar in February 2009
 - Vietnam Investment Seminar in March 2008
 - Central Vietnam Investment Promotion Seminar in July 2007
 - Japan-ASEAN Seminar on FDI in May 2007
 - Vietnam Singapore Seminar in January 2007
 - Vietnam Seminar in February 2006
 - Vietnam Seminar in September 2003
 - vi) Operation and Management of the Investment Promotion Website

- State management of the FDI in Vietnam and the direct investment of Vietnam abroad
- State management and the operational models of investment promotion agencies
- Overview of the FDI
- Investment procedures and policies
- The concerned legal policy and document system
- Investment opportunities in Vietnam
- News and events concerning investment

Note: The MPI also operates the SME portal site, called “Agency for SME Development (ASMED) Business Portal”, which contains considerable information on investment in Vietnam.

vii) Publications:

The FIA publishes some promotional materials, which include the followings.

- “Vietnam: A Guide for Business and Investment”, January 2007
- “Dynamic Vietnam”(DVD),
- “Investment Promotion Act 1977, amended by Investment Promotion Act (No.2) 1991 and Investment Promotion Act (No.3) 2001”
- “List of National Projects: Calling for Foreign Investment 2006-2010”

c. Processing of Application for Investment Projects

- i) Receiving the proposal documents for assessing the BOT, BTO and BT projects; hosting amendments made to these projects.
- ii) Proposing to the Minister for granting Investment Certificates to BOT, BTO and BT projects after the projects have been approved
- iii) Informing the investors in case they are not eligible or have not been granted with investment certificates.

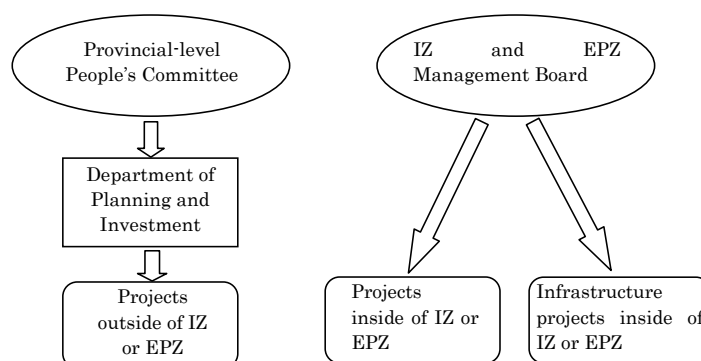
d. Monitoring and Aftercare

- i) Guiding the implementation of the projects and business re-organization; adjusting Investment licenses, dealing with arising problems and monitoring the activities of foreign investment projects
- ii) Settling disputes concerning foreign investment projects upon request
- iii) Conducting the procedures and decisions to dissolve foreign-invested enterprises
- iv) Coordinating with the IZ and EPZ Management Department and other concerned units and agencies to consistently regulate the statistic reports about the situation of receiving, granting and adjusting Investment licenses, and the activities of FDI projects.
- v) Checking and monitoring the supervision work of functional agencies and local authorities over the activities of FDI projects

(3) Investment Application Procedures

a. Basic Framework of the Investment Application

The management of investment application procedures has been removed from the FIA to the local administrative institutions due to the decentralization policy of Vietnam Government and the provincial-level People’s Committees or Industrial Zone and Export Processing Zone Management Boards (hereinafter referred to as “IZ and EPZ Management Board”) currently grant the investment certificate to the investors as follows. The conceptual drawing of the investment application procedure management is shown below.



Source: JICA Study Team

Figure 4-2 Investment Application Procedure Management Scheme

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 will not be required the registration. The local projects with VND 15 billion to 300 billion and the foreign projects under VND 300 billion will requested to register.⁷ All other projects need to have investment assessment. Such regulation is summarized in Table below.

Table 4-1 Regulations on Investment Registration & Investigation Projects

Field	Project’s Scale	Below VND 15 billion	From VND 15 billion to under VND 300 billion	VND 300 billion up
Not listed in the conditioned investment field and not included in projects approved by the Prime Minister	Local	Investment registration-unnecessary	Investment registration	Investment assessment
	Foreign	Investment registration	Investment registration	Investment assessment
Listed in the conditioned investment field and included in projects approved by the Prime Minister	Local and Foreign	Investment assessment	Investment assessment	Investment assessment

Source: JICA Study Team basing on the Prime Minister’s Decree 108/2006/ND-CP on September 22nd 2006 detailing and guiding the implementation of a number of articles in the Investment Law

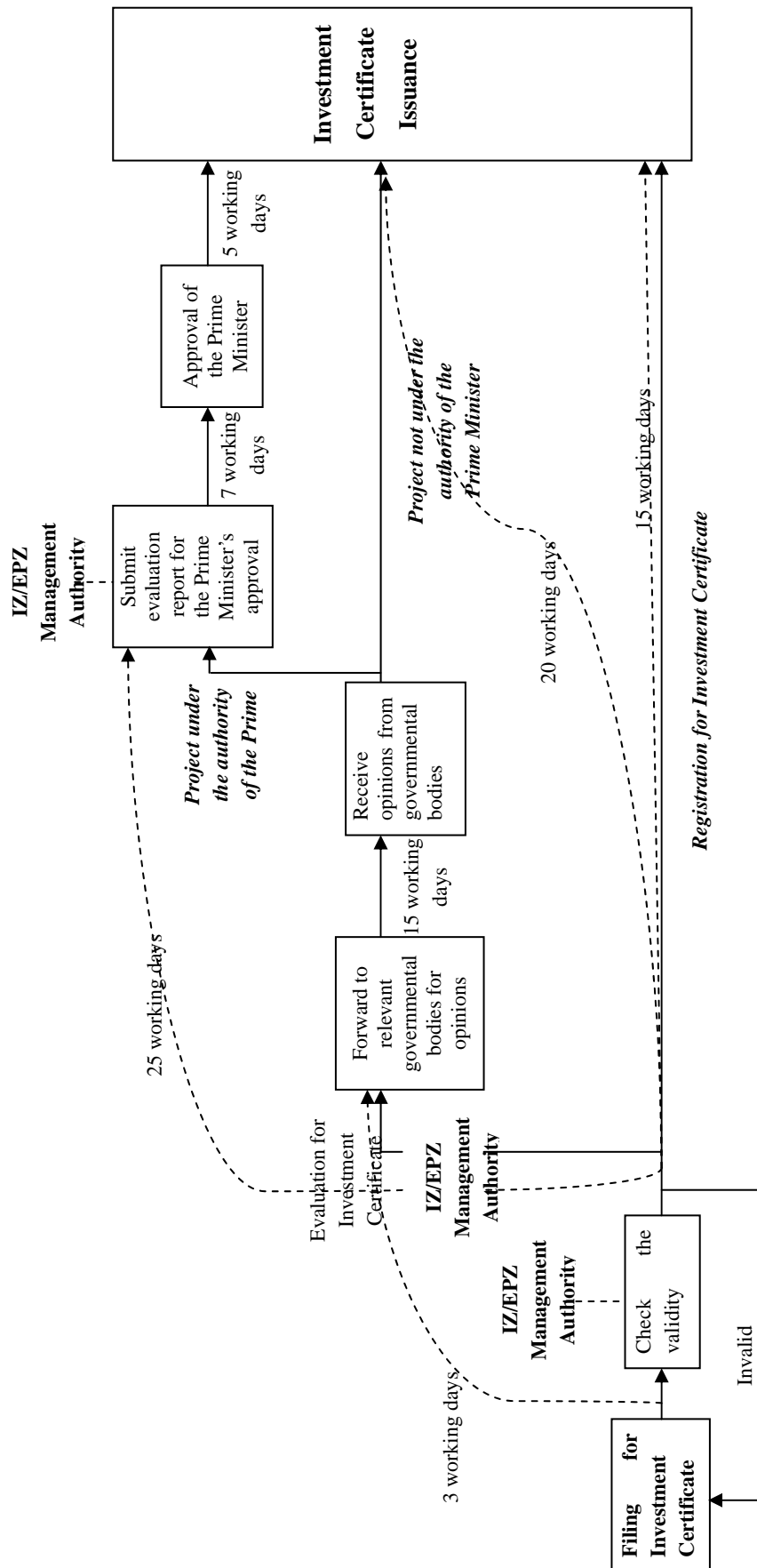
b. The Assessment Procedure of the Investment Projects subject to the Prime Minister’s Approval:

⁷ <http://fia.mpi.gov.vn/Default.aspx?ctl=FIA&TabID=2&mID=220>

To be completed within minimum 37 working days

- Within 3 working days from the day receiving the project file, the file-recipient agency examines the validity of the file and sends it to the relevant ministries for their investigation comments.
 - Within 15 working days from the day receiving the project file, the consulted agencies must provide their assessment comments in document and must be responsible for any project issues under their management authority.
 - Within 25 working days from the day receiving the valid project file, the investment licensing agency shall prepare the assessment report and submit it to the Prime Minister for approval.
 - Within 7 working days from the day receiving the assessment report submitted by the provincial-level People's Committees or IZ and EPZ Management Boards to the Prime Minister, the Governmental Office will announce in document the Prime Minister's decisions on the investment project.
 - Within 5 working days from the day receiving the Prime Minister's approval, the provincial-level People's Committees or IZ and EPZ Management Boards must grant the investment certificate.
- c. The Assessment Procedure of the Investment Projects subject to the Assessment of Investment Certificate Granting: To be completed within minimum 25 working days for the provincial-level People's Committee and 40 working days for the Management Board
- Within 3 working days after the day receiving the project file, the file-recipient agency shall examine the validity of the file and sends it to the relevant departments or ministries and industries for their assessment comments.
 - Within 15 working days from the day receiving the project file, the consulted agencies must provide their assessment comments in document and must be responsible for any project issues under their management authority.
 - Within 20 working days after the day receiving the valid file, the Department of Planning and Investment prepares an assessment report and submit it to the provincial-level People's Committee for the decision. And within 5 working days after receiving that report, the provincial-level People's Committee shall grant the investment Certificate.
 - For projects to be granted the investment certificate by the IZ and EPZ Management Board, within 20 working days after receiving the valid file, the IZ and EPZ Management Board should gather the comments of consulted agencies for a decision on the granting of investment Certificate.
 - In case the project is not approved, the agency receiving investment project file shall inform investors in document with elaborated reasons.
- d. The Investment Registration Procedure
- Within 15 working days from the receipt of the valid files on investment & business registration, the state agency on investment management assesses the validity of the investment registration files or the business registration file (in case of the establishment of economic organization attached to investment project) and grants the investment Certificate

The investment application procedures are schematized below.



Source: JICA Study Team

Figure 4-3 Investment Procedures in Vietnam

(4) Investment Incentives

a. Corporate Tax

Under the amended decree on corporate tax (Decree 124/2008/ND-CP) promulgated in December 2008 and implemented in January 2009, the standard corporate tax rate was adjusted from 28% to 25%. Accordingly, the preferential tax rate of 10% or 20% will be applied only to the qualified projects and 25% rate to the non-qualified projects starting from the fiscal year of 2009 (Decree on Corporate Tax 124/2008/ND-CP and its Guideline Circular 130/2008/TT-BTC). Before such amendment was made, the preferential rates of 10%, 15% or 20% have been applied to the promoted projects or the projects in the promoted areas. New regulations also excluded the Industrial Zones and Export Processing Zones from the promoted areas.

Vietnam's preferential corporate scheme is as shown below.

Table 4-2 Preferential Corporate Tax Scheme in Vietnam

Tax rate	Conditions	Applied Period(*1)	Exemption/ Reduction Treatment	
			Exemption Period(*2)	50% Reduction Period(*3)
(Standard rate of 25%)	All other projects except those shown below	Whole period	-	-
20%	Investment projects in the region with difficult socio-economic conditions	10 years	2 years	4 years
	Agricultural cooperative, Mutual Aid Association	Whole period	-	-
10%	<ul style="list-style-type: none"> • Investment projects in the region with especially difficult socio-economic conditions • Investments projects in the special economic zones or High-tech areas, to which the preferential treatment is granted by the Prime Minister's decision. • Investment projects in high-tech, scientific technology, infrastructure with extreme importance or software development 	15 years (Maximum 30 years)	4 years	9 years
	Projects in the education, vocational training, medical, culture, sports, environment fields	Whole period		

*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.

Source: "Investment Guidebook - Vietnam", March 2009, Mitsubishi Tokyo UFJ Bank

- i) Loss carry-forward: To be admitted for 5 years
- ii) VAT: 0% rate will be applied to the sale to export processing enterprises or into export processing zones, and exports.
- iii) Customs Duties:
 - According to the Investment Law of July 1, 2006, and Customs Law of December 31, 2005, the customs duties are exempted on the imported machinery, equipment, special transportation equipment, construction materials, which are not manufactured in Vietnam, and the raw materials,

parts, accessories and other supply to be used for the promoted projects or the projects in the promoted areas.

- Import customs duties are also exempted in the export processing zones.

2. Thailand: Office of the Board of Investment (OBOI)

(1) Overview, Organization and Function

a. Overview

Office of the Board of Investment (OBOI) has 34 years' history of its operation as a secretarial organization for policy-making and decision by the Board of Investment (BOI) of Thailand. While Prime Minister chairs BOI with participations by private sector representatives, OBOI is placed under the Ministry of the Industry.

There is a clear separation of mandate between BOI (the Board) and OBOI as a secretarial body. BOI establishes policy and strategies, and approves projects with an important principle of "Good governance", while OBOI implements investment promotion activities from various aspects of "investor (customer) service", based on strategies developed by BOI.

b. Structure of BOI

BOI consists of the following members and relevant officials, which makes a total of 18;

- i) Chairman: Prime Minister
- ii) Vice Chairman: Minister of Industry
- iii) Members: Minister of Finance, Minister of Commerce, Permanent Secretary of Ministry of Industry, Secretary General of the NESDB⁸, Chairman of the Thai Chamber of Commerce, Chairman of the Federation of Thai Industries, Chairman of the Thai Banker's Association, 3 other members
- iv) Advisors: 5 advisors
- v) Member and Secretary: Secretary General, Office of the BOI

c. Policy and Strategy of BOI

BOI has taken a consistent policy, in which "Investment is a key factor for economic development", while modifying its detailed strategy with a direct linkage with the country's changing development stage and industrial (development) policy as follows;

⁸ NSDB: National Economic and Social Development Board

- (1) Import substitution → (2) Export orientation → (3) Adjustment for WTO regime →
 (4) Regional development and equal distribution of wealth (Zoning) →
 (5) Technology-base industry (from Zoning to Targeting)

In this way BOI has set clear targets and policies, and provided various incentives that adhere to its policy from time to time with the implementations by OBOI. BOI has also effectively used zoning to attract investments in rural or less developed areas. Under its zoning scheme, the country is divided into three zones based on economic conditions, and investments in regions with low income and inadequate investment climate receive higher incentives. Furthermore, as part of the country's decentralization efforts, BOI conducts facilitation of factory relocations to regional areas. BOI is responsible not only for promoting incentives adhered to its priority areas but also for approving these incentives with exception that the Industrial Estate Authority of Thailand (IEAT), attached to the Ministry of Industry, is in charge of the development of industrial estates and the grants of permissions and incentives within the industrial estate.

d. Organization and function of OBOI

As a secretarial organization, OBOI has learned a lot from such other countries as Ireland, Singapore and Hong Kong for benchmarking to become an effective IPA with many donor assistances, particularly at its initial development stage⁹. OBOI has around 300 staff, including regional and overseas offices (See Figure 4-4). OBOI Beijing office has just opened as of April 2009¹⁰, which makes a total of 8 overseas offices worldwide. At its headquarter, managers and staff of the 11 bureaus implement daily operation under the supervision of 6 executive members that consist of one Secretary General, one Senior Executive Investment Advisor, 3 Deputy Secretary generals and one Assistant Secretary General. Functions and characteristics of the 9 bureaus that have direct linkages with investment promotion activities are as follows¹¹:

Table 4-3 Functions and Characteristic of 9 Bureaus

Bureau	Function and characteristics
(1) Investment Strategy and Policy Bureau	(a) Develop investment promotion plans and policies; (b) Conduct research to identify promising investment opportunities in Thailand and promote technology transfer; (c) Track economic indicators, collect investment statistics and prepare monthly, quarterly, and annual BOI activity reports; (d) Handle all budgeting for OBOI; and (e) Evaluate existing policy and procedures to determine how successful they have been in achieving government objectives.
(2) Investment Marketing Bureau	(a) Serve as the public relations, marketing and advertising arm of BOI in order to enhance both Thailand's image and foreign investors' confidence in the Thai investment climate; (b) Develop promotional campaigns, investment missions, customer relationship management and identification of potential investors; and (c) Coordinate and support overseas offices.

⁹ Source: Interview Survey with BOI officials by the JICA Study Team

¹⁰ BOI, "Thailand Investment Review: BOI Opens New Overseas Office in Beijing", 2009 May, retrieved from http://www.boi.go.th:8080/issue_content.php?issueid=52;page=81

¹¹ Other two bureaus are General Administration Bureau and Management Information Systems Bureau.

Bureau	Function and characteristics
(3) International Affairs Bureau	<ul style="list-style-type: none"> (a) Be responsible for negotiation and implementation of both multilateral and bilateral agreements on trade and investment; (b) Coordinate with foreign governments, international organizations, foreign embassies and chambers of commerce to promote not only FDI into Thailand but also Thailand's overseas investment; (c) Participate in discussions pertaining to regional cooperation agreements such as APEC, UNCTAD, ASEAN and GMS; and (d) Monitor, study and analyze FDI trends and conduct annual Foreign Investor Confidence Survey, which identifies how investors feel about the Thai investment climate and the overall situation of the country's economy.
(4) Investment Services Center	<ul style="list-style-type: none"> (a) Assist investors who would like to establish their business in Thailand by providing information about investment opportunities, prospective joint venture partners, development of advertising material and press releases; (b) Look after the "One-Stop Service Center for Visas and Work Permits" that provides long-term visas and work permits to foreign employees of BOI-promoted companies in 3 hours or less; and (c) Manage a research library for investors and manages the content for the BOI Website, www.boi.go.th.
(5) Investment Development Assistance Bureau	<ul style="list-style-type: none"> (a) Foster development of subcontracting networks through its subsidiary, the BOI's Unit for Industrial Linkage Development (BUILD); (b) Manage the ASEAN Supporting Industrial Database (ASID) and its Website, www.asidnet.org to enhance sourcing not only in Thailand but also throughout ASEAN; (c) Promote regional industrial development by providing investors with information on investment locations and coordinating/supporting BOI's 7 regional offices; (d) Help investors solve problems and remove impediments for investment by coordinating with other Thai government agencies such as Customs Department and Revenue Department; and (e) Support SMEs and community enterprises by identifying business opportunities that will receive marketing support.
(6) – (9) Investment Promotion Bureau 1, 2, 3 & 4 (Industry- and sector-wise bureau)	<ul style="list-style-type: none"> (a) Take care of all aspects concerning projects in the industries under their responsibility, including project appraisal, review of machinery and raw materials submitted for tax exemption and project monitoring from the point of view of investment facilitation/services*; and (b) Collect and analyze information about industries under their responsibility, and distribute it to interested investors. <p>*: OBOI stresses that investors find this process quite convenient, as all communication with BOI can be conducted with only one division of OBOI.</p>

In order to further strengthen the integration of the manufacturing chain with the progress of the country's industrial development stage, BOI has increased the importance of promoting foreign-local linkage within the manufacturing sectors of Thailand. To be in line with this policy, OBOI has established BUILD, as shown on the above table, since 1992, whose duties are to act as an intermediary between foreign investors and local manufacturers, which is expected to result in the strengthening linkages of various industries and the transfer of production technology.¹² OBOI also offers matching services with a database made available for both sides.

¹² BOI, "BOI Unit for Industrial Linkage Development: BOI's Mission to Strengthen Thai Industry"

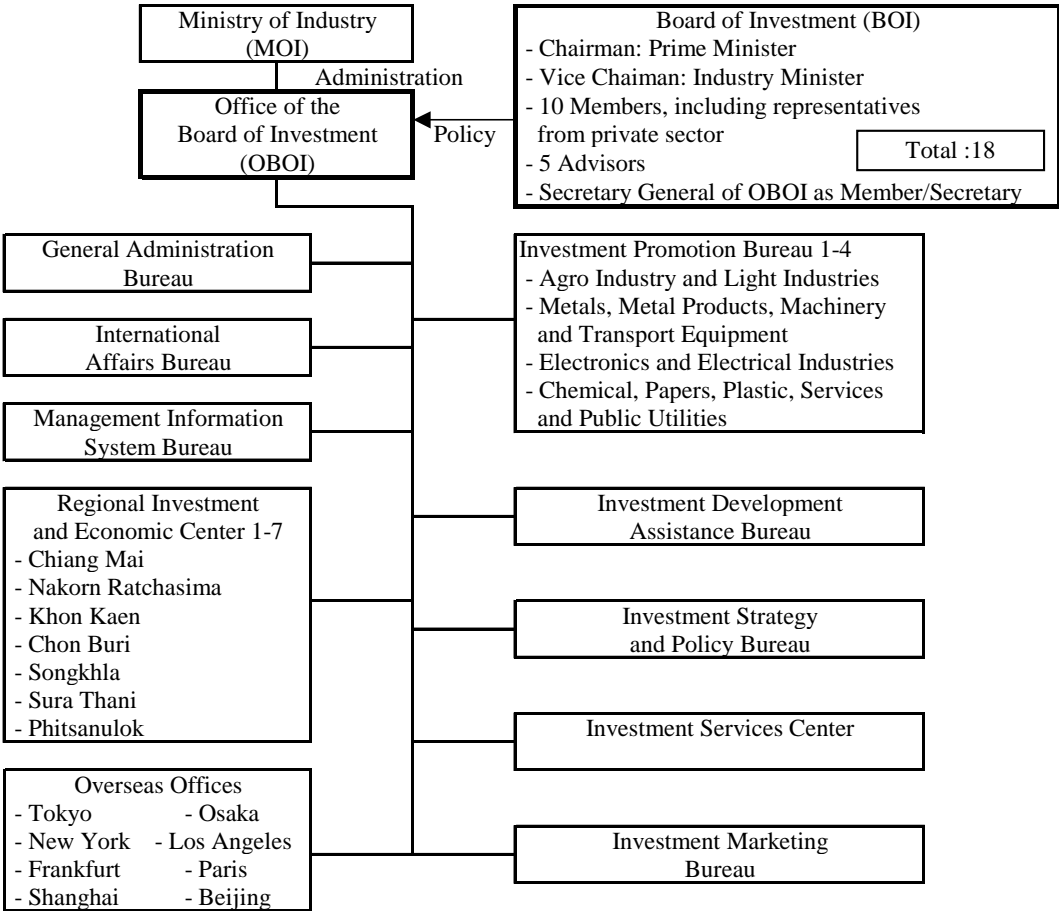


Figure 4-4 Organization Chart of OBOI in Thailand (as of June 2009)

e. Budget and Human Resources

According to the Interview Survey by the Study Team, OBOI sees that the organization does not have serious problems of the budget and human resources. All the staff is expected to participate in seminars and workshops at least twice a year. Many seem to have motivations and be given a pleasure to serve for the country and the privileges as government officers with high level of job security, while the salary level is not necessarily high compared to the level of the private sector.

f. Website

OBOI operates its website in 7 languages with a complete list of responsible managers and contact points. Other features online include E-newsletters, QIP information, access to information database about various topics on Thailand, and downloadable application forms for various incentives and services. According to the “Global Investment Promotion Benchmarking Study 2009” conducted by the World Bank Group, BOI is ranked highly in website investment promotion services.¹³

¹³ World Bank Group, “Global Investment Promotion Benchmarking 2009: Summary Report”, May 2009

(2) Promotional Activities

The BOI is very often cited as a successful IPA in the region and its FDI promotional activities has been active and diversified. Their promotion activities include the following.

a. Information Provision and Promotion-related Activities

- i) The BOI Website: Besides full information on the investment procedures, incentives and regulations, business environments and statistics, the BOI website also include the followings.
 - Application for BOI privileges
 - Online tracking of the application processing, approval status
 - Promotion Certificate Issuance
 - Project Monitoring
 - Application for land use
 - Application for duty exemption for imported machinery and materials
 - Application for foreign engineers work permits
- ii) Publications of investment promotional materials such as “A Business Guide to Thailand”
- iii) BOI Unit Industrial Linkage Development (BUILD) that is a website match making service through introducing the information on “Market Place Program”, “International Exhibition”, “Seminar” and “Sourcing”. Matchmaking inquiries are also uploaded on the BOI website.
- iv) Operation of Investment Information Center, which runs “BOI Electronic Library”. The Library introduces various publications relating to investment and business in Thailand.
- v) Promotion activities through 11 overseas offices at Frankfurt, New York, Paris, Tokyo, Shanghai, Los Angeles, Osaka, Taipei, Beijing, Sydney and Seoul. The BOI is in the process of opening six new overseas offices, which are expected to be complete by September 2009. The BOI’s overseas offices enhance its capacity in attracting new investment and serve as an effective network covering a larger area of target countries.
- vi) Promotion activities through its 7 regional offices in Thailand

b. Consultation Service

- i) Information provision and consultation on application through the “Investment Service Center”
- ii) “One Start- One Stop Service Center” (OSOS), which will provide faster services to investors by stationing officials from investment-related offices within one center (Now in progress)

c. Investment Promotion Seminar and Workshop

- i) Implementation the overseas investment seminars such as ones in UK in 2009

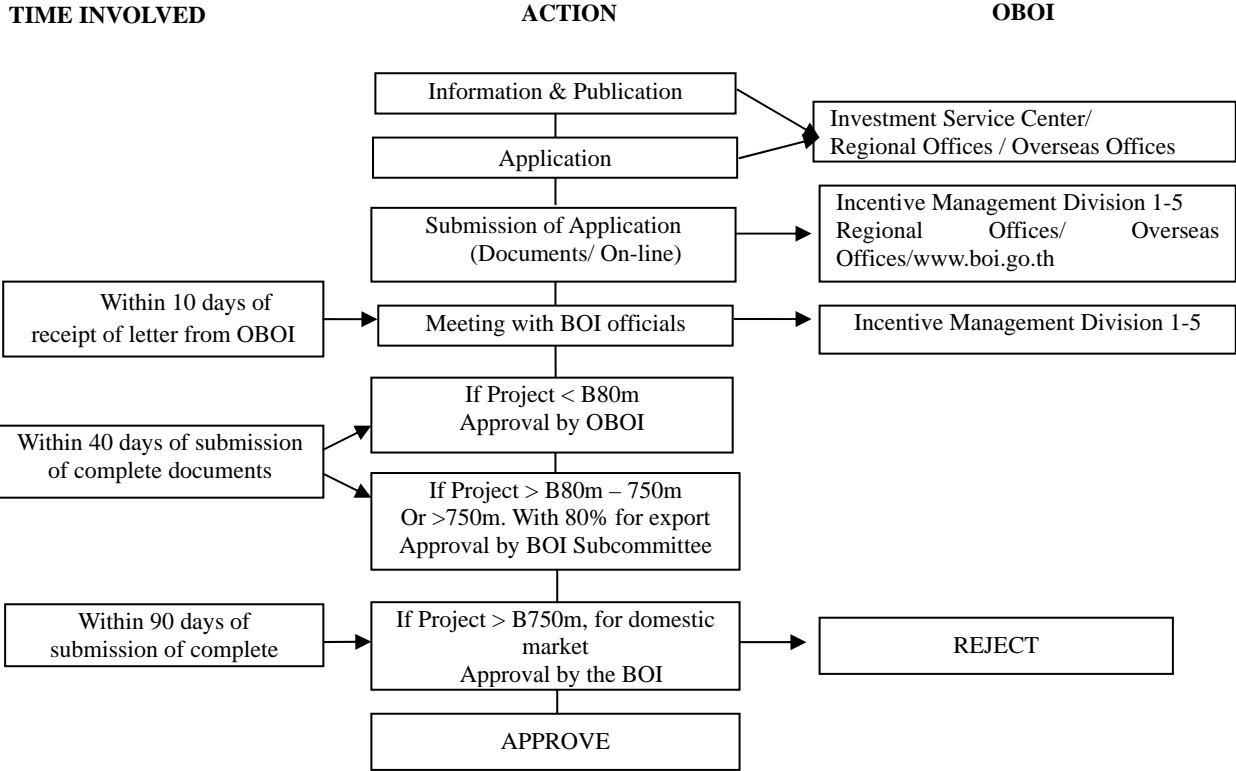
- ii) Participation in the workshop or business seminar to deliver the BOI's investment promotional policies inside and outside of the country
- d. Processing of Application for BOI Promotional Privileges
- i) Receipt of the application for BOI promotional privileges at the "Incentive Management Division"
 - ii) Multi-layered approval system basing on the investment amount, with the fixed timeframe: OBOI, BOI Subcommittee or BOI
- e. Monitoring and Aftercare
- i) Operation of "One Stop Service Center for Visas and Work Permits", comprising of three Government agencies, namely, the OBOI, Immigration Bureau, Department of Employment, since July 31, 1997.
 - ii) "One Start- One Stop Service Center" (OSOS), which will provide faster services to investors by stationing officials from investment-related offices within one center (Now in progress)

(3) Investment Application Procedures

The investment application procedures of the BOI adopt multi-layered approval system by the OBOI, BOI Subcommittee or BOI, according to the investment amount.

The timeframe is fixed for each process of application process and the private sectors points out that the timeframe is strictly kept by the BOI as defined.

Application procedures for the BOI privileges are as follows.



Source: http://www.boi.go.th/english/about/boi_promotion_procedure.asp

Figure 4-5 BOI Promotion Procedure

(4) Investment Incentives

The BOI offers two kinds of incentives to promoted projects, regardless of location of investment project, which are tax incentives and non-tax incentives. Tax-based incentives include exemption or reduction of import duties on machinery and raw materials, and corporate income tax exemptions. Non-tax incentives include permission to bring in foreign workers, own land and take or remit foreign currency abroad.

Investment zones have long been used to support government goals in decentralizing Thailand's industrial base. In line with the government policy of decentralization from the Bangkok Metropolitan Area, the BOI announced new "Policies and Criteria for Investment Promotion" since April, 1993, creating three Investment Promotion Zones throughout Thailand.¹⁴

The BOI privileges in each zone are as shown in the table below.

¹⁴ http://www.boi.go.th/english/about/boi_privileges_by_location.asp

Table 4-4 The BOI Privileges by Location

Zone	Area	Incentives
Zone 1	Bangkok and 5 provinces	<ul style="list-style-type: none"> - 50 per cent reduction of import duty on machinery that is subject to import duty of not less than 10 percent. - Corporate income tax exemption for 3 years for projects located within industrial estates or promoted industrial zones, provided that such a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within 2 years from its start-up date, otherwise the corporate income tax exemption will be reduced by 1 year. - Exemption of import duty on raw or essential materials used in the manufacturing of export products for 1 year
Zone 2	Ang Thong, Ayutthaya, Chachoengsao, Chon Buri, Kanchanaburi, Nakhon Nayok, Phuket, Ratchaburi, Rayong, Samut Songkhram, Saraburi, and Suphanburi (excluding Laem Chabung Industrial Estate and industrial estates and promoted industrial zones in Rayong Province)	<ul style="list-style-type: none"> - Exemption of import duties on machinery for projects located in industrial estates or promoted industrial zones, and 50 per cent reduction of import duty on machinery that is subject to import duty of not less than 10 per cent for projects located outside industrial estates or promoted industrial zones. - Corporate income tax exemption for 3 years, increased to 7 years for projects located within industrial estates or promoted industrial zones, provided that such a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within 2 years from its start-up date, otherwise the corporate income tax exemption will be reduced by 1 year. - Exemption of import duty on raw or essential materials used in the manufacturing of export products for 1 year.
Zone 3	encompasses the remaining 58 provinces (including Laem Chabung Industrial Estate and industrial estates and promoted industrial zones in Rayong Province)	<ul style="list-style-type: none"> - Exemption of import duty on machinery. - Corporate income tax exemption for 8 years provided that a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within 2 years from its start-up-date, otherwise the corporate income tax exemption will be reduced by 1 year. - Exemption of import duty exemption on raw or essential materials used in the manufacturing of export products for 5 years. - Deduction from net profit of 25 percent of the project's infrastructure installation or construction costs in addition to normal depreciation, and such deductions can be made from the net profit of one or several years within 10 years form the date of first revenue derived from the promoted activity.

Source: http://www.boi.go.th/english/about/boi_privileges_by_location.asp, Compiled by JICA Study Team

In addition to the above, some projects located in industrial estates or promoted industrial zones in 36 provinces as well as Laem Chabung Industrial Estate and industrial estates or promoted industrial zones in Rayong province and Projects located in 22 provinces are granted the privileges below as well.

- i) 50 per cent reduction of corporate income tax for 5 years after the exemption period
- ii) Double deduction from taxable income of transportation, electricity and water costs for 10 years from the date of first revenue derived from promoted activity.
- iii) 75 percent import duty reduction on raw or essential materials used in manufacturing for

domestic sales for 5 years, based on annual approval

In each zone, the maximum value of a project's corporate income tax exemption is 100 percent of its investment capital, unless otherwise specified.

On June 10, 2009 the BOI announced the sector-specific policy measures. The incentives granted under the sector-specific policy are as shown below.

Table 4-5 Sector-specific Privileges in Thailand

Sector	Incentives	Conditions
Investment in new automotive assembly line (This policy is certain to expand the range of opportunities for manufacturers of automotive parts and components.)	<p>Corporate Income Tax Holiday</p> <ul style="list-style-type: none"> - 5-year corporate income tax holiday for projects with investment of at least 10 billion baht excluding land cost and working capital - 6-year corporate income tax holiday for projects with investment of at least 15 billion baht excluding land cost and working capital - One additional year of corporate income tax holiday for projects submitted by the end of 2009 <p>Exemption of import duties on machinery, regardless of location</p> <p>Additional incentives in accordance with the BOI Announcement No. 1/2000, except additional 5 years of 50% reduction of corporate income tax</p>	<p>Actual production of at least 100,000 vehicles per annum in any year during the first five years of operation</p> <p>The project must include the production of a new model that has never been manufactured in Thailand and the production of automobiles equipped with high-technology systems (e.g. hybrid drive, brake energy regeneration, electronic stability control, etc.), as approved by the Board of Investment</p> <p>Applications must be submitted by the end of 2010.</p>
Ship buildings and maintenance	Locate in any zone	Must obtain ISO4000 within 2 years in case of Zone 1
Solar Cell Production	Additional upstream activities such as the manufacture of raw materials, pure silicon (99.9999%), wafer, and transparent conductive oxide (TCO) coating glass are also eligible for promotion and entitled to the maximum incentives.	
International Distribution Centers	<p>8-year corporate income tax holiday, regardless of location</p> <p>Foreign equity participation has been relaxed to allow majority or total foreign ownership in IDC (no time limit)</p>	<p>Projects that apply within 2009</p> <p>This excludes revenue derived from domestic distribution, customs procedures, and freight/air bookings.</p>

Source: "The BOI Policy Update" dated June 22, 2009, PPT material made by Duangjai Asawachintachit, Assistant Secretary General of the BOI

In Thailand, the Industrial Estate Authority (hereinafter referred to as "IEAT") has established 34 industrial estates located in 15 provinces nationwide. 9 Industrial Estates were developed by IEAT and 25 were jointly developed by IEAT with the private sectors. In such Industrial Estate, the IEAT provide own privileges to the investors. In the Industrial Estate, the foreign company may own the land and a company with 100% foreign capital may be established without the BOI approval. The corporate tax exemption and duty exemption on the imported machinery and materials shall not be granted unless the project is approved by the BOI.

3. The Philippines: Board of Investment (BOI)

(1) Overview, Organization and Function

a. Overview

Board of Investments (BOI) in the Philippines is an agency under the Department of Trade and Industry (DTI) and assists both foreign and domestic investors in venturing economic activities in the Philippines. The organization was established in 1967 by the Investment Incentive Act. Its initial mandate was to draw up a list of annual priority areas, evaluate project applications for the manufacturing of preferred products and to administer the grant of various incentives. Since 1987, under the Omnibus Investments Act¹⁵, BOI has been responsible for (1) developing and implementing an investment promotion strategy; and (2) registering and monitoring qualified enterprises, and administering investment incentives to registered enterprises as a lead agency for investment promotion in the country.

b. Organization and Functions

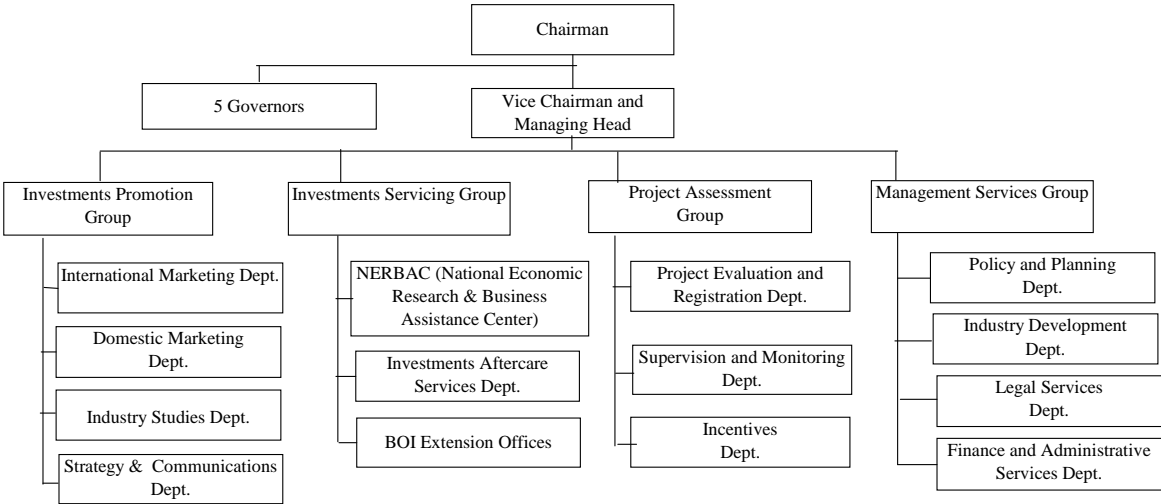


Figure 4-6 Organization Chart of BOI in the Philippines (as of May 2009)

Since June 2008, BOI has undergone major realignment of organization to focus on its reformed mandate that includes strengthening of the Investments Promotion Group and streamlining and simplifying the government procedures for investments. Under the new organization, BOI’s role has been divided into four functional groups: (1) Investments Promotion Group; (2) Investments Servicing Group; (3) Project Assessment Group; and (4) Management Services Group (see Figure 4-6).

¹⁵ Omnibus Investment Act, also known as Executive Order 226, is the law enacted in 1987 to develop and establish a competitive investment environment in the Philippines. The law provides incentives to registered investments and sets systematic registration procedures for local or foreign businesses. The law also delegates discretionary power over FDI to the BOI when foreign participation in an enterprise exceeds 40 percent. (Source) NAM News Network, Investment Policy Philippines, retrieved from <http://www.namnewsnetwork.org/v2/invest2.php?id=20>. & BOI, Board of Investment Welcomes Economic & Commercial Officials of the Proc Embassy in the Philippines, 2009 May, retrieved from www.philippine-embassy.de/.

Major functions of each group and subordinate departments are as follows:

Group	Department	Function
<p>1. Investments Promotion Group [Mission]</p> <p>1. Lead in formulation and implementation of an investment promotion strategy and spearhead the synchronization of investment promotion efforts both at local and national levels to provide total investor solutions.</p> <p>2. Embark on an aggressive advocacy campaign aimed at positioning the Philippines as an investment destination in Asia.</p>	International Marketing Department	<p>(a) Design and implement a strategic inbound & outbound marketing program to attract potential investors;</p> <p>(b) Conduct market studies to determine investment competitiveness of the country in international scene; and</p> <p>(c) Formulate company profiles and case studies for promotion and marketing pitch with value propositions for target companies</p>
	Domestic Marketing Department	<p>(a) Develop and implement a region-based promotion program to generate investments through the conduct of domestic road-shows to encourage investments in the preferred areas of activities;</p> <p>(b) Conduct capability building training on investments promotion to enhance appreciation of the role of local executives, line agencies and that of stakeholders and develop skills of the participants directly involved in investment promotion to better package their areas for investment; and</p> <p>(c) Provide technical assistance in the design & implementation of business promotion and advocacy events/projects of the regional DTI, Regional Investment Promotion Centers, Local Chambers of Commerce & local governments' units.</p>
	Industry Studies Department	<p>(a) Study investment opportunities for specific industries & sectors; and</p> <p>(b) Prepare sector value propositions for promotion to investors.</p>
	Strategy and Communications Department	<p>(a) Prepare overall marketing strategy of the BOI;</p> <p>(b) Prepare marketing & communication plans, promotion collaterals, advertising & advocacy campaigns, press releases & articles; and</p> <p>(c) Serve as the BOI spokesperson to respond to press releases & specific issues concerning the agency & particular industries.</p>
<p>Investments Servicing Group [Mission]</p> <p>1. Provide crucial, expanded and upgraded services to a broad range of investors</p> <p>2. Offer both frontline and after sales services that are designed to persuade investor decisions to locate and retain their investments in the country</p>	National Economic Research & Business Assistance Center (NERBAC)	<p>(a) Provide assistance to both local and foreign investors by providing information advice & guidance on relevant laws and procedures relative to doing business in the Philippines;</p> <p>(b) Assist investors by servicing their needs during the pre-operating stages of the Project; and</p> <p>(c) Maintain and manage database on different laws, IPA policies and procedures, including cost of doing Business, site selection, FAQs.</p>
	Investment Aftercare Services Department	<p>(a) Provide after sales service to existing micro, small, medium & large Investors;</p> <p>(b) Facilitate the resolution of investor's issues and concerns; and</p> <p>(c) Formulate and implement programs leading to retention, expansion and diversification of existing investments.</p>
<p>Project Assessment Group [Mission]</p> <p>1. Provide professional and organized processing of investment applications and monitor registered firms through the use of an enhanced database system</p> <p>2. Provide services to investors from the time they apply for registration through the infancy stage of the project operation up to the time that the project is fully</p>	Project Evaluation and Registration Department	<p>(a) Evaluate/process applications for registration of projects identified as priority investment areas in the Investment Priority Plan (IPP);</p> <p>(b) Recommend to the Board applications for BOI registration; and</p> <p>(c) Endorse to SEC applications of multinational companies for license to establish/operate Regional Operating Headquarters (ROHQ) or Regional Headquarters (RHQ) in the Philippines.</p>
	Supervision and Monitoring Department	<p>(a) Supervise & monitor operations of the BOI-registered & BOI endorsed RHQs/ROHQs;</p> <p>(b) Provide project proponents with timely advice to ensure compliance with the terms & conditions of registration; and</p> <p>(c) Process applications for issuance of certifications/endorsements required under various laws.</p>
	Incentives Department	<p>(a) Process applications & requests related to incentive administration;</p> <p>(b) Establish an efficient operating system to facilitate processing of all types of incentive applications; and</p> <p>(c) Monitor the incentives availed of by registered firms including the actual utilization of the same.</p>

Group	Department	Function
operational.		
4. Management Services Group [Mission]	Policy & Planning Department	(a) Prepare annual Investment Priority Plans (IPP) & formulate investment policies; (b) Prepare economic & statistical analysis based on BOI data; (c) Formulate the country's negotiating positions on investment agreements on various international forum; and (d) Represent BOI in inter-agency committee meetings in relation to various international forums.
1. Serve as the corporate planning unit of the agency 2. Develop and rationalize identified distressed industries 3. Design and implement the BOI Information System Strategic Plan	Special Programs Department	(a) Oversee the development and promotion of industries and sectors that are not under the jurisdiction of any government agency, e.g. motor vehicles, electronics, garments and textiles, chemical industries, iron and steel; and (b) Prepare industry and sector value propositions.
4. Serve as the General Counsel of the Board 5. Render financial and general administrative services	Legal Services Department	(a) Serve as the general counsel of the BOI; and (b) Being responsible for legal opinions on investment agreements, legal advocacy on congress-related matters.
	Finance & Administrative Services Department	(a) Formulate and manage financial program to ensure availability and proper utilization of funds; (b) Design and implement human resource development (HRD) plan & programs to enhance BOI efficiency, effectiveness and morale; and (c) Procure and allocate office supplies and equipment including for transportation, IT hardware/software, and for maintenance; and (d) Provide any other general services.

Under the Investment Servicing Group, BOI provides various services, including joint venture matching services for international and local entrepreneurs and investment advice and facilitation for SMEs. The recent reorganization of BOI structure entails the expansion of the former “One Stop Action Center for Investment (OSAC)” at the former Investment Counseling Division whose mandate was to provide information on investment procedures into the Investment Servicing Group. Representatives from related agencies such as immigration office and tax department are stationed at the OSAC¹⁶. At BOI, a database of companies in need of joint venture partners has been made available. In order to better serve potential and existing investors, BOI has developed a Customer Manual for its own services.

c. Strategy, Targeting and Responsibility Sharing with Other Organizations

Apart from investment promotion and servicing functions, BOI is tasked to develop annually the Investment Priority Plans (IPP), which lists promoted areas of investments eligible for government incentives. BOI also has mandate to register and monitor qualified businesses including those availing of incentives based on the IPP¹⁷, though the grant of incentives in economic zones are mandated to Economic Zone Authorities including the Philippine Economic Zone Authority (PEZA) among various others. It has been reported that the existence of different government bodies granting incentives and registering businesses have caused confusion among new and potential investors¹⁸. BOI's target

¹⁶ Source: Organization for Small & Medium Enterprises and Regional Innovation (SMRJ) of Japan, retrieved from <http://www.smrj.go.jp/keiei/kokusai/faq/faq3/philippines/030735.html>

¹⁷ BOI, The Board of Investments (BOI): Its Structure and Services, retrieved from www.philippine-embassy.de

¹⁸ “Comparative Study on the Climate of Investment Between the Philippines and Thailand: Executive Summary Findings and Recommendations”, Japanese Chamber of Commerce and Industry of the Philippines, January 2006, p.4.

industries include: food processing; construction; metal production; communication; power and infrastructure industries. The main target region is Japan, and the BOI website is available in English and Japanese.

4. Malaysia: Malaysian Industrial Development Authority (MIDA)

(1) Overview, Organization and Function

a. Overview

Malaysian Industrial Development Authority (MIDA) established in 1965 by the Federal Industrial Development Authority Act is the principal government agency responsible for the promotion and coordination of industrial development in the country. Although it is placed under the Ministry of International Trade and Industry (MITI), MIDA enjoys a relatively high level of autonomy. MIDA became fully operational in 1967 and began establishing overseas offices in 1972. The Malaysian Government has placed high importance on investment promotion and adopted far-reaching policies to promote and facilitate FDI¹⁹.

b. Policy and Strategy

The Government's plan was to promote industrial development as a means of accelerating growth and development; diversifying the economy; generating new employment opportunities; and creating other business activities.

In pursuit of this goal, Malaysia's industrialization took the following path:

- i) 1960s: Import substitution
- ii) 1970s: Export orientation and Investment in heavy industries.
- iii) 1980s: Resource-based industrialization
- iv) 1990 onwards: Value-added manufacturing & broadening industrial base²⁰

As part of this massive effort, MIDA has received considerable support and resources from the government and has set up 19 overseas offices in: USA (San Jose, Los Angeles, Chicago, Boston, New York); Europe (London, Paris, Stockholm, Frankfurt, Milan); and Asia and Oceania regions (Dubai, Mumbai, Sydney, Guangzhou, Shanghai, Taipei, Seoul, Osaka, Tokyo). Inside the country MIDA has set up 12 branch offices.

c. Functions

Aside from its main tasks in investment promotion in Malaysia, MIDA performs other tasks such as: planning for industrial development; making recommendations to MITI; providing consulting services to businesses operating in Malaysia; facilitating and implementing cross-border investments; and

¹⁹ UNCTAD, *The World of Investment Promotion At A Glance: Survey of Investment Promotion Practices*. 2001, p.8.

²⁰ OECD, *Investment Promotion, Strategies, Policies, and Practices – Malaysia's Experience at China Conference on Foreign Investment* 11 –12 September 2000 Xiamen, People's Republic of China, p.13.

coordinating the exchange of information between organizations involved in industrial development. In addition to these tasks, MIDA is also mandated to evaluating manufacturing license applications and expatriate posts, applications for tax incentives, and applications for duty exemptions on raw materials, components, machinery and equipment²¹. To provide information and advisory services to investors, senior representatives from such government agencies as the Treasury, Department of Labor, Immigration Department, Royal Malaysian Customs and Department of Environment are stationed at MIDA's headquarters.

d. Organizational Structure

There is about 400 staff at Kuala Lumpur headquarters. There are also 12 representatives at each of the state offices. At MIDA headquarters, Foreign Investment Promotion Department is separated by target zones, namely America, Asia and Oceania, and Europe. The number of staff at each target zone is about 8 to 10 people. The organization is clearly divided into investment promotion, investment servicing, industry division, and management and services divisions. In terms of incentive applications, each of the industry departments is responsible for the evaluation as well as for the monitoring of approved projects (See Figure 4-7).

e. Website

MIDA Website contains a wide range of information, and the organization is ready to effectively promote foreign investment online. There are four options of languages on the Website in English, Malaysian, Japanese and Chinese. Complete information on the organization is available on the Website including contact information of around 400 staff with his/her responsibility, contact number, E-mail address and even portrait as well as clear hierarchy within each department and division, which could largely increase conveniences for existing and potential investors.

²¹ MIDA, About MIDA: Functions of MIDA, retrieved from <http://www.mida.gov.my/>

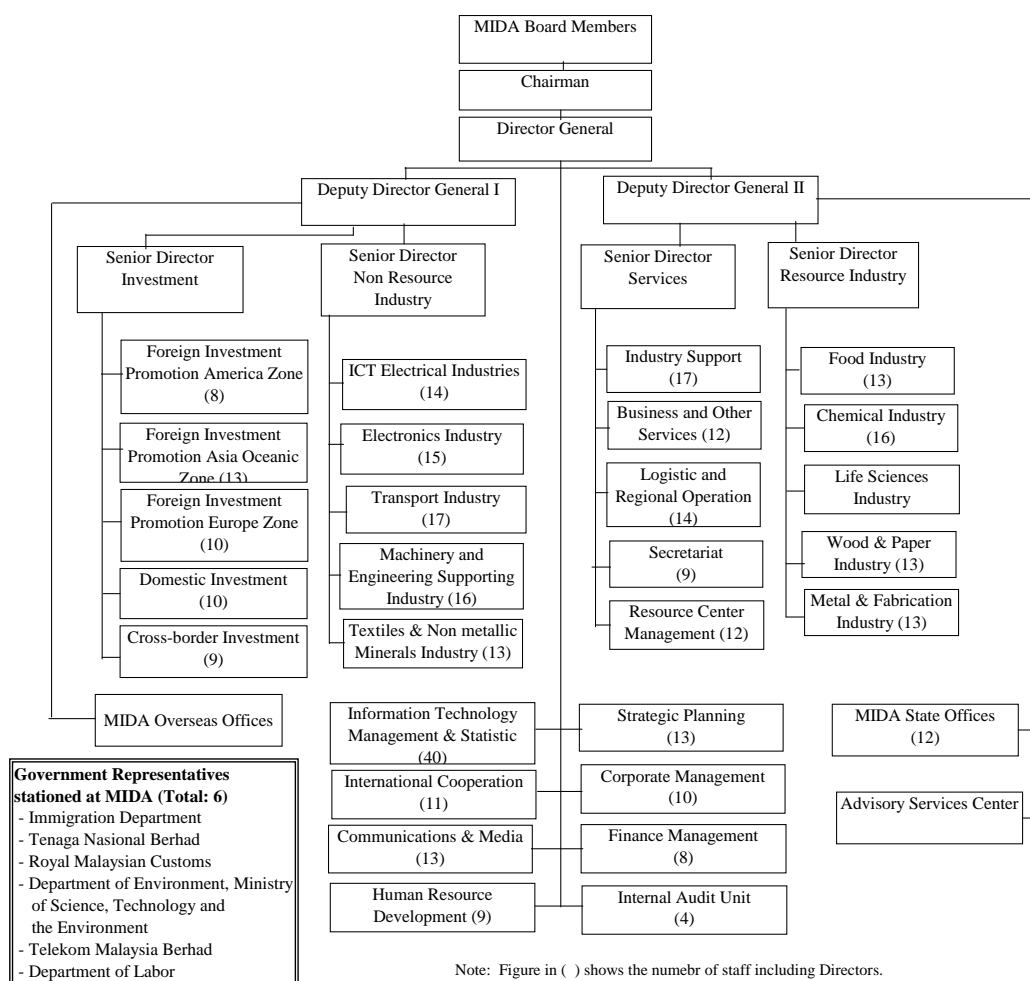


Figure 4-7 Organization Chart of MIDA in Malaysia (as of June 2009)

5. Singapore: Economic Development Board (EDB)

(1) Overview, Organization and Function

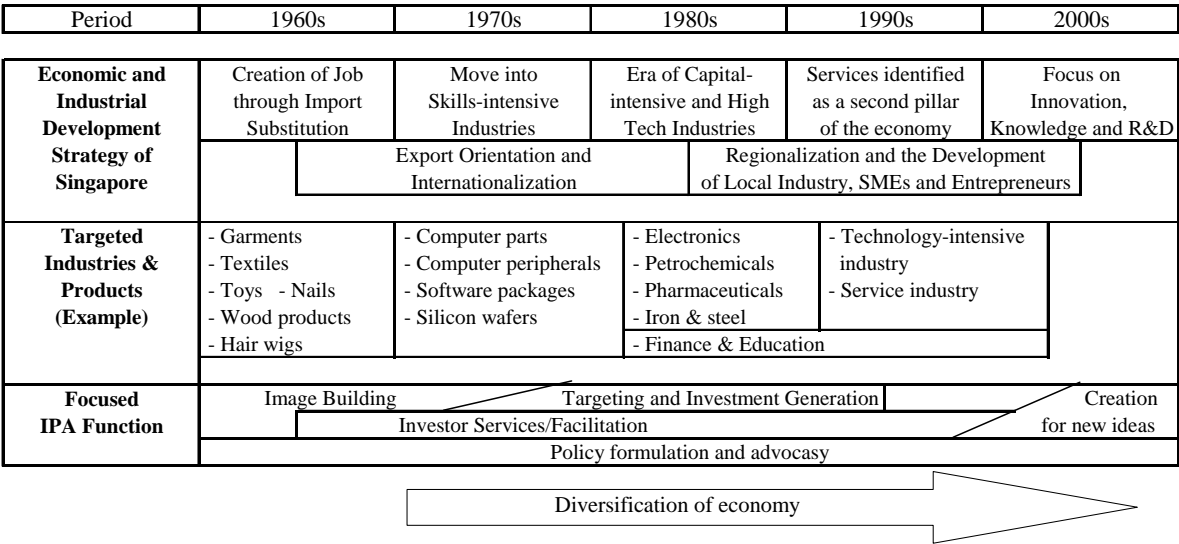
a. Overview

Economic Development Board (EDB) of Singapore is considered one of the most successful IPAs, not only among ASEAN countries but also on the global standard. Singapore has always been ranked No. 1 or on one of the top 5 group on the World Bank’s “Doing Business” surveys. EDB was set up in 1961 by Singapore’s leaders to implement a plan to attract foreign investment. Since its establishment EDB is known to have crucially contributed to the country’s tremendous success in achieving rapid economic growth through proactively promoting and generating FDIs.²² Because Singapore has already been far-advanced, for Cambodia it is worthwhile to look at EDB’s strategy and experience in its initial development stage, in particular, when the country started its development from the level of per capita GDP of US\$ 500.

²² Schein, E.H., “Strategic Pragmatism: the Culture of Singapore's Economic Development Board”, 1996, MIT Press, p. xii.

b. Policy and Strategy of EDB

The following figure shows the changes in EDB’s investment promotion strategies and target industries over the past five decades. The initial strategy of EDB was to create jobs through attracting labor-intensive manufacturing companies and to develop an investment climate necessary to attract such companies and investors. EDB has effectively shifted its targets to be in line with the economic conditions and development strategy of the country at each stage. It is also worthwhile to note that throughout its operation, EDB has actively sought linkages between local SMEs/entrepreneurs and foreign businesses. At one time, such initiative created very innovative incentives for investors called Local Industry Upgrading Program, as this program paid engineers or managers of foreign firms to select and assist the local suppliers for 2-3 years. In other words, there is a strong commitment of IPA in growing the capacity and skills of domestic industries.



Source: JICA Study Team based on the information on EDB Website and other research papers

Figure 4-8 Strategy and Target Industries for Investment Promotion by EDB

c. Organizational Structure and Strategy in Organizational Management

Originally, EDB was set up before Singapore attained its full independence in 1965 when Singapore was separated from the Malaysian Federation. From the beginning, EDB was chosen to be a quasi-governmental statutory board, which would permit the government to intervene but at the same time provide some independence to the economic development activities.

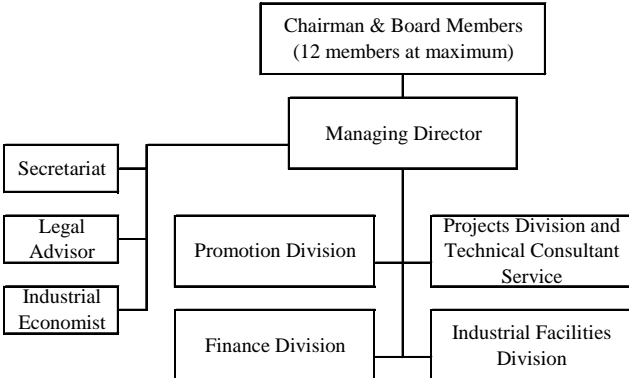
It should be noted that from the beginning the management structure of EDB was modeled on the European system of an active board whose chairman functions as the chief executive officer (CEO), and a managing director who functions more as a chief operating officer (COO). While the first Chairman of EDB was Singapore national who had served as a senior civil servant for many years, the first Managing Director of EDB was foreign national. The mandate of the first Managing Director included assisting in the formulation of Singapore’s economic policy with particular reference to the

development of industrial sectors, which at the time Singapore had no experience whatsoever. Since then, EDB has actively invited foreign directors and consultants to be involved with planning and operations of EDB.²³

The original goal of the EDB was “to promote the establishment of new industries in Singapore and to accelerate the growth of existing ones”. In the early organizational model in 1961 (See Figure 4-9), Investment Promotion Division was seen to play one of the most important roles in EDB. Great efforts by the division should have to be made to attract local and foreign entrepreneurs and to establish cooperation between domestic and foreign industries specifically in the field of know-how. This program consisted of mainly two parts:

- i) Spreading information on the advantages of locating businesses in Singapore; and
- ii) Giving information and assistance to specific manufacturers by either hosting them at home or visiting them abroad.

In addition, Projects Division and Technical Consultant Service played crucial roles in evaluating projects and serving as a central point in building up technical and economic information and documentations.



Source: Schein (1996)

Figure 4-9 Organization Chart of EDB in 1961

d. Organization and Function in 1996

Based on the information as of 1996, EDB had around 400 staff, including 236 managers and senior officers and 183 junior officers, clerks, secretaries, drivers and other support personnel.²⁴ Fundamental organizational structure of EDB has remained the same since the original model that included the Board Members, Chairman as CEO, and Managing Director as COO. However, one of the additions to the original model is that the operating units of EDB have been expanded to meet the country’s need in supporting and promoting diversified investment targets. At the same time, the original importance on Promotion Division was removed with progresses in increases in both image of

²³ Ibid., p. 34
²⁴ Schein, p. 9

Singapore as a favorable investment destination and well-prepared information available to investors, and respective responsibilities were scattered to each operating unit. The following table shows the functions of the expanded operational units in more details.

Table 4-6 Functions of Operating Units at EDB in 1996

1. Domestic Operations Divisions	(a) Industry Development Division devoted to the development selected cluster of companies in selected strategically relevant industries; (b) Services Development Division devoted to the development of such service sectors as telecommunication, media and education; (c) Enterprise Development Division devoted to the stimulation of entrepreneurship and the development of local SMEs; and (d) Manpower and Capability Development Division devoted to developing the capability of local and overseas enterprises to support the industry clusters, and to attract foreign talent needed to support evolving industry
2. International Operations Division	(a) International Business Development Division devoted to spearhead the regionalization initiatives by Singaporean FDI companies (b) International Administration Division (c) Overseas offices
3. Strategic Business Unit	(a) National Biotechnology Program (b) China Focus Unit to monitor and advise on China policy (c) EDB Consulting Group
4. Services	(a) Planning Division (b) Human Resources Division (c) Corporate Services Division (d) Internal Audit Unit

Source: JICA Study Team based on Schein (1996), etc.

e. Current Organization

Other additions to the organizational structure of EDB were the establishment of EDB Investments (EDBI) in 1991 and of the International Advisory Council (IAC) in 1995. EDBI is an independent equity investment arm of EDB. Foreign investors in EDB's priority industries are eligible for finance assistance from the EDBI.²⁵ As for IAC, it is a council headed by Minister for Defense and comprised of 12 leading international business leaders. IAC advises EDB on its international and regional strategies through its biannual councils. In this way, EDB stays in contact with the international business community and ensure its economic strategies remain relevant and effective.²⁶

Aside from EDB's headquarters, EDB has 19 overseas offices worldwide; they include USA (Boston, Chicago, Dallas, New York, San Francisco, Washington D.C.), Europe (Frankfurt, London, Milan, Paris, Stockholm) and Asia (Beijing, Guangzhou, Jakarta, Mumbai, Osaka, Shanghai, Tokyo). The overseas officers function more as generalists in the field and maintain contacts and building relationships with potential and existing investors in host countries while sending reports back to Singapore Headquarter on a day-to-day basis via PC-built-in reporting software. On the other hand, senior officers at headquarters function more as industry specialists who receive the updates in the

²⁵ EDB, EDB Investments, retrieved from http://www.sedb.com/edb/sg/en_uk/index/about_edb/edb_investments.html

²⁶ EDB, International Advisory Council, Organizational Chart. Retrieved from http://www.edb.gov.sg/edb/sg/en_uk/index/about_edb/international_advisory0.html

system and follow up on more technical issues.²⁷ There is a strong two-way flow of information between the fields and headquarters as well as with other governmental agencies, ministries, and business community.

Current vision, mission and other norms for the organization are as follows;

Organizational norm	Contents
(1) Vision	- Create a compelling global hub for business, investment and talent.
(2) Mission	- Create sustainable GDP growth for Singapore with good job and business opportunities for its people.
(3) Core values	- Shared by one and all at EDB, these core values shape and guide the organization in whatever it undertakes.
(4) Care	- We care for each other, respect people as individuals, listen to understand, and seek enrich the lives of those we work with.
(5) Integrity	- We never compromise on integrity. To be honest, sincere and reliable is the way to earn trust and build long-term relationships.
(6) Team	- We work together, inspire each other and celebrate success.
(7) Imagination	- We need imagination, innovation and initiative to create a better future.
(8) Courage	- We dare to always do what is right, stand by our convictions, confront our shortcomings, be different when necessary, and lead.
(9) Excellence	- We strive to be the best that we can be, using our talents and abilities to reach out and fulfill our potential.
(10) Nation	- We serve for Singapore and our people, believing that what stirs the human spirit is to be able to go beyond the self to serve a higher cause and a greater purpose.

f. Budget

Budget of EDB at its initial stage was considerably large. At the time of drafting the Law in relation to the establishment of EDB, an initial budget of around Sing \$100 million (US\$ 25 million at the 1960s rate of exchange) was asked to the parliament in 1961²⁸. Operational budget for EDB to spend for FDI promotion in 1999 was reported to be US\$ 45 million.²⁹

g. Website

EDB Website contains a wide range of information. The design and information architecture of the Website also contributes to the better Image-building of EDB as an effective IPA. There are two options of languages online, English and Chinese. In terms of industry specific contents, the EDB Website outperforms that of other IPAs, providing up-to-date information on each industry with direct contact information of EDB industry specialists. Available information includes background, facts and figures, and featured stories for such industries and sectors promoted by EDB as Aerospace engineering, Alternative energy, Chemicals, Consumer businesses, Education, Electronics, Energy, Engineering services, Environment & Water, Health care, Information technology, International non-profit organizations, Logistics & Supply chain management, Marine & offshore engineering, Media & entertainment, Medical technology, Pharmaceutical & Biotechnology, Precision engineering,

²⁷ Schein, E. H., p.12

²⁸ Ibid.

²⁹ D.W. Velde, "Policies towards FDI in developing countries: Emerging best-practices and outstanding issues", March 2001

Professional services, Telecommunications and Emerging businesses.

6. Lessons Leant and Implications for the Cambodian IPA

(1) Summary of IPAs in Neighboring Countries

The following tables show the summary of organizational structure, services and functions of IPAs in Vietnam, Thailand, the Philippines, Malaysia, and Singapore.

<Vietnam>

Foreign Investment Agency [FIA]	
Organization	Government Organization under Ministry of Planning and Investment
Services & Functions	<ul style="list-style-type: none"> To give FDI-related advice to the Minister To collect FDI-related data for the national economic program To develop and revise FDI-related policies To support when FDI-related problem occurs domestically Investment promotion (coordination among ministries) and international cooperation Management of FDI to Vietnam by foreign enterprises and FDI to foreign countries by Vietnam To perform various after-care services To coordinate with Personnel Dept. of MPI to hold trainings for FIA officers
Domestic/ Foreign Offices	<ul style="list-style-type: none"> 3 domestic Investment Promotion Centers (Hanoi, Danang, Ho Chi Minh City) Plan to set up Investment Promotion Sections at Embassies & Consulates.
Personnel	<ul style="list-style-type: none"> About 100-110 staff (45 staffs at Hanoi Headquarter, 15-20 at each of the 3 regional offices)
Website	http://fia.mpi.gov.vn/Default.aspx

<Thailand>

Office of the Board of Investment (BOI) [OBOI]	
Organization	OBOI is the Government Organization under Ministry of Industry with Prime Minister as the Chair of BOI
Services & Functions	<ul style="list-style-type: none"> <u>Investment strategy and policy Bureau</u> – development of investment promotion policies and plans. <u>Investment Marketing Bureau</u> – image building and promotional campaigns <u>International Affairs Bureau</u> – negotiation and implementation of bilateral / multilateral agreements; analysis of FDI trends; participation in regional cooperation mechanisms <u>Investment Development Assistance Bureau</u> – provision of assistance to investors including foreign-local matching making services through BUILD <u>Investment Strategy and Policy Bureau</u> – formulation of investment policy; preparation of periodical BOI activity reports; budgeting of BOI; evaluation of investment policy <u>Investment Service Center</u> – provision of information to investors on establishment of businesses. Quick service for visa and work permit at One Stop Service Center <u>Investment Promotion Bureau</u> – all aspects of investment projects such as project appraisal, project monitoring, and review of tax exemptions. Collection, analysis, and distribution of information on respective industries. Other functions at BOI include: granting the approvals of investment projects
Domestic/ Foreign Offices	<ul style="list-style-type: none"> 7 domestic offices 8 foreign offices: Tokyo, Osaka, Shanghai, Beijing, New York, Los Angeles, Paris Frankfurt
Personnel	<ul style="list-style-type: none"> Around 300 staff including regional and overseas offices
Website	http://www.boi.go.th/english/default.asp

<The Philippines>

Board of Investment [BOI]	
Organization	Government Organization under Department of Trade and Industry
Services & Functions	<ul style="list-style-type: none"> • <u>Investments Promotions Group</u> - to formulate and implement investment promotion strategy and conduct advocacy campaigns • <u>Investments Serving Group</u> – to provide assistance to both local and foreign investors at a pre-investment stage via providing information on relevant laws and business procedures; provide after-care services • <u>Project Assessment Group</u> – to process investment applications and grant incentives; provide services to investors from the time of registration up to projects become fully operational • <u>Management Services Group</u> – to serves as the corporate planning unit and renders financial and administrative services
Domestic/ Foreign Offices	<ul style="list-style-type: none"> • Investment Promotion Units (IPU) across 24 related government agencies • Promotional activities at Embassies and Consulates abroad
Personnel	Data Not Available
Website	http://www.boi.gov.ph/pls/portal/

<Malaysia>

Malaysian Industrial Development Authority [MIDA]	
Organization	Government Organization under Ministry of International Trade and Industry (MITI)
Services & Functions	<ul style="list-style-type: none"> • Promotion of FDI and domestic investment • Evaluation of applications for manufacturing licenses, incentives, duty exemptions, technical agreements and expatriate positions. • Industrial planning • Policy recommendations to the MITI • Assistance to companies in the implementation and operation of their projects • Consulting services • Facilitation of cross-border investments • Facilitation of information exchange among various ministries • Additional services provision at MIDA headquarters by senior representatives from key agencies and ministries.
Domestic/ Foreign Offices	<ul style="list-style-type: none"> • 12 domestic offices • 19 overseas offices in USA, Europe, and Asia Oceania Regions
Personnel	About 400 staff
Website	http://www.mida.gov.my/

<Singapore>

Economic Development Board [EDB]	
Organization	Governmental Agency (Statutory Board)
Services & Functions	<ul style="list-style-type: none"> • To formulate and implement economic policy and investment promotion strategy • 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 relationship with clients (investors) and conduct sales marketing • To provide assistance to companies in the implementation and operation of their projects (including after care service) • To facilitate information exchange among various agencies and business leaders
Domestic/ Foreign Offices	<ul style="list-style-type: none"> • No domestic branches • 19 overseas offices in USA, Europe, and Asia
Personnel	Over 400 staffs (on which around 240 are managers and senior officers and the rest are juniors, clerks, and secretaries)
Website	http://www.sedb.com/edb/sg/en_uk/index.html

(2) Implications

According to the PFI (Policy Framework for Investment) developed by OECD and other related studies, “Policy advocacy”, “Image building”, “Investor servicing/facilitation” and “Targeting and investment generation” are generally understood as 4 major functions of an effective IPA (See Box 1).

Box 1 Functions of Investment Promotion Agency (IPA)

Policy Advocacy: This consists of the activities via which the agency supports initiatives to improve the investment climate and identifies the views of the private sector on that matter. Activities include surveys of the private sector, participation in task forces, policy and legal proposals, and lobbying.

Image Building: Refers to the function of creating the perception of a country as an attractive site for international investment. Activities commonly associated with image building include focuses advertising, public relations events and the generation of favorable news stories by cultivating journalists.

Investor Servicing/Facilitation: Refers to the range of services provided in a host country that can assist an investor in analyzing investment decisions, establishing a business, and maintaining it in good standing. Activities include information provision, “One-stop shop” service aimed at expediting approval process, and various assistance in obtaining sites, utilities.

Targeting and Investment Generation: This entails targeting specific sectors and companies with the aim of creating investment leads. Activities include identification of potential sectors and investors, direct mailing, telephone campaigns, investor forums and seminars and individual presentations to targeted investors.

Source: PFI User’s Toolkit, OECD (<http://www.oecd.org/investment/pfitoolkit>)

All IPAs that were surveyed in the Study implement those 4 roles, having organizational structure in order to efficiently conduct those functions, although there are some differences in their focus on specific function. At the same time, while all IPAs more or less take a role in formulating and implementing investment policies at national level, each has unique features on its targets, organizational structure, services and functions of IPA, depending on its economic and development conditions and on the features of industrial structure in the country. Through reviewing IPAs in neighboring countries, following issues could be drawn as important lessons and implications for strengthening an effective IPA in Cambodia.

a. Linkage with Economic and Industrial Development Strategy

From the cases of Singapore, Thailand and Malaysia, it is clear that an effective formulation of policy, functions and organizational structure of IPA totally depends on the country’s well-designed, clear economic development policy, particularly of the industrial development strategy. In many cases those policies follows the traditional industrial development stage as: (a) import substitution; (b) export promotion; (c) technology-intensive or capital-intensive industries using the country’s comparative/competitive advantages; and (d) knowledge-based industries and diversification of economy with strengthening linkage between foreign and local businesses. But, of course, with analysis on both comparative and competitive advantages, each country should carefully select and focus on its own development policy and process, and also should modify it from time to time.

In the case of Singapore, the newborn, small country had neither skilled labor force nor any solid

manufacturing base at the beginning. 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 of the government decided to establish a small, but a very dynamic IPA organization as EDB that worked like a private company as a leading symbol of “Singapore Inc.”, which focused on both the development of seaport infrastructure and the improvement of investment climate in order to become “Offshore manufacturing site” for global businesses. At the same time, Singapore focused on developing “Best-educated labor force” by various means. It is also very important that the strategic planning and advising (advocacy) function for the economic and industrial development for the country has always been an important task of EDB. This very straight and strong linkage between economic and industrial development policy with the mission, strategy and activities of IPA was one of the strengths of EDB in Singapore.

In the cases of Thailand and Malaysia, there have also existed clear linkages between the economic and industrial development policy and IPA’s responsibility and activities. Because these two countries had a certain level of accumulation of local capitalists and industrialists since before, it has not been so easy to take a good balance between encouraging FDIs and developing local industries in order not to protect less-competitive domestic industries but to stimulate for upgrading industrial competitiveness of the country.

IPA’s mission should reflect and be clearly linked with the country’s economic development and industrial policy, which straightforwardly affects on the effectiveness of functions, services and organizational structure of the IPA.

b. Commitment of Top Management and Shared Vision and Mission among Team Members

Singapore’s case is typical in terms of how commitment of top management of both IPA and the government itself is the most important for developing and strengthening of an effective IPA. With a firm belief that investment promotion is the most critical factor for the development, strong commitment and initiatives by the leaders of the government of Singapore enabled to form EDB like a dynamic private company and even to recruit foreign nationals for both Managing Director and other important managerial positions. Level of commitment may be reflected on the level of budget for investment promotion by the government, although there exist many other factors that affect the budget allocation by each country. As apparent on the following table, Singapore goes far beyond other countries on spending by a per-capita basis.

Table 4-7 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 (BOI)	10	67.0	0.15
Malaysia (MIDA)	15	22.7	0.66
Philippines (BOI)	3	76.8	0.04

Note: No data was available for Vietnam

Source: Velde (2001)

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 norm 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.

c. Importance of “Image Building” and Promotion Efforts at Initial Stage

In all IPAs that were surveyed, investment promotion department/division has been structured in the organizational chart since its inception. However, its importance seems to be particularly important at both its infant and developing stage of the organization. As shown on the original organization chart of EDB in Singapore, it had only such four operating divisions as Promotion, Projects Division and Technical Consultant Service, Industrial Facilities and Finance. Particular importance was put on Promotion Division in order to formulate and establish the country’ good image for investment destination. Effective image building of the country as a whole as well as providing sufficient and favorable information to potential, foreign investors is the first thing to do for inviting investors who have commitment from long-term perspectives.

EDB also tried to implement many activities in foreign countries for investment promotion at its initial stage. 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 good level of information sharing with IPA headquarters can contribute to effective information dissemination and image building of the country.

d. One Stop Services “For Customers (Investors)”

Effective IPAs such EDB, MIDA, and Thai BOI have realized a one-stop service. High transaction cost associated with setting up businesses in foreign countries keeps away potential investors. In aim of tackling these problems, the above IPAs have created centers within their IPAs at which requests and information from investors can be handled all at one time through often locating representatives from other line ministries at the center. The services at the centers include visa and work permits application and process. The important thing is that one-stop service should be for the “customers, namely potential and existing investors”, not for the efficient government decision procedures participated by many officials. “One-Stop Service Shop for customers” should be easily visible and openly visited by many interested people. In Singapore, Thailand and Malaysia, these are the real cases.

At the same time, openness of information on organizational structure and staffing of IPA is very important for investors to show the level of clear, easy and transparent system for government procedures both of the IPA and the country. In this respect, Singapore, Malaysia and Thailand take the

lead.

e. Progressive Reorganization of IPA along with the Development Stage

Importance of Promotion Division at the initial stage of IPA was stressed. However, it should be noted that the size and mandates of investment promotion department/division have evolved as the country developed and the national level strategy has shifted. The organizational structure and mandate of IPAs need to be adjusted and expanded or made smaller as to meet investors' needs as well as the changes in the country's national development policy and strategies in a changing global economic environment. At EDB in Singapore, Promotion Division that had a strategic importance at its original organizational structure in 1961 disappeared from the chart in 1996. It is usually the case that, as the economic activities of a country increase, and industries get diversified, the structure of IPA transforms itself to meet the need of industry specialization.

At the same time, there seems to be an issue how much degree an IPA should have its responsibility for coordinating and finalizing for permitting/licensing investment projects. Although the degree of intervention by IPA for coordination of permitting/licensing issues is different depending on the country's political, social and economic structure, it is very clear that IPA should basically stand on the "benefits of investors". In the case of FIA in Vietnam, it has become to not having permission/licensing functions any more, and sector-wise departments work as focal points for investment services/facilitation, including consultation to each investor.

f. Online Information at Internet Society

In this rapidly progressing Internet society investment promotion in terms of information provision and image building has been shifting online more and more. IPAs such 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 to follow suit. The following table shows the benchmarking of Website contents among IPAs in neighboring countries.

Table 4-8 Comparison of Website of IPAs

Country IPAs	Cambodia CDC /CIB	Philippines BOI	Vietnam FIA	Malaysia MIDA	Thailand BOI	Singapore EDB
Criteria						
Accessibility	×	△	○	○	○	○
Easiness to Find Necessary Information	△	○	△	◎	○	◎
Number of Language Options	2	2	3	4	7	3
Information on its own organization	△	○	○	○	○	○
Complete Contact Information of Managers	×	△	×	◎	◎	◎
Marketing the Country	×	○	△	◎	◎	◎
Facts and Figures	×	△	△	◎	◎	◎
Cost of Doing Business	×	○	○	◎	◎	◎
Industry-Specific Information	×	×	×	○	×	◎
Investors Opinion	×	×	×	○	×	×
Availability of Online-news	×	×	○	◎	◎	◎
Subscription to E-newsletters	×	×	×	◎	◎	◎
QIP / project announcement	×	N/A	○	○	◎	◎
Online information database	×	○	×	×	○	×
Legal Documents	△	○	◎	○	◎	×
Downloadable Forms	×	○	×	◎	◎	△

Source: JICA Study Team

g. Features that an Effective IPA should Enhance

In summary, given the discussions and assessment above, the following features should be considered to enhance for the Cambodian IPA in order to be an effective IPA:

- i) To establish a “clean and investor-friendly” image as an IPA without imposing any hidden or unofficial cost in relation to IPA activities;
- ii) To provide transparent, predictable, non-discretionary and investor-oriented services;
- iii) To establish and be equipped with strong promotional function, and to develop comprehensive Website to meet investors’ needs;
- iv) To distinguish clearly the sections in charge of promotion with the sections in charge of process of applications and supervise investment activities in its organizational structure;
- v) To try not only to manage or supervise investment activities but also to provide useful services and facilitation for investors to realize profitable business;
- vi) To rationalize investment application process from time-consuming scheme to “time-saving” one with provisions of predictable services through which the applicant may know in advance the date of obtaining investment license;
- vii) To establish the fast track or green lane for certain type or scale of investment projects to accelerate the process of investment license approval by clearly differentiating from large-scale, complicated or sensitive type of projects;
- viii) To secure its own initiatives in planning and implementing promotional activities and services, backed by solid budgetary resources;
- ix) To provide more flexible incentives specific to the targeted sectors and even to different development stages of those sectors;
- x) To build up and make the best use of knowledge regarding the changing targeted sectors to make it possible for a proper assessment of the projects.

Appendix 5

Results of Pilot Projects

Appendix 5 Results of Pilot Projects

1. Implementation of Pilot Projects

1.1 Objectives and Selection Process of the Pilot Projects

1.1.1 Objectives of the Pilot Projects

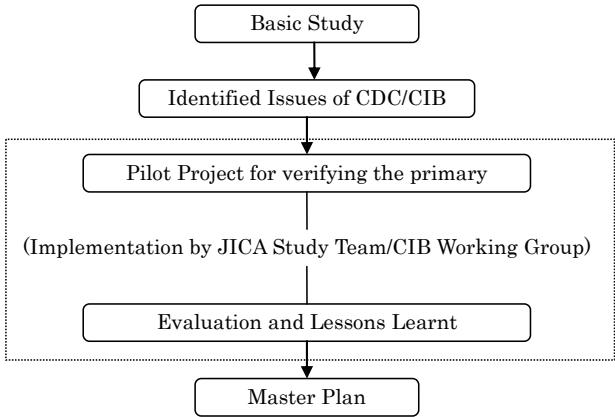
The Basic Study conducted in the Phase 1 revealed various issues and their possible solutions for strengthening the function of CDC-CIB as an Investment Promotion Agency (IPA). CDC-CIB and the JICA Study Team agreed to implement pilot project in order to (i) verify the viability of possible solutions to tackle the primary issues, (ii) to improve the capacity of CIB staff through the implementation of the pilot project, and (iii) reflect the results of the project and lessons into the Master Plan and Action Plan, under the collaboration between the JICA Study Team and the Working Group.

1.1.2 Overall Work Flow and Schedule of the Pilot Projects

In the Basic Study, various issues of CDC-CIB have been identified. The proposed pilot projects were formulated for targeting the primary issues. The pilot project was planned to be implemented under the collaboration between the JICA Study Team and the Working Group of CDC-CIB. Through the process of implementing the pilot project, constraints and problems were clarified and shared, and measures for improvement were discussed.

After implementing the pilot project, evaluation and study on lessons learnt were made to verify the viability or effect of the project. The process of the implementation and the results of the evaluation and lesson learnt were taken into account for the preparation of the Master Plan.

Overall work flow of the implementing the pilot project is summarized in the following figure.



Source: JICA Study Team

Figure 5-1 Overall Work Flow of the Implementation of the Pilot Project

Overall schedule of implementing the pilot project is presented below.

- Planning of Pilot Project; July 2009
- Preparation for Implementation; July to August 2009
- Kick off meeting with Working Group; September 2009
- Implementation of Pilot Project: August/September 2009 to February 2010
- Preliminary Evaluation: December 2009

1.1.3 Criteria of Selection of the Pilot Projects

The JICA Study Team and CDC-CIB agreed to set the following categories to be strengthened and criteria to select appropriate projects as the pilot from the candidates.

Categories to be strengthened as an Investment Promotion Agency

At the initial stage of the Study, the JICA Study Team proposed that the candidate projects are formulated in the three categories, i.e. i) Improvement of FDI Data Collection and Dissemination, ii) Investment Promotion by CDC-CIB, and iii) Capacity Development of CDC-CIB staff. This proposed idea was basically accepted by the counterpart team in the inception stage. It is understood that these three categories are the most needed areas for improvement to be taken up for the selection of the pilot project. The content of each category is summarized in the following table.

Table 5-1 Categories and their Contents

Category	Content
Improvement of FDI Data Collection and Dissemination	To collect appropriate information including recent economic/industrial information and business environment in Cambodia. To update data and information including CDC website.
Investment Promotion by CDC-CIB	To facilitate investment promotion activity including promotion seminars. To develop visual tools/materials for implementing investment promotion seminars.
Capacity Development of CDC-CIB staff.	To develop capacity of CDC-CIB staff member for establishing a mechanism of review and the improvement of existing services such as QIP application procedure.

Source: JICA Study Team

Feasibility criteria for selection

Since the period of the JICA Study is limited, the pilot project must achieve the objectives in the effective and efficient manner. The following criteria were planned to be introduced to measure the feasibility and effectiveness of the proposed candidates for the final selection.

1. Limited period for implementation
2. Realization of a certain output
3. Impact or effects of demonstration
4. Inputs versus outputs

1.2 Priority Issues of CIB and Candidate Projects

1.2.1 Priority Issues revealed by the Basic Study

Through the Basic Survey including the awareness survey on CIB staff, benchmarking survey on IPAs and needs survey on investors, issues of CIB for promoting FDI are identified. Among these issues, major issues related to CIB services to investors that needs urgent improvement are summarized below.

(1) Information Services

As indicated in the Interim Report, available data and information for investment are quite limited in CIB. Collection and updating system for the investment information has not been established that makes difficult to provide up-to-date information for investors. Budget for compilation and printing of the investment information is almost nil in CIB and most of the available ones have been prepared by donors. Under this situation, know-how and experience of data collection/processing and analysis have not been accumulated in CIB.

(2) Investment Promotion Service

Reception desk in CIB seems not attractive to investors without assigned staff for consultation or up-to date information and data. Integrated consultation service for investor has not been provided in CIB. Besides, due to lack of budget, CIB has not been able to hold seminar by its own initiative. Most of the seminars held were under the sponsorship of development partners. Although needs for image building for investment in Cambodia are emphasized, experience and know-how for planning, budgeting and implementing seminar and workshop have not been accumulated in CIB.

(3) Services for Investment Incentives

Necessary information/manuals for QIP application are lacking and consultation services for documentation and process of application/approval have not been provided systematically. Besides, inside CIB, decision process has been delayed for QIP approval due to complex management layer. Even process of issuing CRC takes more than three days as stipulated in the LOI. CIB fails to obtain all approvals, authorizations or licenses from relevant ministries listed in CRC for investment applicant. Actually, getting incentives and necessary permits are being followed by applicant after issuing FRC. There exists legal contradiction between the LOI and its Sub-decree regarding the rule of issuing CRC.

1.2.2 Candidates of the Pilot Projects

Four candidates of the pilot project were formulated to focus on the priority issues mentioned above. The outline of the selected candidate projects is briefly explained below.

Table 5-2 Outline of Four Candidates for the Pilot Project

<p>1. Updating of Cambodia Investment Guidebook</p> <p>The project aims to update the Cambodia investment guidebook, prepared by the JICA Study on Economic Policy Support in 2007, to provide the latest information on investment/business environment in Cambodia including new laws and regulation to investors. The Project enables CDC-CIB to obtain an effective tool for investment promotion and to collect necessary information/ data on investment and provide them to investors. Sustainable updating and publication of the guidebook will be recommended to CDC-CIB through the project activities.</p>
<p>2. Preparation of QIP Manual</p> <p>The project aims to prepare two kinds of manuals on QIP application i.e. “Operational manual for handling QIP applications at the Cambodian Investment Board” as a manual for CIB staff members, and “QIP application at CIB” as a manual for potential investors. The project enables CIB staff members to obtain capacity for providing customer friendly services through the review and improvement of existing QIP application procedure. “QIP application at CIB” can be used as an effective tool of investment promotion which provides clear and transparent information on QIP application to investors.</p>
<p>3. An investment promotion seminar in a neighboring country</p> <p>The project aims to implement an investment promotion seminar in a neighboring country such as Thailand or Vietnam. As indicated in the major issues of CDC-CIB, almost all the seminars or workshops for investment promotion have been implemented under the initiatives of development partners. Since the project will focus on not only the promotion contents, but also the capacity building how to conduct the promotion seminar using concrete materials prepared by them, CDC-CIB staff members will learn about planning and arranging/implementation of the promotion seminar under their ownership.</p>
<p>4. Preparation of Industrial Profile</p> <p>The project aims to prepare an industrial profile introducing overall conditions and potential on a specific industry such as garment and agriculture. The project enables CDC-CIB to collect and disseminate necessary data/information of the specific industry, for instance, statistic of the industry, production of raw materials, potential products, and existing business partners for investors. The profile will be prepared under the cooperation with related ministries and private sector by using the result of priority industrial survey in the Basic Study and be an effective investment promotion tool for CDC-CIB.</p>

Source: JICA Study Team

1.3 Selection of Pilot Projects

1.3.1 Assessment of the Candidate Projects

Based on the categories and the criteria mentioned in 2.1.3, four candidate projects had been assessed for the selection of the pilot project.

Firstly assessment was made applying to the categories to be strengthened. Results of the assessment are summarized in the following table.

Table 5-3 Summary of the Assessment (based on the categories to be strengthened)

Project name	FDI Data Collection and Dissemination	Investment Promotion by CDC-CIB	Capacity Development of CDC-CIB staff
Cambodia Investment Guidebook	◎	◎	○
Preparation of QIP Manual	○	◎	◎
Investment promotion seminar	△	◎	◎
Preparation of Industrial Profile	○	○	○

Note: ◎ very effective, ○ effective, △ fair

Source: JICA Study Team

As indicated above, “Cambodia investment guidebook” and “Preparation of QIP manual” covers well the required three categories. The category of FDI data collection and dissemination is not satisfied by “Investment promotion seminar”, because the main activities focus on the planning/implementation of the seminar. Since the “Preparation of industrial profile” will target only a specific industry, the effect on three categories is weak and limited.

Evaluation was also made applying the feasibility criteria, and the result of the assessment is as summarized below.

Table 5-4 Summary of the Assessment (Feasibility and Effectiveness)

Project name	Limited period for implementation	Realization of a certain output	Impact or effects of demonstration	Input versus outputs
Cambodia Investment Guidebook	3	3	3	3
Preparation of QIP Manual	3	3	3	3
Investment promotion seminar	2	2	2	2
Preparation of Industrial Profile	3	2	1	2

Note: Definitions of figures in each criterion are described as follows

Limited period for implementation: feasible 3, probably feasible 2, probably infeasible 1, infeasible 0

Realization of a certain output: high 3, medium 2, low 1

Impact or effects of demonstration: high 3, medium 2, low 1

Input versus outputs: very efficient 3, efficient 2, fair 1

Source: JICA Study Team

As seen in the table, “Cambodia investment guidebook” and “Preparation of QIP manual” got the highest marks compared to other two candidates.

The score of “Investment promotion seminar” was lower than that of the two projects partly due to the limited availability of up-to-date information and partly due to the timing of implementation after the financial crisis.

The score of “Preparation of Industrial Profile” was same as that of “Investment Promotion Seminar”. While the required cost is the smallest among candidate projects, the expected impact is very small compared with other three projects.

1.3.2 Selection of the Pilot Projects

Based on the results of assessment of the candidate projects, the JICA Study Team proposed to implement “Updating Cambodia Investment Guidebook”¹ and “Preparation of QIP manuals” as the pilot projects of the Study in the Counterpart Meeting held in July, 2009.

Regarding “Investment Promotion Seminar”, it is proposed by the JICA Study Team that the JICA Study Team should concentrate on the updating work for the investment information and a seminar scheduled in May 2010 in Tokyo and Osaka is to be utilized as the opportunity for the promotion activity using the updated materials. It is also proposed that “Industrial Profile” is not taken up as the pilot project; instead, summary of industrial profile prepared in the Basic Study is to be incorporated in the Investment Guidebook.

After the in-depth discussion among stakeholders, the proposed pilot projects were finally accepted in the Counterpart Meeting.

The explanation of the selected project was made in the Steering Committee, held in September 2009, where outline of Interim Report for this Study was presented. Thus, “Updating Cambodia Investment Guidebook” and “Preparation of QIP manuals” were finally adopted as the pilot projects.

CDC-CIB and the JICA Study Team agreed that the pilot project would be conducted by the Working Group and the JICA Study Team. However, since updating of Investment Guidebook requires sophisticated expertise in the field of investment promotion including laws and regulations, the both parties also agreed that the JICA Study Team will take an initiative for this project and transfer necessary technology to CDC-CIB after the completion of the guidebook.

The outline of each project and its achievement are described in detail in 2 (Updating Cambodia Investment Guidebook) and 3 (Preparation of QIP manuals) in Appendix 2.

2. Updating of the Cambodia Investment Guidebook

2.1 Project Summary

The following table shows the framework of the Pilot Project. The project purpose is that the *Cambodia Investment Guidebook* is updated, and the understanding on the investment guidebook among the CIB staff is improved.

¹ In fact, “Updating Cambodia Investment Guidebook” is taken up as the top priority by C/Ps as well as WG members since the existing guidebook has been published around 10,000 copies up to present and the drastic economic and social change of Cambodia in recent years including vital laws and regulations must be provided to investors.

Table 5-5 Framework of the Pilot Project

Project Name	Updating of the Cambodia Investment Guidebook
Background	<p>“Cambodian Investment Guidebook” was written and edited by the JICA Study Team of the “Study on Economic Policy Support in Kingdom of Cambodia” with cooperation of the CIB in 2006 and published under the assistance of JICA in January 2007. The Investment Guidebook was first made in English and Japanese, and later in Chinese through arrangement by the CIB, and the total number published so far accounts to approximately 10,000 copies in three languages.</p> <p>The “Study on Economic Policy Support in Kingdom of Cambodia” aimed to develop a business environment that would be conducive to promoting foreign direct investment (FDI) in the Kingdom of Cambodia primarily from Japan. The 2006 Investment Guidebook, as one of the outcomes of the Study, was expected to be a major tool for publicizing the result of the Study such as the recent social and economic situation and development of and the investment opportunities in Cambodia, especially to Japanese business society and inducing the investment from Japan. As witnessed often nowadays, many Japanese businessmen who are interested in or are visiting Cambodia first learn the situation of Cambodia and the investment application procedures by this book.</p> <p>On the other hand, the Royal Government of Cambodia has accelerated to develop and improve its legal system and, after the Investment Guidebook was written and edited in 2006, many vital laws and regulations were enacted or issued. Starting from 2007, the Cambodian economy has also begun transforming its shape quickly by numerous investments flowing in from China, Korea, Taiwan, Russia and other countries. Those investments were planned mainly in the fields of real estate development, tourism and agriculture, which induced the price hike in the Cambodian real estate. While the traditional export industries such as garment and shoe-making kept growing, they have suffered serious damages by the financial crisis which occurred at the middle of 2008, as well as the real estate and tourism development projects.</p> <p>Facing such fundamental changes in the economy, the CIB intended to update the Investment Guidebook to attract new investments to overcome the current economic instability and difficulties and asked for assistance from JICA.</p>
Summary of the Project	<p>A task force team is formulated to conduct the following works 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 of Cambodia which would be required by the potential investors 2. Writing and compiling the 2010 Investment Guidebook as a tool for investment promotion activities and a studying model for the CIB staff 3. Preparing the simplified investment-related information or promotion materials by the CIB staff through reviewing the updated Investment Guidebook 4. Providing CIB staff with workshops for improving their understanding on the objectives, preparation process up to editing of the Investment Guidebook. 5. The information source list for compiling the investment guidebook is prepared for future updating.
Overall goal	CDC-CIB continues to provide information for foreign investors by updating the investment guidebook.
Project purpose	<ol style="list-style-type: none"> 1. The 2006 Cambodia Investment Guidebook is updated to be the 2010 Investment Guidebook 2. CIB staff’s understanding is improved on the planning process and target of investment guidebook, the kind and nature of customer-oriented information which shall be contained in the investment guidebook, and necessary preparatory work, data collection and publication process.
Outputs	<ol style="list-style-type: none"> 1. Up-to-date information and data are written and compiled in the new Investment Guidebook. 2. The know-how to collect and review the data, and write and compile the investment guidebook is transferred to the CIB staff. 3. CIB staff’s perception of investment promotional material and activities is improved.

Activities	<ol style="list-style-type: none"> 1. Updating “2006 Cambodia Investment Guidebook” (by Study Team member with cooperation of CIB staff) <ol style="list-style-type: none"> 1-1: Examining the modification of the target profile and widening the target investors 1-2: Collecting, reviewing and updating the legal, economic and general information of Cambodia which would be required by the potential investors 1-3: Writing and compiling the 2010 Investment Guidebook 1-4: Arranging the printing of 2010 Investment Guidebook 2. Providing CIB staff with workshops with aims of improving their understanding on the nature of investment guidebook, the preparation process including target profiling, contents planning, information collection and editing technique, and the method of future update. Comparison of the simplified investment information made by the CIB staff with the 2010 Investment Guidebook will be conducted in workshops (by JICA consultant with participation of CIB staff as participants) 2. The information source list for compiling the investment guidebook is prepared for future updating. (by a joint team of Study Team and CIB staff) 3. Preparing the simplified investment information or promotion materials by the CIB staff through reviewing the updated Investment Guidebook (by CIB Staff with cooperation of Study Team Member) <ol style="list-style-type: none"> 3-1: Examining the draft for new Investment Guidebook 3-2: Drafting the simplified investment-related information or promotion materials 3-3: Reviewing the draft information or promotion materials (by JICA consultant) 3-4: Correcting and modifying above information or promotion materials 3-5: Arranging the printing above information or materials 								
Inputs	<p><u>Cambodian side</u></p> <ul style="list-style-type: none"> - CIB staff relating to the updating works - CIB staff for preparing the simplified investment information or promotion material - Office space <p><u>Japanese side</u></p> <ul style="list-style-type: none"> - Members and secretaries of JICA Study Team - Printing costs of the Guidebook (2,000 copies each in English and Japanese) - Printing costs of the simplified investment promotion materials (2,000 copies each in English and Japanese) - Costs of holding workshops (2 times) 								
Schedule	Aug 2009	Sep 2009	Oct 2009	Nov 2009	Dec 2009	Jan 2010	Feb 2010	Mar 2010	
	1. Up-to-date information and data are compiled in the new Guidebook.								
	2. Preparing the simplified investment information or promotion materials by the CIB staff								
	3. The source list for the updating of the Guidebook is prepared by the task force and know-how to update the Guidebook is transferred to the members of the task force.								
	4. Providing CIB staff with workshop on investment guidebook								

Source: JICA Study Team

2.2 Main Activities

(1) Implementing Structure

In the 7th meeting of the Working Group (WG), members participating in the proposed pilot project were selected. Among eight representatives from each department, the following three members were assigned for this pilot project, Updating of Cambodia Investment Guidebook.

- Mr. Son Dy Denyn: Deputy Director of Public Relation and Investment Promotion Department
- Mr. Um Sokha: Chief of Bureau Administration Department
- Mr. Leng Kim Horn: Staff of Environmental Assessment Department

It was planned that updating work for the Investment Guidebook was implemented under the collaboration of the JICA Study Team and the Working Group Members.

(2) Design of the Investment Guidebook

Basic concept and proposed contents of the Guidebook were presented by the JICA Study Team in the 7th WG. After discussion on the proposed contents with the WG, a part of the data collection was allocated to WG, while major parts of the updating work were put under the responsibility of the JICA Study Team.

(3) Data collection and compilation

Actually, data collection for the updating work was commenced before starting the pilot project. But, intensive data collection had been conducted during August to October, 2009. In parallel with the data collection, compilation of data and preparation of draft have been made mainly by the JICA Study Team.

Progress of the data collection and compilation were reported in the WG meeting and problems identified were discussed. The first draft of the updated Investment Guidebook (English version) was prepared in late October compiling all the up-to-date information.

(4) Comments from CDC and the related ministries

The first English draft of the updated Investment Guidebook was submitted to CDC on October 19th for their review and getting comments from the related ministries. Their comments were provided on November 20th as scheduled and incorporated into the updating work.

(5) Finalization and printing

Galley proof reading and modification/correction works were conducted both for English version and Japanese version. After these laborious works, 2010 Investment Guidebook was finalized and the printed Guidebook is now available.

(6) Workshop on Investment Guidebook

Workshop was held on 4th February 2010, inviting all the related persons of CDC-CIB for transferring know-how and technique on updating the investment guidebook.

Contents of the workshop include:

- objectives and target of the guidebook;
- contents planning and process of preparation;
- data collection and analysis;
- process of internal approval and authorization; and
- printing process and editing technique.

(7) Preparation of investment information brochure

For facilitating transfer of know-how and technique, investment information brochure was prepared using the updated Investment Guidebook as a reference material. This work was implemented mainly by CIB staff under the assistance of JICA Study Team. The CIB staff reviewed the draft Investment Guidebook and prepared designing of the investment related information. The investment information drafted by CIB staff was reviewed by the JICA Study Team, and printed after authorization by CDC top management in February 2010.

(8) Preparation of information source list

Preparation of information source list was taken up as one of the activities of this pilot project, “Updating of Investment Guidebook” during the 9th WG meeting. It is understood that preparation of information source list and its updating are indispensable for continuous updating of the investment guidebook as well as other economic and industrial information. JICA Study Team started to collect names of the related ministries/institutions and private organizations as well as source of the information under the cooperation with WG member. The progress of the work was reported in the WG meeting, where necessary information was shared among the WG Members. The information list was finally compiled in December 2009.

2.3 Major Revisions in 2010 Investment Guidebook

The comparison of contents of the 2006 and 2010 versions is shown in the following table. Almost all the contents of the 2006 version have been updated in the 2010 version.

The target investors were set to be the SMEs in the manufacturing fields in the 2006 Investment Guidebook, while the investors in the tourism, agriculture, real estate and financial sectors were added as target investors in the 2010 version.

Since the 2006 version was made as an output of the Study on the Economic Policy Support and the

primary target was Japanese investors, the emphasis was put on the introduction of overall situation of Cambodian economy and investment. In the 2010 version, more specific issues such as the enactment of the Civil Code and concession including ELC, and new legislation of Standard, Insolvency, Secured Transaction, Security Market, Leasing, etc. were highlighted as the Cambodian economy and investment grew fast and the investors' interests expand to various economic sectors.

This series of the Investment Guidebook aims to provide the prospective investors with the panoramic view of Cambodian economy and investment as well as the practical indication of laws and regulations, which is the most important issue in investment decision relating to the business and investment in Cambodia. This guidebook, therefore, intends to present the objective data and information and to leave the investment judgment to investors. Although most of the parts have been updated or modified in the 2010 version, this principle remains unchanged.

Table 5-6 Comparison of Table of Contents of 2006 and 2010 Versions

2006 Version	2010 Version
I BASIC INFORMATION ON CAMBODIA	I BASIC INFORMATION ON CAMBODIA
I-1 Geography and Climate	I-1 Geography and Climate
Geography	Geography
Climate	Climate
I-2 Political System	I-2 <i>Political System</i>
I-3 Legal System	I-3 Legal System
Legal Hierarchy	Legal Hierarchy
Legislation Process	Legislation Process
I-4 International Relations	I-4 International Relations
Foreign Policies	Foreign Policies
Membership in Major International Organizations	Membership in Major International Organizations
I-5 Social Climate	I-5 Social Climate
Population	<i>Population</i>
Ethnic Groups	<i>Ethnic Groups</i>
Religion	Religion
Language and Literacy	<i>Language and Literacy</i>
Education System	Education System
Currency	Currency
Public Holidays	<i>Public Holidays</i>
Tourism	-
II ECONOMIC OVERVIEW OF CAMBODIA	II ECONOMIC OVERVIEW OF CAMBODIA
II-1 Economic Situation	II-1 Economic Situation
GDP total	<i>GDP</i>
GDP by Expenditures	<i>GDP by Expenditures</i>
GDP Composition	<i>GDP Composition</i>
GNI per capita	<i>GNI per capita</i>
Indices of Economic Freedom	<i>Consumer Price Index (CPI)</i>
-	<i>Indices of Economic Freedom</i>
II-2 Investment Trend	II-2 Investment Trend
-	<i>FDI Trend</i>
-	<i>Industrial Sub-Sector</i>
II-3 Trade	II-3 Trade
Export Trend	<i>Trade Balance</i>
Import Trend	<i>Export Trend</i>

2006 Version		2010 Version	
	GSP		Import Trend
	-		GSP
III BUSINESS OPERATING ENVIRONMENT		III BUSINESS OPERATING ENVIRONMENT	
III-1 Regulatory Framework Relating to the Business Operations		III-1 Regulatory Framework Relating to the Business Operations	
III-2 Principles of Economic Management		III-2 Principles of Economic Management	
III-3 Company		III-3 Company	
Regulatory Framework for the Commercial Enterprise		Regulatory Framework for the Commercial Enterprise	
Limited Company		Limited Company	
Partnership		Partnership	
Foreign Business		Foreign Business	
III-4 Trade and Customs		III-4 Trade and Customs	
Regulatory Framework for the Trading Activities		Regulatory Framework for the Trading Activities	
Export and Import Procedures		Regulatory Framework for the Customs	
Export Privileges as an LDC		Export and Import Procedures	
Local Contents for Exports and the Rules of Origin (ROO)		Export Privileges as an LDC	
Incentives, Limitations and Taxation on Exports		Local Contents for Exports and the Rules of Origin (ROO)	
Duty-Exempted Imports (A Master List)		Incentives, Limitations and Taxation on Exports	
General Tariff Rates		Duty-Exempted Imports (A Master List)	
Preferential Tariff Rates under the AFTA		General Tariff Rates	
Free Trade Agreements of ASEAN		Preferential Tariff Rates under the AFTA	
Improvement on Customs Control		Free Trade Agreements of ASEAN	
III-5 Taxation and Accounting		III-5 Taxation and Accounting	
Taxation System		Taxation System	
Forms of Tax and Current Tax Rate		Forms of Tax and Current Tax Rate	
Tax Treaty		Tax Treaty	
Accounting Principles		Accounting Principles	
-		Audit of Corporate Account	
III-6 Finance and Currency		III-6 Bank, Lease, Securities, Insurance and Currency	
Situation on Finance		Banks	
Currency		Financial Lease	
-		Securities Market	
-		Insurance	
-		Government Securities	
-		Currency	
III-7 Foreign Exchange		III-7 Foreign Exchange	
Restriction on the Foreign Exchange		Restriction on the Foreign Exchange	
Remittance		Remittance	
III-8 Labor		III-8 Labor	
Regulatory Framework for the Labor Relations		Regulatory Framework for the Labor Relations	
Provisions Relating to Employment in Cambodia		Provisions under the Constitution Relating to Employment in Cambodia	
Major Provisions on Employment and Labor		Major Provisions under the Labor Law	
Foreign Employees		Foreign Employees	
-		III-9 Social Security	
-		Regulatory Framework for Social Security Scheme	
-		Major Provisions on Social Security Schemes	
III-9 Land		III-10 Land	
Regulatory Framework for the Land System in Cambodia		Regulatory Framework for the Land System in Cambodia	
Ownership		Ownership	
Transfer of Ownership of Immovable Properties		Transfer of Ownership of Immovable Properties	

2006 Version		2010 Version	
	Land Concessions		Land Concessions
			Economic Land Concession (ELC)
	Land Leases		Land Leases
	The Cadastral Committee		The Cadastral Committee
	Mortgage		Mortgage
	Limitations on Land Use		Limitations on Land Use
	III-10 Environment Protection		III-11 Secured Transactions and Insolvency
	Basic Policy for Protection of the Environment		Secured Transaction
	Regulatory Framework for Environment Protection		Insolvency
	III-11 Intellectual Property Rights (IPR)		III-12 Dispute Settlement
	Regulatory Framework for the Protection of IPR		Regulatory Framework for Commercial Arbitration
	Trademarks and Names		National Center of Commercial Arbitration (NCCA)
	Copyright		Regulatory Framework and Procedures for Labor Dispute Arbitration
	Patent, Utility Model Certificates and Industrial Design		Regulatory Framework for Dispute Settlement of Qualified Investment Project (QIP)
	III-12 Dispute Settlement		III-13 Environment Protection
	Regulatory Framework for Commercial Arbitration		Basic Policy for Protection of the Environment
	National Center of Commercial Arbitration (NCCA)		Regulatory Framework for Environment Protection
	Regulatory Framework and Procedures for Labor Dispute Arbitration		III-14 Standards
	Regulatory Framework for Dispute Settlement of Qualified Investment Project (QIP)		Regulatory Framework for Investment
	III-13 Infrastructure		Major Provisions on Standards
	Electricity		III-15 Intellectual Property Rights (IPR)
	Telecommunications		Regulatory Framework for the Protection of IPR
	Water Resource		Trademarks and Names
	Aviation		Copyright
	Roads		Patent, Utility Model Certificates and Industrial Design
	Railways		III-16 Infrastructure
	Sea Port		Regulatory Framework for the Use, Development or Exploitation Concessions
	Inland Water Transportation		Electricity
	Water Resource		Telecommunications
	Aviation		Water Resource
	Roads		Aviation
	Railways		Roads
	Sea Port		Railways
	Inland Water Transportation		Sea Port
	-		Inland Water Transportation
	III-14 Cost of Doing Business		III-17 Cost of Doing Business
	Industrial Land Cost		Real Estate Cost
	Office Space Cost		Manpower Cost
	Factory Rent/Purchasing Cost		Utility Cost
	Warehouse Cost		Telecommunications Cost
	Manpower Cost		-
	Utility Cost		-
	Telephone Tariff		-
	Broadband Internet Charge		-
IV INVESTMENT		IV INVESTMENT	
	IV-1 Policies toward FDI		IV-1 Policies toward FDI
	IV-2 Regulatory Framework for Investment		IV-2 Regulatory Framework for Investment
	IV-3 Outline of Investment Approval Scheme		IV-3 Outline of Investment Approval Scheme
	IV-4 Responsible Organization		IV-4 Responsible Organization
	IV-5 Qualified Investment Project		IV-5 Qualified Investment Project
	IV-6 Investment Incentive		IV-6 Investment Incentive

2006 Version		2010 Version	
	Investment Incentives Granted to a QIP		Investment Incentives Granted to a QIP
	Project Not Eligible for the Incentives		Project Not Eligible for the Incentives
	Project Eligible for the Incentives		Project Eligible for the Incentives
	IV-7 Investment Guarantee		<i>IV-7 Investment Guarantee</i>
	IV-8 Limitation on Foreign Investment		IV-8 Limitation on Foreign Investment
	IV-9 Restrictions on Foreign Citizenship		IV-9 Restrictions on Foreign Citizenship
	Ownership and Use of Land		Ownership and Use of Land
	Employment of Foreigners		Employment of Foreigners
	IV-10 Investment Licensing Procedures		<i>IV-10 Investment Approval Procedures</i>
	-		<i>IV-11 Incentives entitled to Specific Fields</i>
V THE SPECIAL ECONOMIC ZONES		V THE SPECIAL ECONOMIC ZONES	
	V-1 Legal Frame for the Special Economic Zone (SEZ) Scheme		V-1 Legal Frame for the Special Economic Zone (SEZ) Scheme
	V-2 Basic Concept and Conditions for the SEZ		V-2 Basic Concept and Conditions for the SEZ
	V-3 Approved and Planned SEZs		V-3 Application Process for the Development of the SEZ
	V-4 Application Process for the Development of the SEZ		V-4 Management Structure of the SEZ
	V-5 Management Structure of the SEZ		V-5 Procedures for Registration of the Investment Project in the SEZ
	V-6 Procedures for Registration of the Investment Project in the SEZ		V-6 Incentives (Chapter 4, the SEZ Sub-Decree)
	V-7 Incentives (Chapter 4, the SEZ Sub-Decree)		V-7 Other Regulations
	V-8 Other Regulations		Rules for Export Processing Zone (EPZ)
	Rules for Export Processing Zone (EPZ)		Workforce
	Workforce		Vocational Training
	Vocational Training		<i>Additional or Temporary Incentives to the SEZ</i>
VI PRIVATE SECTOR IN CAMBODIA		VI PRIVATE SECTOR IN CAMBODIA	
	VI-1 Summary of Private Sector		<i>VI-1 General Situation of Private Sector in Cambodia</i>
	VI-2 Issues on Business in Cambodia		<i>VI-2 Employment by Private Sector</i>
	-		Employment by Type of Employer
	-		Employment by Sector
	-		<i>VI-3 Private Firms</i>
	-		Distribution of Firms by Region
	-		Large Firms and SMEs in Manufacturing Sector
	-		<i>VI-4 Private Sector Investment</i>
	-		Investment Trend by Major FDI Providers
	-		Recent Investment Trend by Sector
	-		Implementation Ratio of the Approved Investment Projects
	-		<i>VI-5 Recent Situation of Major Sub-Sectors</i>
	-		Garment Industry
	-		Footwear Industry
	-		Agro-Fishery and Food Stuff Industry
	-		Machinery and Electric/Electronics Industry
	-		Natural Rubber Industry
	-		Tourism Industry
	-		<i>VI-6 Private Sector in SEZ</i>
VII LIVING ENVIRONMENT FOR EXPATRIATES		VII LIVING ENVIRONMENT FOR EXPATRIATES	
	VII-1 Housing		<i>VII-1 Housing</i>
	VII-2 Medical Services		VII-2 Medical Services
	VII-3 Education		<i>VII-3 Education</i>
	VII-4 Security		VII-4 Security

Note (i) Shaded areas indicate updated parts.

Note (ii) Bold and italic letters indicate newly added or substantially modified parts.

Source: JICA Study Team

2.4 Evaluation

Effectiveness

2010 Investment Guidebook is prepared as scheduled though the allocated time for the updating is quite limited. Contents of the guidebook are completely updated and substantial information is being supplemented in such chapters as Chapter III Business Operating Environment and Chapter VI Private Sector. Updated Investment Guidebook will be the most useful investment information for investors and be utilized for the coming investment promotion activities. From the above results, it can be said that main project purpose of updating the investment guidebook has been achieved.

However, second purpose of improving CIB staff's understanding on the Investment Guidebook has not been satisfactorily achieved. One of the reasons is the limited time for preparation that made difficult for JICA Study Team to give detailed orientation/preparation to all the related CIB staff before commencement of the work and during data and information collection. Another reason of unsatisfactory achievement is the weak ownership of CIB staff on this pilot project though importance of up-to-date information and their positive participation have been emphasized during WG meeting. To supplement this, a workshop was conducted for further understanding on the Investment Guidebook in 4th February 2010.

Efficiency

Within the limited allocated time, the JICA Study Team collected necessary information and data, and compiled them into the Investment Guidebook. Taking into account the required time for review by CDC and the related ministries, translation into Japanese(preparation of English and Japanese version), and time consuming check and review before printing, process of the updating has been conducted most efficiently in accordance with the original schedule.

Impact

As mentioned earlier, the participation of CIB staff in this pilot project is quite limited and the transfer of know-how for updating the investment guidebook has not been fully implemented. From this result, impact of this pilot project on overall goal is considered to remain at low level at present. However, preparation of investment information brochure is now starting and workshop for the Investment Guidebook is scheduled to be held soon. Through the implementation of these subprojects awareness of the importance of updated information for investors and understanding on how to prepare investment guidebook are expected to be enhanced further among CIB staff that would create some positive impact on overall goal of the project.

Sustainability

During the preparation of updating Investment Guidebook, the JICA Study Team and WG members

visited the related ministries and private organizations through which network with those organizations was formulated. The information source list thus prepared is a subproject of updating Investment Guidebook that is the basic material for enhancing sustainability of the pilot project.

However, due to the limited participation of CIB staff in this project, further improvement is necessary for enhancing the sustainability that includes strengthening of awareness of importance of the investment information among CIB staff and ownership of the implementing project.

2.5 Lessons Learnt

(1) Needs for enhancement of awareness of importance of up-to-date information

In order to provide customer-friendly services to investor, requirement of prospective investors are to be understood and necessary information be timely provided. During the preparation of updating Investment Guidebook, importance of the up-to-date information has been explained as well as required information to the investors to the WG members. However, understanding and awareness of the CIB staff have not been improved mainly due to the fact that most of the CIB staff has no experience in private business and limited contact with private organizations.

To improve this, OJT training in private sector for CIB staff is to be introduced and staff recruiting from private sector is also examined. Positive participation of CIB staff to government-private sector forum and understanding of their actual needs are another approach to the improvement. Awareness of investor's requirement and importance of up-to-date information is expected to be improved further through establishing a customer center and daily consultation services of the CIB staff assigned to potential investors.

(2) Needs for strengthening data collection system in CIB

Through the implementation of updating the Investment Guidebook, it is reconfirmed that the CIB is lacking a system for collecting data/information and updating for investors as indicated below:

- There exists no responsible staff in charge of data and information collection in CIB
- Available data on the economy and industries are quite limited and not updated
- No information center or library exists in CIB
- There is no stable network with the related ministries/private organizations for sharing data and information

To improve this situation, the information source list is being prepared during the implementation of this pilot project. Though this is the first step for improvement, further arrangement is required for establishing organizational mechanism for stable up-to-date information inflow with relevant ministries and private organizations. Commitment and involvement of CDC top management are required to secure more active cooperation for the inflow of information.

For further improvement of data collecting system, it is recommended that a unit for data/information collection is to be established in CIB, installation of ICT facilities with assigned staff and investment information library.

(3) Importance of multiple use of the information contained in Investment Guidebook

Through the implementation process of the pilot project, the role and meaning of the investment guidebook is being understood by CIB staff. As an opportunity to discuss on it, the workshop was held on 4th February 2010, and how to use the information contained in the Investment Guidebook as information to investors were presented by the JICA Study Team and shared among participants including all counterparts, WG members and CIB staff.

It is understood that the updated Investment Guidebook is the basic and integrated information source and to be used as various means of investment promotion information.

The contents of the Investment Guidebook can be used for updating the CIB website, partially or as a whole. The information/data contained can be divided into specific topics/subjects that may be used for investment information to the specific investors. Use of Recent Situation of Major Sub-sectors included in the Investment Guidebook as an industrial profile is an example for this multiple use. For smooth and stable updating of the Investment Guidebook, updating chapter by chapter is to be introduced to enable that the newest information will become available to the prospective investors. For the practical implementation of the multiple use of the contents, the investment information brochure is planned to be prepared summarizing the major contents of the Investment Guidebook that is expected to prove easy preparation of investment information with less cost.

3. Application Manuals for QIP (Qualified Investment Project)

3.1 Project Summary

Both CDC-CIB and the JICA Study Team agreed to conduct a cross-sectional discussion inside CIB in preparation for application manuals for QIP as a pilot project shown its framework in the following table.

Table 5-7 Framework of the Pilot Project

Project Name	Application manuals for QIP (Qualified Investment Project)
Background	The Basic study of the JICA Study identified that the lack and/or insufficient level of “customer (investor)-friendly” investment promotion services is one of the major issues for CDC-CIB to take urgent actions for its improvement and solution. Moreover, a lack of awareness about the necessity and importance of “customer (investor)-friendly services” among CIB managers and staff was found to be one of the causes of the above-mentioned situation. Currently, there has been no organizational mechanism to have a discussion and to propose recommendations on improvements on its existing work and services inside CIB. Processing for both approval of QIP (Qualified Investment Project) status and the

	<p>provision of QIP incentives to investment projects is one of the main services of CDC-CIB. However, actual application procedures have not been shared sufficiently among CIB officers, while there is an operational manual made in 2001. Furthermore, clear information about QIP process has neither been provided to investors in a visible manner, which increases skeptical views of potential and established investors on the effectiveness of CDC-CIB services. Therefore, the preparation of manuals both for internal use of CIB and for investors in public would provide a good opportunity for CDC-CIB managers and staff to increase their awareness of the need and importance of “customer (investor)-friendly services”, which could lead to a future improvement of CDC-CIB services.</p> <p>In this context, it is valuable to conduct a teamworking for deepening analysis on QIP application through the verification of an actual procedure provided by CIB in order to propose concrete measures and recommendations for strengthening of the function of CIB as an Investment Promotion Agency (IPA).</p> <p>Based on these understandings, CIB and the JICA Study Team agreed to conduct a pilot project titled “Application manuals for QIP” under the JICA Study.</p>
<p>Summary of the Project</p>	<p>A task force team (Working Group: WG) is formulated to review, share information, discuss and draw recommendations on QIP-related procedures. Through the continuous discussion by the WG, drafts of both “Operational manual for handling QIP applications at the Cambodian Investment Board” (internal use for CIB) and “QIP application at CIB” (external use for potential investors) are prepared, which will become a starting point for CDC-CIB managers and staff to constantly strengthen their capacity for providing “customer (investor)-friendly services”.</p>
<p>Overall goal</p>	<p>CDC-CIB establishes an organizational mechanism for review and improvement of existing services to provide better quality services based on customer-oriented mind to investors as an Investment Promotion Agency.</p>
<p>Project purpose</p>	<p>CDC-CIB managers and staff increase their awareness of the need and importance of the provision of clear and transparent procedure on QIP application to investors with improving their quality of services.</p>
<p>Outputs</p>	<ol style="list-style-type: none"> 1. CDC-CIB managers and staff strengthen their capacity to discuss and cooperate among all departments of CIB with an establishment of an organizational mechanism for preparing and updating the manuals for QIP. 2. CDC-CIB managers and staff understand whole procedure of QIP application and make clear of the issues to be solved for providing better service through the preparation of the “Operational manual for handling QIP applications at the Cambodian Investment Board”. 3. CDC-CIB managers and staff increase the awareness for investors’ needs and provide transparent and clear procedure and rules on QIP application to investors through the preparation of the “QIP application manual for Investors”.
<p>Activities</p>	<ol style="list-style-type: none"> 1-1 To assign the major members of the pilot project from the existing members of Working Group (WG) of the JICA Study. 1-2 To make all WG members understand on whole procedures of QIP application and revise the drafts of manuals through the meetings of WG. 1-3 To discuss the issues and their possible solutions of QIP application procedure revealed through the preparation of manuals. 1-4 To hold an internal workshop in CDC-CIB aiming to explain the contents of manuals and discuss how to improve the services of QIP application. 2-1 To collect necessary information/ documents on QIP application and conduct interviews to the relevant persons involved in the procedures. 2-2 To decide appropriate contents of manual after careful review and analysis of current procedures as well as laws and regulations. 2-3 To prepare a draft of “Operational manual for handling QIP applications at the Cambodian Investment Board” 2-4 To collect the comments of the draft from related persons/ organizations and finalize the manual.

	3-1 To collect necessary information/ documents on QIP application and conduct interviews to the relevant persons involved in the procedures. 3-2 To decide appropriate contents of manual which are useful and valuable for investors. 3-3 To prepare a draft of “QIP application manual for Investors” 3-4 To make a final decision on making the manual open to the public after the discussion among CDC-CIB, related ministries and the JICA study team.								
Inputs	<u>Cambodian side</u> - Members of the WG including 4 members of the pilot project - Facilities (a room, equipment) for the WG meetings and a work shop <u>Japanese side</u> - Members and secretaries of JICA Study Team - Printing costs of the manuals - Costs of holding workshop (1 or 2 times)								
Schedule	Aug 2009	Sep 2009	Oct 2009	Nov 2009	Dec 2009	Jan 2010	Feb 2010	Mar 2010	
	1. To collect necessary information/ documents including interviews and assess the current procedure on QIP application								
	2. To decide appropriate contents and prepare the drafts of manuals for QIP.								
	3. To revise the drafts under the discussion on the issues to be solved and complete the manuals								

Source: JICA Study Team

3.2 Main activities

Main activities, shown in Table 5-1, of the pilot project are summarized in chronological order as follows.

(1) Establishment of the implementing structure

The 7th meeting of the Working Group (WG) that consists of 8 representatives from each department of CIB was held on 1st September 2009. At the meeting, the outline and objectives of the pilot project were explained by the JICA Study Team and 4 members of WG who are currently involved in the procedures of QIP application are assigned as major members of this pilot project.

Table 5-8 The Members of WG

No.	Name	Position	Department
1	*Mr. Ham Kimcheng	Chief of Bureau	Project Evaluation and Incentives Department
2	*Mr. Meoung Visoth	Deputy Director	Project Monitoring Department
3	*Mr. Choun Bory	Chief of Bureau	Inter-Ministerial Coordination Department
4	*Ms. Chan Thol	Chief of Bureau	Legal Procedure and Investment Law Department
5	Mr. Sorn Dy Denyn	Deputy Director	Public Relations and Investment Promotion Department
6	Mr. Tan Soviddhya	Deputy Director	Strategic Planning Department
7	Mr. Leng Kim Horn	Government officer	Environment Assessment Department
8	Mr. Um Sokha	Chief of Bureau	Administration Department

Note: * Major members of the pilot project for the application manuals for QIP

Source: JICA Study Team

(2) Review and assess the current procedures

JICA Study Team reviewed an existing operational manual titled No.267/01 CDC dated on 20 August 2001 as well as related laws/ sub-decrees/ regulations on Investment into Cambodia. Furthermore, interviews to all the related persons on QIP application such as CIB officers, representatives from related ministries at CDC, and JICA expert in CIB have been conducted in order to understand the actual procedures in detail. Information and documents collected were compiled by the JICA Study Team and shared among the members of the pilot project for asking them to check.

(3) Decision of the contents of the manuals and preparation of the drafts

Based on the review and assessment on QIP application procedures with the members of pilot project, the JICA Study Team proposed the contents of the manuals to all WG members and prepared such two drafts as “Operational manual for handling QIP applications at the Cambodian Investment Board” and “QIP application at CIB” with the flow charts. These drafts have been revised continuously under the cooperation with the members of the pilot project as well as all WG members.

(4) Discussion on the issues revealed and finding their possible solutions through the pilot project

The issues pointed out in the basic study such as “complex-layered system for the approval of QIP application” and “the existence of contradictions among Law of Investment, Sub-Decree No.111, and actual procedure in practice” have been verified through the pilot project. These issues in detail have been shared among all WG members, and the WG members discussed their possible solutions at the meetings.

(5) Implementation of the WG meetings

The WG meetings have been held in order to i) report and share the progress of pilot projects, ii) obtain the comments for improving the activities, and iii) discuss the issues to be solved among all WG members, all of which were expected to contribute to the capacity development of the participating members. The following table shows the actual record of the WG meetings and main agenda.

Table 5-9 The Record of the WG meetings (As of 12th February 2010)

No.	Date/Time/ Place	Agenda
7 th WG	1 st September, 2009 (Tue) 10:00-11:30 at PRIPD	Explanation of the outline of Phase 2 study and the implementation of 2 pilot projects
8 th WG	15 th September, 2009 (Tue) 10:00-11:30 at PRIPD	Review and discuss on the internal procedures of QIP application, and further schedule of activities
9 th WG	11 th November, 2009 (Wed) 10:00-11:30 at PRIPD	Discussion on contents of QIP manuals based on distributed at 8 th WG meeting on 15 th September
10 th WG	18 th November, 2009 (Wed) 15:00-16:30 at PRIPD	Discussion on the drafts of QIP manuals distributed on 16 th November and the issues to be solved
11 th WG	26 th November 2009 (Thu) 10:00-11:30 at PRIPD	Discussion on the latest drafts of QIP manual and the issues to be solved
12 th WG	19 th January 2010 (Thu) 14:30-16:00 at PRIPD	Confirmation of the contents of the distributed QIP Manuals

Source: JICA Study Team

JICA Study Team has encouraged all WG members to deliver and exchange their opinions each other positively and aggressively through the period of the pilot project and ask them to share and try to obtain the comments for the drafted QIP manuals from other members in each department, CIB, in particular comments from the directors.

(6) Request for review of drafted QIP manuals to all Counterparts/Working Group members

The latest version of drafted QIP manuals have been sent to all Counterparts CIB as well as WG members in the workshop on 4th February 2010 for asking them to make a final review of the drafted manuals. All the comments for the revision and correction were provided to the JICA Study by the middle of February. QIP manuals updated based on the comments would be finalized in March 2010.

(7) Implementation of a workshop to discuss on the drafted manuals

An internal workshop participated by all counterparts as well as WG members was conducted on 4th February 2010 for the purpose of sharing the issues and discussing possible solutions. The members of the pilot project made presentations on the contents of drafted manuals and raised the issues in the workshop. The content and the publication of the manual for investors were confirmed through the discussion of the workshop.

3.3 Major Issues and Proposed Improvements

Through the implementation of the pilot project such as the analysis of current procedure as well as discussion with the WG members, various issues to be improved or solved by CIB have been found for further improvement of QIP application service. These issues in detail and their possible solutions are summarized as a table according to the procedure of QIP application and attached as Appendix 3 in Progress Report, which has been a basis for further discussion on the formulation of the Master Plan.

3.4 Outputs and Evaluation

3.4.1 Achievement of Outputs

Output1: CDC-CIB managers and staff strengthen capacity to discuss and cooperate among all departments of CIB with an establishment of an organizational mechanism to do so for preparing and updating the manuals for QIP.

Activities of the WG worked well. Generally, it was observed that most of WG members who have been selected from the level of Deputy Director or Chief of Bureau, not from the level of director, still have not gotten used to delivering or exchanging their opinions each other and tend to like discussing individually. Under this circumstance, the WG meetings have provided opportunities them to discuss in a cross-sectional manner for improving their service as a pilot. As a result, positive and proactive

discussions have often been seen during the WG meetings. It is expected that this cross-sectional discussion be continued as an activity of CIB to develop their ownership and strengthen their capacity, which will led to an improvement of their services continuously.

Output2: CDC-CIB staff members understand whole procedure of QIP application and make clear of the issues to be solved for providing better service through the preparation of the “Operational manual for handling QIP applications”.

As a result of the pilot project, draft of the “Operational manual for handling QIP applications at the Cambodian Investment Board” has been prepared and will be finalized by March 2010. At the beginning of the pilot project, most of WG members seemed to be interested in only their own job description and did not tend to see the overall procedure of QIP application. Through the preparation of the draft and discussion in the WG meetings all WG members understood the overall procedure of QIP application in detail including the procedure of actual incentives such as tax exemption on profit and customs duty exemption as well as other required permits for investors such as company’s registration and construction permit. In addition, the pilot project activity enabled all WG members to verify actual factors of issues pointed out through the basic study i.e. complex-layered system, and existence of contradictions among laws, regulations, and in practice, so that their awareness of the issues is expected to be a trigger for further improvement of QIP application system.

Output3: CDC-CIB managers and staff increase the awareness for investors’ needs and provide transparent and clear procedure and rules on QIP application to investors through the preparation of the “QIP application manual for Investors”.

As a result of the pilot project, draft of the “QIP application at CIB” has been prepared and will be finalized by March 2010. At the stage of developing contents, all WG members have been required to come down on the side of investors for drawing flow-chart and setting Q&A, which have encouraged the members to change their mind from supply-oriented into customer-oriented. It is expected that the manual would enable CIB to provide more clear and transparent information on QIP application procedure to investors and can be an effective investment promotion tool using together with Investment Guidebook prepared by another pilot project. At the same time, it must be emphasized that the actual publication of the manual has a possibility to provide some negative images of Cambodia to investors due to both complicatedness of process and some contradictions among laws, regulations, and in practice on QIP application. However, it is more important for CDC-CIB to show its commitment and willingness to improve its organizational behavior oriented for “customer (investor)-friendly” investment promotion services, which still provides a rational for making the formulated Manual open to the public.

3.4.2 Evaluation

Effectiveness

Successive discussion among the WG members brought about more active participation in sharing information and opinions for further improvement of CIB working procedures and services, which is a good sign of their increased awareness of the need and importance of the provision of clear and transparent procedure on QIP application to investors. As a result of this, both the manual for internal use of CIB and that for investors have been prepared on schedule under the cooperation between JICA Study Team and the WG members. It can be concluded that the project purpose has almost been achieved with the achievements of outputs in effective manner, while the final publication of the manual for investor has not been confirmed yet.

Efficiency

While the JICA Study Team has spent a lot of time for collecting basic information on QIP application at the initial stage, due to the lack of visual materials and the difficulty of making appointment with the representatives of ministries at CDC, all activities has been conducted according to the schedule. The usage of budget also will be done based on the estimated plan. Thus, the project has been conducted appropriately in terms of efficiency.

Impact

It is expected that the execution of the pilot project would be a trigger for further improvement of the services of CIB based on their ownership. At this moment, it has not seen yet any positive and negative impacts of the pilot project on overall goal as well as other factors. However, the project enabled all WG members to raise awareness of the issues and shared the visions to tackle them. The JICA Study Team is encouraging the CIB to utilize this experience for further activities improving their service quality.

Sustainability

The pilot project clearly showed the effectiveness of cross-sectional activity, while the WG is a tentative group only during the period of the JICA Study. Therefore, the continuation of these activities could be a key factor by which CIB can enhance sustainable development as an IPA. Necessary actions and recommendations are summarized and included in the M/P and A/P in this Report.

3.5 Lessons Learnt

(1) Importance of Cross-sectional Taskforce Team

As found by the achievement of the WG activities, establishment and activities of the cross-functional taskforce team proved to be effective as an organizational mechanism for reviewing, discussing and proposing recommendations on CIB work procedures including QIP application. At the WG discussions, different views and understanding about the current QIP application process were sometimes provided by the participants, which showed that there is a certain level of gap in understanding about their working procedures in the organization as a whole. This fact may have brought about some ambiguity and discretion in handling QIP process, which could have become causes for both a delay in QIP application process and distrust by investors. Clear, simple and transparent process of applied QIP is the key factor for CDC-CIB to strengthen “customer (investor)-friendly” services. In this respect, establishment of cross-sectional taskforce team that reviews, discusses and proposes recommendations on CIB working procedures is to be considered as an effective organizational mechanism for the further improvement of the services provided by CIB.

(2) Need of change in mindset of CIB high officials, managers and staff

One lesson learnt by the pilot project was the fact that the JICA Study Team always faced difficulties in encouraging participants to express their frank opinions and creative ideas for recommendations at WG meetings. Generally speaking, it is observed that the Cambodian people are not accustomed to discussions where participants are expected to express their own open opinions and comments. They tend to strictly obey the rules, regulations and instructions by higher management people, which sometimes bring about their passive attitudes in order to avoid any risk in their works. If CDC-CIB really intends to become an effective Investment Promotion Agency (IPA), strong willingness for enhancing the further improvement in the organization’s working procedures is essential. “Customer-first” attitude never comes out from the traditional bureaucratic working norms and procedures. This cannot be realized without an open atmosphere that encourages officers at any managerial-level in the organization to make free discussion and to provide suggestions. In this respect, drastic change in mindset of CIB officers from the top to the bottom is strongly required. Particularly, clear message and commitment by the top leaders, in which they encourage all CIB officers to freely discuss about the current working procedures and provide recommendations, should be constantly delivered. “Assertion” by the top leaders and their efforts to deliver clear message regularly to all relevant people in the organization is the key factor in order to initiate a drastic change in the mindset of CDC-CIB people. Without these commitment and support by the top leaders, any efforts and activities by the above-proposed cross-sectional taskforce team may easily fail. At the same time, periodical free discussion participated by all available CIB members and special training for stimulating their change in mindset and working attitude could be designed and implemented as concrete measures for encouraging changes in organizational behavior.

(3) Importance of visual promotion tools both to all CIB officers and to the public

With the efforts by the members of the pilot project, drafts of such two materials as “Operational manual for handling QIP applications at the Cambodian Investment Board” and “QIP Application at CIB” were successfully formulated. The first that is for internal use of CIB is a revision of the former one made in 2001 and the latter is the first-ever formulated one for potential customers outside CDC-CIB. In each case pilot project members reconfirmed of the importance of formulating written drafts that clearly describes the organization’s current working procedures and sometimes suggests what and where discrepancies and ambiguity exist. Deep and common understanding about the current working procedures in CIB is the first step for the organization to conduct continuous improvement in their services to investors. In this respect, hopefully with the activities by the cross-sectional taskforce team, periodical revision of the “Operational manual for handling QIP applications at the Cambodian Investment Board” should be considered for further promotion of simplicity and transparency in QIP application process.

While pilot project members reconfirmed the importance of formulating “QIP Application at CIB” as an effective investment promotion tool during the activities, they also felt much difficulty in properly describing “customer-friendly” QIP application process. In reality, it can be said that CIB has not provided any “customer-friendly” QIP application process until now. The formulated manual for investor includes lots of beautiful sentences that is strongly hoped to realize. This fact has two important implications. Firstly, the publication of the formulated “QIP Application at CIB” may bring about both positive and negative effects to investors. On one hand, because this is the first-ever, clearly described manual for investor, it will show the strong commitment by CIB to strengthen investment promotion activities to all interested people in Cambodia. On the other hand, if CIB fails to provide investor-friendly services described on the official, publicized document, it may easily lose the trust by those people. Having understood of these two different aspects, the Study Team still recommends that CDC-CIB publicize the drafted manual for investors. As stated already, a clear assertion what the organization intends to do is the first, starting point for continuous improvement in order to achieve the goal. In this respect, publication and distribution of “QIP Application at CIB” will provide a clear commitment by CIB to investors to show “Where we go?” and also to provide a very important opportunity to receive very tough, but constructive criticism by really interested people in investment in Cambodia. It should be reminded that without any clearly written promotion tools no real voice from the customers, the most important input for improving the organization’s effectiveness and mechanism, can be heard. It can be said that it is one of the achievement of the pilot project that these views were understood and shared among the participants to a certain extent. Continuous efforts to formulate, improve and publicize useful tools for both inside CIB and for outside CIB to the public are essential in order to promote continuous capacity development of both each CIB officer and the organization as a whole.

Appendix 6

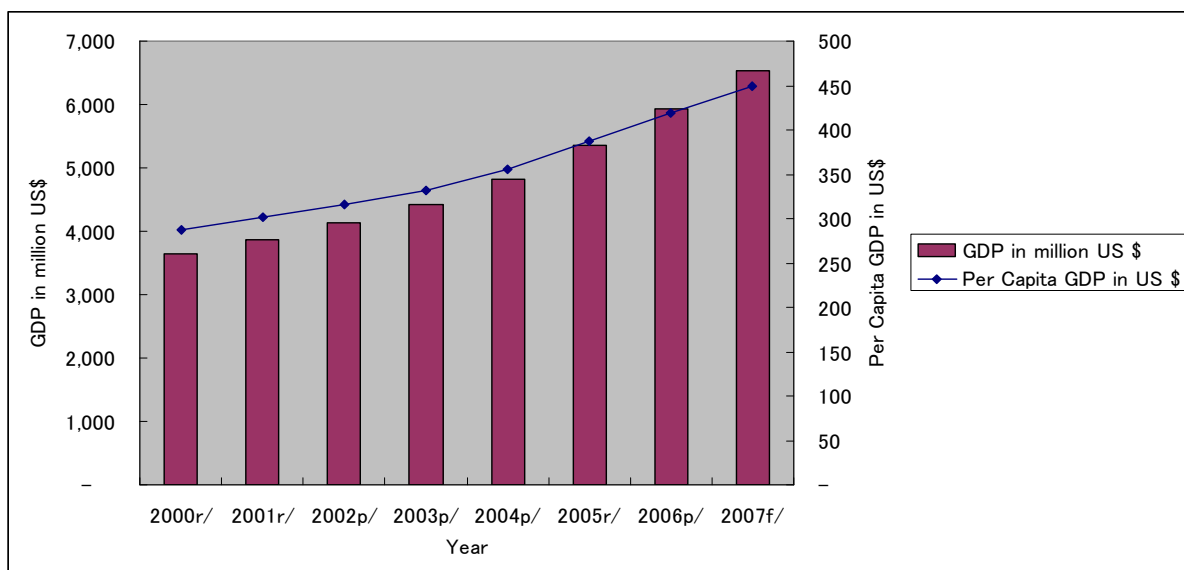
Study on Priority Industries in Cambodia

Appendix 6 Study on Priority Industries in Cambodia

1. Review of Cambodian Economy and Industry

1.1 General Economy

Since 1993, Cambodian economy has been developed and recovered successfully with a great deal of effort by the RGC as well as private sector and donors under the reconstruction process. The following table clearly shows the steady and strong economic growth in Cambodia. The average growth rate between 2000 and 2007 is 11.5% and GDP per capita also achieved double-digit growth from 2004 to 2007.



Source: NIS Statistical Yearbook 2008

Figure 6-1-1 Gross Domestic Product (GDP) and Per Capita GDP

However, the current worldwide economic crisis since the middle of 2008 impeded this high growth trend, which resulted in 5.2% of the GDP growth rate in 2008. As the forecast of 2009, the International Monetary Fund (IMF) and the Economic Institute of Cambodia (EIC) predict the expected growth rate of GDP would be 0.5 %, and 2% respectively. Furthermore, this downward trend is expected to continue for the time being.

As for the trade, both exports and imports of Cambodia have been increased continuously from 2000 to 2007 as indicated in the following table. The amount of export in 2007 is nearly triple that of 2000. However, the balance of trade stayed in the red with increasing its degree gradually. ¹

¹ National Bank of Cambodia, Annual Report 2008



Source: NIS Statistical Yearbook 2008

Figure 6-1-2 Balance of Trade in Cambodia between 2000 and 2007

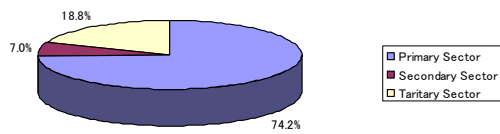
In 2008, the exports amounted to US\$ 4,423.7 million decreasing by around 14% compared to the previous year. While the main contributing factors to total export value is still garment, the growth ratio decreased to 2.2% from 7.9% in 2007. Exports of other products such as agricultural products, rubber and furniture have increased due to the increase in their prices.

1.2 Industrial Structure and Characteristics

Though the Cambodia has been successful on its industrial development as the initial stage, the current industrial structure has endogenous issues which would prevent further industrial development.

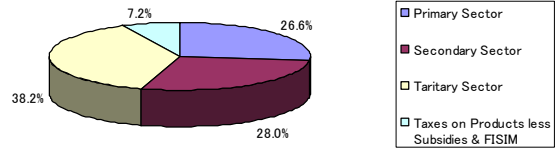
The following figures show the percentage of employed persons and the contributing ratio to GDP by different three sectors i.e. primary, secondary, tertiary.² Secondary sector earns 28 % of the total GDP and holds 7 % of the total workforce, while Primary sector earns only 26.6% of the total GDP and holds 74.2% of the total workforce.

² The data of the percentage of employed person is available to get that of 2004. According to an officer in NIS, 60% of the workforce is currently working in primary sector. The latest data will be obtained during further study.



Source: NIS Statistical Yearbook 2008

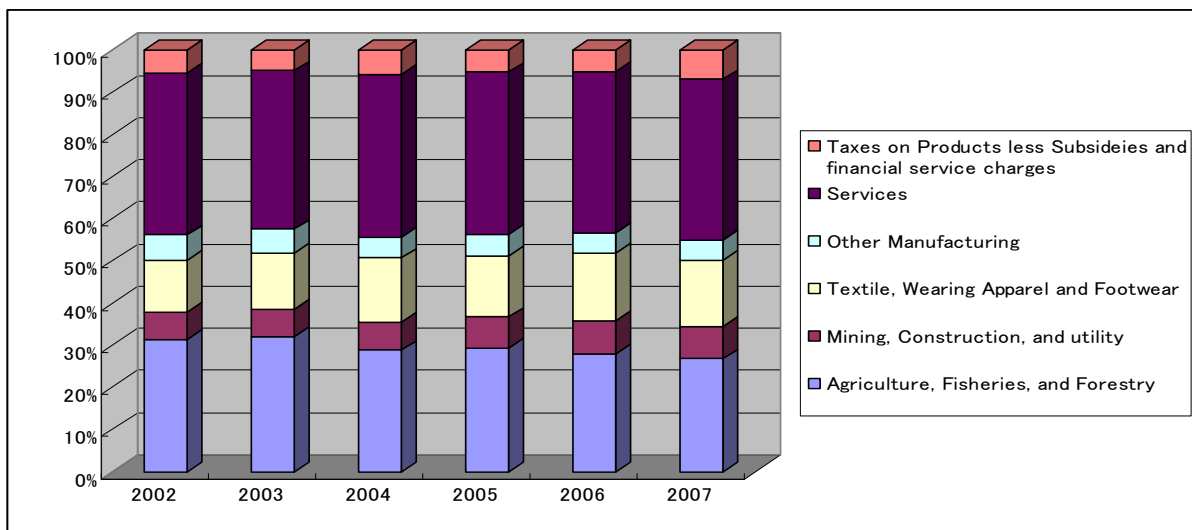
Figure 6-1-3 Percentage of Employed Persons in Different Sector, 2004



Source: NIS Statistical Yearbook 2008

Figure 6-1-4 GDP by Different Sector in 2007

However, examining more details of the secondary sector it is easily found that the textile, wearing apparel and footwear industries are main contributing factors to the sector. The average share of these industries in GDP has kept at high ratio ranging from around 15% and 20% since 2002. More than 70% of the GDP in secondary sector is earned by textile, wearing apparel and footwear industries.



Source: NIS Statistical Yearbook 2008

Figure 6-1-5 Percentage of GDP in Different Sector, 2004

The trade balance in 2001, 2004 and 2007 clearly indicates the high dependency of textiles and textile articles in terms of exports which account for 76%, 81% and 72% respectively.

Table 6-1-1 Balance of Trade - Goods Account, 2001, 2004 and 2007 in US\$ million

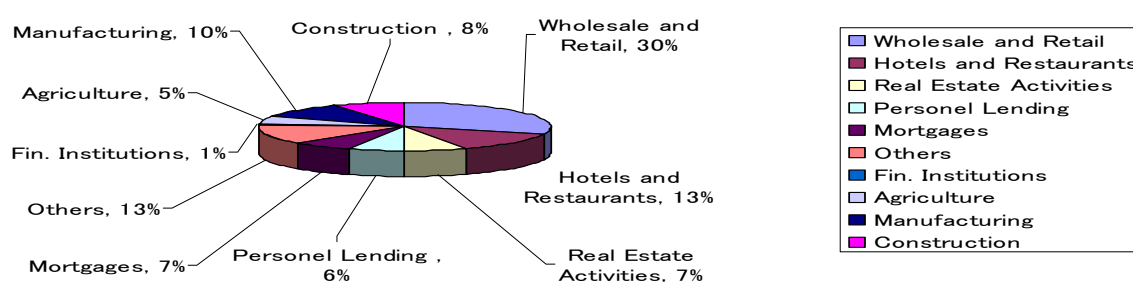
Goods Account	2001			2004			2007		
	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance
Total f.o.b.	1571.2	2094.0	-522.8	2588.9	3269.5	-680.6	4088.5	5423.6	-1335.2
Of which:									
Animal and vegetable products	123.5	30.7	92.8	207.2	7.0	200.1	553.6	13.2	540.3
Wood and products	71.3	0.0	71.3	19.1	0.0	19.1	25.6	0.0	25.6
Rubber and products	52.4		52.4	114.8		114.8	156.8		156.8
Mineral fuels and related materials	n.a	355.5	n.a.	n.a	611.5	n.a	n.a	1355.6	n.a
Beverages and tobacco	42.4	83.7	-41.3	49.0	96.5	-47.5	44.3	138.5	-94.2
Textiles and textile articles	1198.5	613.2	585.3	2091.8	1025.8	1066.0	2957.6	1402.8	1554.8
Chemicals and related products	n.a	0.0	n.a.	n.a	0.0	n.a	n.a	0.0	n.a
Machinery and transport equipment	n.a	546.0	n.a.	n.a	968.2	n.a	n.a	1381.9	n.a
Other manufactured goods	1.1	181.4	-180.3	0.7	180.9	-180.2	0.7	251.8	-251.1
Miscellaneous n.e.s	82.1	283.6	-201.5	106.5	379.7	-273.1	350.0	879.7	-529.8

Source: NIS Statistical Yearbook2008

As for the import, textile and textile articles and machine and transportation equipment keep major share of the total imports. These products are being imported as the raw materials and production machines for textile and textile articles industries in Cambodia.

While the export value of animal and vegetable products has increased sharply up to 2007, the export value of beverage and tobacco remains roughly flat through the years. Furthermore, there are no available data on the exports of chemical and related products as well as machinery and transportation equipment. The facts aforementioned imply the weakness of manufacturing industry in Cambodia, which means that manufacturing industry such as machinery and food processing industry have not developed well.

In terms of credit by banks, the credit amount to manufacturing also still remains at low level i.e.10 % of the total credit amount.



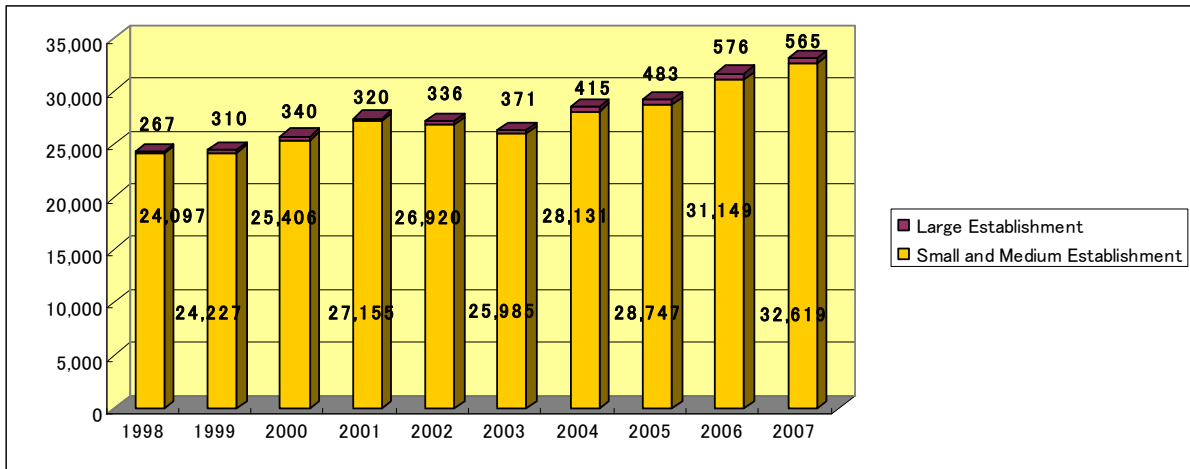
Source: National Bank of Cambodia, Annual report 2008 NIS Statistical Yearbook 2008

Figure 6-1-6 Bank's Credit by Type of Business Activities 2008

The industrial characteristics in Cambodia can be explained in terms of the scale of enterprises. The following figures show the comparison of large establishment³ with small and medium enterprises (SMEs) in the view of i) the number of establishments, ii) volume of production and iii) the number of workforce respectively. It is obvious that the number of large enterprises accounts for 1.7% of the total

³ Large establishment defines as an establishment with employment greater than 50 and/or actual investment of more than US\$ 1million.

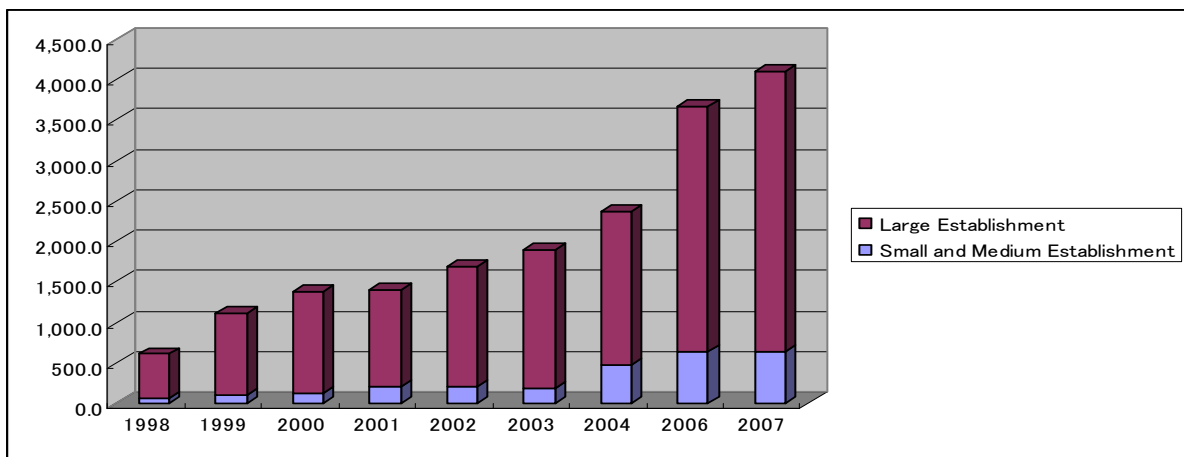
number of enterprises in Cambodia.



Source: NIS Statistical Yearbook 2008

Figure 6-1-7 Number of Establishments in Small, Medium and Large Establishments, 1998 - 2007

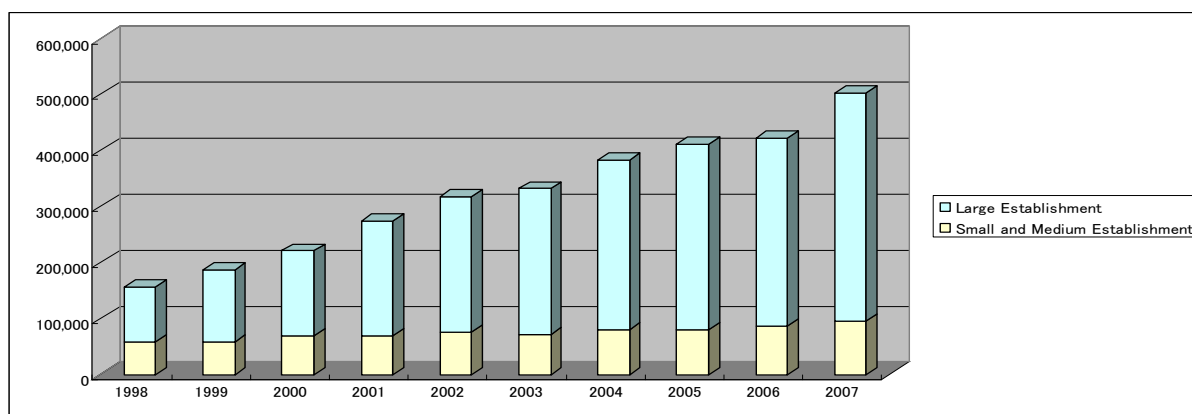
On the other hand, the production volume by the large industries is much higher than that by the SMEs. While both large and SMEs enterprises increased in their production volume year by year, the large establishments achieved higher increasing rate than the SMEs.



Source: NIS Statistical Yearbook 2008

Figure 6-1-8 Volume of Production of Small, Medium and Large Establishments, 1998 – 2007 (in million US\$)

In terms of the number of workforce, the number of workers in large establishments has increased steadily, which resulted in the great contribution of job creation in Cambodia. Meanwhile, the number of workers in SMEs has remained unchanged through the years. This indicates that the economic activities of SMEs have not contributed to job creation, even though their production volumes have upward trend.



Source: NIS Statistical Yearbook 2008

Figure 6-1-9 Number of Workers in Small, Medium and Large Establishments, 1998 - 2007

Table 6-1-2 Number of Large, Small and Medium Establishment by Sector, 2007

	Large	Small and
Food, beverages and tobacco	42	26,379
Textile, wearing apparel and leather	449	1,474
Wood products, including furniture	10	-
Paper products, printing and publishing	5	39
Chemicals, petroleum, coal, rubber and plas	23	177
Non - metallic mineral products	9	813
Manufacture of basic metals	21	-
Fabricated metal products	6	2,882
Other manufacturing	-	855
Total	565	32,619

Source: NIS Statistical Yearbook 2008

The following table illustrates the number and the ratio of large establishments to SMEs for each industry. As can be seen from the table and figure, the composition varies a great deal in each industry. For the realization of balanced economic growth, both large establishments and SMEs activities must be promoted in each sector.

Characteristics

Based on the economic situation described above, the characteristics of Cambodian industry are summarized as follows:

- The performance of the primary sector on the contribution to the GDP is very low, while the sector consists of around 60% - 70% of the total workforce in Cambodia.
- The performance of manufacturing industry is still low, which indicates that the process of industrialization in Cambodian is still at initial stage.
- The industrialization has been progressed only by a few export oriented industries such as textile, wearing apparel and leather.
- The performance of SMEs is low in terms of job creation.

Further Challenges

In order to step forward to the next development stage on industrialization, following matters can be pointed out as the challenges.

- To diversify the manufacturing products both for the domestic supply and balanced trade.

- To introduce/promote high value-added industries including processing industry of agricultural products.
- To promote/assist SMEs considering the supply chain and supporting industries to be established for balanced industrial development in each industry.
- To establish business linkages among FDI, large enterprises and SMEs in each industry for laying industrial foundation.

2. Selection of Priority Industry

2.1 Objectives and Evaluation Criteria

Objectives of the study on priority industries are 1) to identify the priority industry in Cambodia, 2) to confirm development potential, 3) to study on competitiveness of the industry, and 4) to propose improvement policy and measures for attracting FDI.

For the evaluation of the priority industries, the five industries previously analyzed in the JICA Study on Economic Policy Support in the Kingdom of Cambodia are taken into account as well as additional industries proposed by RGC. The criteria for evaluation are as follows:

- 1) Government Policy for supporting the industry,
- 2) Natural resources available,
- 3) Infrastructure/Supporting industries,
- 4) Human resources, and
- 5) Potential for Attracting FDI.

2.2 Selected Priority Industries

Comparison was made on the proposed 7 industries using the above criteria and the resulting evaluation is as presented in the following table.

Table 6-2-1 Evaluation of Candidate Priority Industries

Promising Fields	Government Policy	Natural Resources	Infrastructure and supporting industries	Human Resource	Attraction of FDI
(1) Garment	○	△	△	◎	○
(2) Footwear	○	△	△	◎	○
(3) Agro-fishery and Food Stuff	◎	○	△	○	◎
(4) Machinery	◎	△	△	○	◎
(5) Electric/Electronics	◎	△	△	○	○
(6) Natural Rubber	○	○	○	○	◎
(7) Tourism	◎	○	○	○	◎

Note: ○ High, ◎ Medium, △ Fair

Source: JICA Study Team

Through the above, development potential is confirmed as well as potential for attracting FDI in future and further studies on the proposal of industries are carried out as presented below.

In this Chapter, two industries, namely, machinery and electric/electronics are combined into one industry since the development of the two industries is still in initial stage.

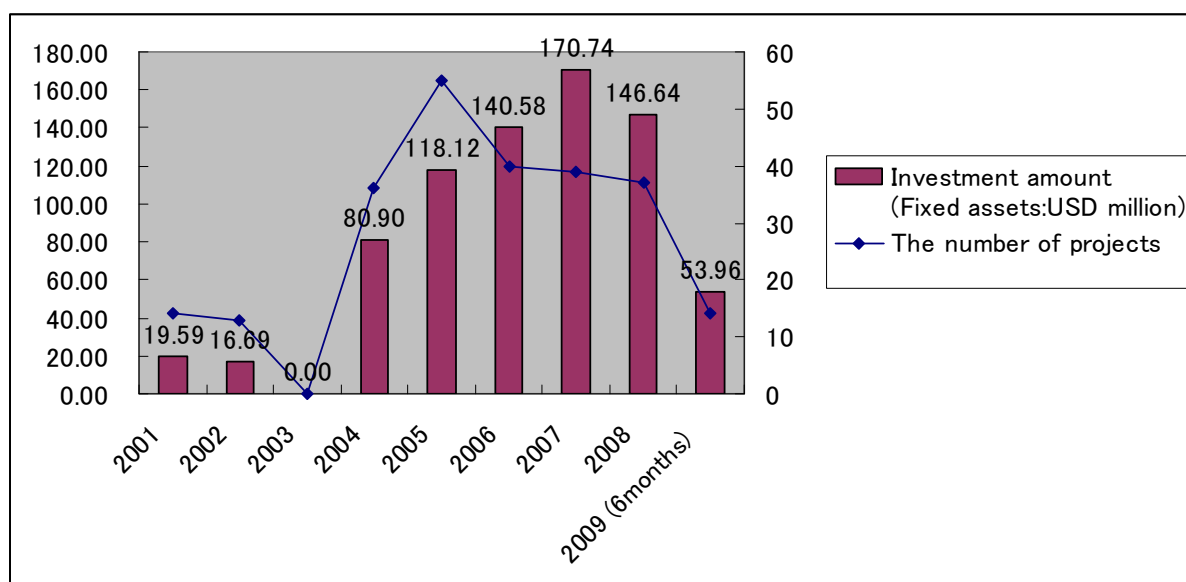
3. Garment Industry

3.1 Overview of Garment Industry

Based on the GSP/MFN trade privileges provided by the USA and EU since 1996 as well as an export-oriented strategy taken by the RGC, Garment industry has taken a role of leading force of Cambodian exporting industry, which accounts for 70-80% of the total export value continuously, and has contributed to the remarkable economic growth of Cambodia.

(1) FDI Trend

Figure 6-3-1 shows the approval investment project by the CDC. The investment in the garment industry has sharply increased from 2003 to 2007. The decrease in the investment amount in 2008 might be because of the recession of USA market since the middle of 2008. Main investors come from Taiwan, China and Hong Kong. The average of investment amount per project tends to be higher between 2006 and 2008 compared to that of before 2005.



Source: CDC

Figure 6-3-1 Garment: CDC-approved Investment in Cambodia (2001-2009)

(2) Export Trend

Table 6-3-2 shows garment export in Cambodia between 2001 and 2008. Even though the growth rate

of the export value has declined since 2007, the total export value of garment industry has still increased, and this industry is still playing the role as a main contributor to obtain foreign currency to Cambodian economy.

Table 6-3-1 Garment Exports in Cambodia

	2001	2002	2003	2004	2005	2006	2007	2008
Export Amount (USD million)	1,156.24	1,290.57	1,580.28	1,969.04	2,197.25	2,623.27	2,839.33	2,878.79
Percentage of Change (%)	25.0	11.6	22.5	24.6	11.6	19.4	8.2	1.4

Source: Ministry of Economy and Finance.

Main destinations of garment export are the USA and EU. In 2008, the total export values to the USA and EU were US\$ 1,974.76 million and US\$ 658.65 million respectively.

Table 6-3-2 Garment Exports in Cambodia

	USA	EU	Canada	Others	Total
Export value (USD million)	1,974.76	658.66	198.39	135.76	2,967.56
Ratio of export	66.5%	22.2%	6.7%	4.6%	100.0%

Source: MOC

(3) Position in the Economy of Cambodia

According to the Statistical Yearbook 2008 published by NIS, around 80% of large establishments⁴ are occupied by textile, wearing apparel, and leather industries and their total number of workforce reached 370,000 in 2007.

Table 6-3-3 The Number of Large Establishment and its Workforce, 2000-2007

	2000	2001	2002	2003	2004	2005	2006	2007
Number of large establishment	256	240	255	283	320	374	456	449
Number of workers (Unit: 1000 persons)	137	190	228	248	290	306	308	370

Source: NIS

In terms of the contribution to the GDP of Cambodia, textile, wearing apparel, and leather sector has gained the ratio from 12% to 16% of the GDP between 2002 and 2007. The sector contributed around 4 % of the labor force.

Table 6-3-4 The Number of Large Establishment and its Workforce, 2000-2007

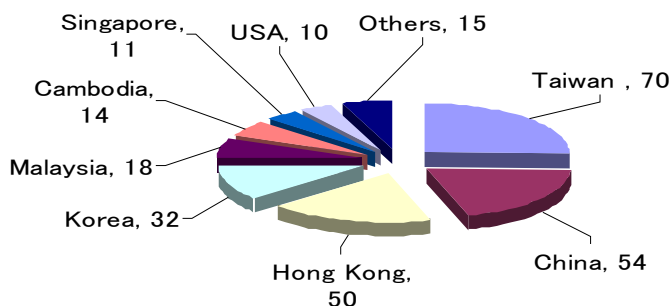
	2002	2003	2004	2005	2006	2007
Agriculture, Fisheries, and Forestry	31.47%	32.05%	28.79%	29.42%	28.02%	26.70%
Mining, Construction, and utility	6.37%	6.54%	6.73%	7.24%	7.87%	7.64%
Textile, Wearing Apparel and Footwe	12.45%	13.40%	15.16%	14.62%	15.89%	15.86%
Other Manufacturing	5.86%	5.55%	5.05%	4.95%	4.86%	4.65%
Services	38.56%	37.63%	38.60%	38.55%	38.32%	38.29%
Taxes on Products less Subsideies and financial service charges	5.29%	4.83%	5.67%	5.22%	5.04%	6.86%
GDP	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: NIS Statistical Yearbook 2008

However, it should be emphasized that Cambodian garment industry has been developed by foreign direct investors such as Taiwan, China and Hong Kong with few Cambodian investors. As can be seen from the Figure 6-3-2 which shows the composition of the members for Garment Manufactures

⁴ Large establishment is defined as an establishment with employment greater than 50 and/or actual investment of more than US\$ 1million.

Association in Cambodian (GMAC), the ratio of the Cambodian owners is only around 5% of the 274 members as of May 2009.



Source: GMAC

Figure 6-3-2 Composition of the GMAC Member Companies

3.2 Current Situation after Financial Crisis

Even though the Cambodian garment industry continues to play a major role in Cambodian export, world economic crisis since middle of 2008 has negatively impacted on garment industry. According to the MOC, total export amount for the first quarter of 2009 declined by 27% compared with the same period of 2008, mainly due to the sharp drop of export to USA market, which decreased by 35%, accounting for around 70% of the total export value in Cambodian garment industry.

Table 6-3-5 Estimated Cambodian Export under GSP/MFN Scheme (First Trimester, 2009 with 2008)

Destination	2009		2008		Variation	
	Qty (DOZ)	Amount (USD million)	Qty (DOZ)	Amount (USD million)	Amount (USD million)	Percentage
USA	11,779,376	339.1	17,631,109	527.5	(188.4)	-35.72%
EU	3,037,132	108.5	2,947,773	126.2	(17.6)	-13.98%
CANADA	1,326,174	42.8	1,338,256	47.6	(4.9)	-10.19%
JAPAN	145,449	5.4	83,023	2.8	2.6	91.51%
Other markets	604,907	30.4	403,110	22.4	8.0	35.95%
Total	16,893,038	526.2	22,403,271	726.5	(200.4)	-27.57%

Source: MOC

According to Cambodian Daily on 3 June 2009, Cambodian Union Federation (CUF) announced that over 40,000 garment workers have lost their jobs and an additional 25,403 workers within the sector have been suspended from their posts until the industry makes a recovery. United Nations Development Program (UNDP) reported that 70 factories have been closed since August 2008.

In addition to the recession of the USA market, following reasons are considered as negative factors making drop of garment export of Cambodia at present and in the future.

- ① Average garment export price declined by 6.7% compared to that of last year.
- ② Export costs are higher than those in neighboring countries between 3 and 10%, which led to the loss of the competitiveness. Indeed, Chinese garment exports to the US were down by 5% in early 2009 compared to the same period of 2008.

- ③ The expiration of safeguards imposed by the US and EU against Chinese and Vietnamese exports.
- ④ The new terms including the reduction of order lead time from three months to 40 days and a payment credit term of 60 days.

In order to minimize the negative impact of world economic crisis, the RGC announced the countermeasures to be taken to assist the garment industry in the 14th GDCC meeting held on 28 April 2009 as follows:

- ① To extent the exemption of 1% profit tax for additional two years (2010-2011)
- ② To pay 0.3% on behalf the garment factory’s owner for two years (2010-2011) for the Social Security Plan requiring the employers to burden 0.8% of the employee’s salary.
- ③ To establish a Social Safety Support Fund (SSSF) to provide the short training program to youth and layoff workers for strengthening the productivities of labor for garment industry.

3.3 Potential, Advantages and Disadvantages

After enactment of Investment law in 1994, Cambodia has achieved a great success to invite Foreign Direct Investment in particular, garment industry, through the acknowledge of 100 percent foreign capital to establish enterprises/factories and the GSP/ MFN privileges. However, given the current market situation occurring around Cambodian garment industry i.e. decrease in market commodity prices and removal of safeguards to China by the USA, it can be said that now the garment industry stands at a critical juncture.

Indeed, the current strong competitiveness of garment industry highly depends on the privileges of GSP/ MFN from the USA and EU so that it has a possibility to lose exponentially its competitiveness due to a sudden external factor on international relation. Furthermore, the growth rate of the productivity of manufacturing industries in Cambodia was lowest among ASEAN countries which data are available between 2001 and 2005.⁵ It is clearly time to review the experience in the past and re-consider about necessary countermeasures for stepping forward to the next development stage.

Based on the review of various reports written by many donors and the interviews to garment private sector in Cambodia, advantages and disadvantages of Cambodian garment industry are summarized in the following table.

Table 6-3-6 Summary Advantage and Disadvantage of Garment Industry

Advantages	Disadvantages
Trade negotiation & marketing	
<ul style="list-style-type: none"> • G-PSF improves good access to policy makers. • MOC and GMAC build preferential trade access with the USA and EU. • GMAC conducts actively for promotion activities. 	<ul style="list-style-type: none"> • A few Cambodian firms have their own sales channels. • Sales are primarily sewing-on-commission and there are very few develop-and-export schemes. • Garment exports are concentrated in a few markets.

⁵“Cambodia Country Competitiveness” UNDP Discussion Paper no.7 2009

Advantages	Disadvantages
Products	
<ul style="list-style-type: none"> • It is available to meet US demands for low-priced products with small-variety, large-lot orders. 	<ul style="list-style-type: none"> • It is difficult to meet demands for value-added products with large-variety, small-lot orders. • Main export products are knitwear-related products which can produce with lower skills, resulting in low added-value.
Production	
<ul style="list-style-type: none"> • Garment factories enjoy benefit of import duty free on their raw materials and machineries. • There exist abundant low wages workers. • There exists high labor standards based on compliance with the ILO standards • The NSSF (National Social Security Fund) provides social security to employees. • Cambodian workers are tenacious and faithful in general. • 	<ul style="list-style-type: none"> • Since most of raw materials and machineries depend on imports except for cardboard boxes. Therefore, there is no cost competitiveness on these inputs. • Recruiting workers has become harder according to income increase in rural area. • Failure to regulate unions (There are more than 1000 unions in around 300 garment factories.) • Some unions do not comply with the laws and regulations. • Foreign supervisors and managers, mainly from China, with few Cambodian supervisors and managers are playing work on quality control and production management, which result in the increase in the production costs. • Increase in oil prices, inflation, and costs of raw materials causes the increase in production costs. • It is difficult to find skilled workers. • Advanced technical and management skills to up-grade products are still weak. • Lack of education hinders to train the workers. • Production level is rather low due to the utilization of basic machines. • Investment in new machines is difficult because of less opportunity to access to financing. • Electricity costs are still high due to the dependency on generators.
Trade facilitation	
<ul style="list-style-type: none"> • Lead times are short in Cambodia because of short shipping distances from other ASEAN countries • Introduction of ASYCUDA contributed to the efficient services for custom clearance. • Application procedure including processing period has improved gradually. 	<ul style="list-style-type: none"> • Custom clearance fees are very high compared to that of Vietnam. • The fixed EMF takes a high percentage on production costs under the market condition with violent fluctuation. • Transportation costs are high. • Corruption, bureaucracy, and border delays are the major obstacles for the industry. • Actual period of issuance documents such as CO still takes longer than the stipulated time. • Un-official fees still are charged.
Business Linkages	
<ul style="list-style-type: none"> • There are small, cottage industries, sub-contracting companies that provide extra sewing capacities during peak demand period. 	<ul style="list-style-type: none"> • Linkages between the garment industry and domestic economy such as Cambodian SMEs and supporting industries are less-developed.
Value chain	
<ul style="list-style-type: none"> • .Cambodian garment has mainly accumulated skills on cut-make-trim (CMT). 	<ul style="list-style-type: none"> • There are no industries/ producers on the up-stream sectors such as knit yarn spinning plants, fabric weaving plants and the dyeing sector.

Source: Compiled by JICA Study Team based on interviews and review of various reports

3.4 Countermeasures taken by the RGC/Donors/Private Sector

In order to overcome the aforementioned disadvantages of the garment industry in Cambodia, the RGC and various donors has taken actions under the cooperation with private sector.

(1) Countermeasures taken by the RGC

In the 14th GDCC meeting held on 28 April 2009, the RGC announced the countermeasures in medium and long term to be taken owing to assist the garment industry as follows:

- 1) To implement the formality check for import and export by using an online application system so called “ASYCUDA; Automated System for Custom Data”.
- 2) To discuss continuously with private sector through the Steering Committee on Private Sector Forum, in particular the eight Sectoral Working Group, to find the potential obstacles in the import and export procedures and raise the measures to reduce procedures and unnecessary cost, both official and unofficial.
- 3) To provide vocational skill trainings including the advanced management skill for factory workers.
- 4) To conduct careful study on the possibility to assist in providing credit support to the garment industry.
- 5) To work closely with employers and workers to ensure that labor law and strike procedures are fully complied.
- 6) To expedite the draft of the Law on Union.
- 7) To prevent the activities of stealing clothes from the factories to sale in local market through the cooperation with the competent and local authorities.
- 8) To encourage garment factory’s owner to improve their management and strengthen the internal governance in their factories.

(2) Countermeasures Supported by Donors

Countermeasures taken by donors to develop and improve garment industry in Cambodia are summarized into two categories i.e. i) direct assistance to garment factories and ii) improvement trade facilitation for increasing efficiency of total export procedure.

1) Assistance to Garment Industry in Cambodia

International Labor Organization (ILO)

“Better Factories Cambodia” which is a program supported by International Labor Organization (ILO) to realize a rigorous and transparent cycle for improving working conditions of Cambodian garment factories has improved the working conditions and productivity of those factories by monitoring and reporting according to national and international standards. An incentive on better access to the US market provided by the US in exchange for the improvement of working conditions has highly motivated the garment factories to comply the ILO standards.

Agence Francaise de Development (AFD)

Based on the agreement between Agence Francaise de Development (AFD) and the RGC, GMAC implemented a fund support program which consists of four components i.e. i) capacity building, ii) fashion observatory, iii) specific survey, and iv) social adjustment fund supported by AFD from August 2006 to March 2008. Currently, GMAC has begun talking with AFD on a new fund program to enhance human resource at the level of management and supervision with more advanced skills.

United States Agency for International Development (USAID)

The USAID supported to establish Garment Industry Productivity Center (GIPC) in 2006 under a three years project of USAID. The objective of the GIPS are to increase in the competitiveness of Cambodian garment industry through the provision of training and consulting to individuals and factories on production management such as workflow, planning, controls and supervision. After the completion of the project, the GIPC will be reborn as “the Cambodia Skills Development Center”, a Cambodian NGO which provides consulting services to factories, trains Cambodians in industrial engineering, and promotes cooperation among labor, management and government with continuous support by USAID.

Japan Overseas Development Cooperation (JODC)

In order to provide comprehensive training programs for garment factories in Cambodia, in particular, for the increase in the capacity of worker’s management skill and machinery’s operation skill, Cambodia Garment Training Center (CGTC) funded by JODC was established in 1999 and Japanese experts including mechanic operation experts were assigned until 2004. JODC has renewed their commitment to bring in new trainers and consultants since 2007.

2) Assistance on Export Processing and Trade Facilitation

Trade SWAp (Trade Sector Wide Approach)

The Trade SWAp is developed to support the implementation of key recommendations of the Diagnostic Trade Integration Study (DTIS) 2007 that aims to develop and diversify exports, and maximize trade contribution to economic growth and poverty reduction. Ministry of Commerce has played a role as a facilitating organization to implement this approach. The activities in detail are described in the Section 4 “Footwear industry”.

(3) Countermeasures Implemented by Private Sector

Garment Manufactures Association in Cambodian (GMAC)

Garment Manufactures Association in Cambodian (GMAC) is one of the most active and powerful business associations in Cambodia. The GMAC, as an opinion leader of private sector, has conducted various activities not only for developing Cambodian garment industry but also for improving total

business environment, especially for import-export, in Cambodia under the strong cooperation by many donors both technically and financially. Main activities of GMAC are as follows:

- ① To lobby the RGC to improve trade facilitation efficiency including the reduction of fee and levies and export counterparts countries to ensure the incentives of quota free and duty free.
- ② To collect international market information on garment through the participation in ASEAN Federation of Textile Industry (AFTEX) and disseminate the information to the GMAC members.
- ③ To conduct training activities to factories workers on sewing management, quality controls, and sewing operation and maintenance, and to supervisors and middle managers on production management and planning and controls.
- ④ To promote Cambodian garment products through the participation in both domestic and international exhibitions, for instance, “One Province One Product (OPOP) Fair” in Cambodia and “China-ASEAN Expo” in China.

(4) Opportunity of Direct Policy Discussion among the RGC/ Donors/ Private sector

The Government-Private Sector Forum (G-PSF)

The G-SPF was launched in 1999 under the strong initiative by the Prime Minister Hun Sen, aiming to improve the business environment, build trust, and encourage private investment in Cambodia through the direct dialogue between the RGC and the private sector. The forum, which consists of eight Working Groups i.e. Agriculture and Agro-Industry, Tourism, Manufacturing and SMEs, Law, Tax and Good Governance, Banking and Financial Services, Energy, Infrastructure and Transport, Export Processing and Trade Facilitation, and Industrial relation are held twice per year chaired by the Prime Minister.

At present, the issues on import of raw materials and machinery, reduction of custom clearance charges as well as Export Management Fee (EMF), and relationship with Labor Unions have been discussed in the Forum as related issues to garment industry.

3.5 Policy and Countermeasures for Improvement

Challenges

The report on Cambodia Country Competitiveness published by the UNDP pointed out three main ways to increase the competitiveness of the garment and light manufacturing industry.

- 1) Increase in productivity of worker and sector
- 2) Increase in the number of functions of the value chain that are undertaken in Cambodia
- 3) Move into other types of light manufacturing based on the garment

Productivity of worker and sector

As for the productivity of worker, both the RGC and GMAC have provided a lot of different training programs under the cooperation with donors. Continuing such a persistent effort more focusing on advanced management and operational skills would lead to the next development stage of Cambodian garment industry i.e. to produce high value-added products.

The serious market situation since last year can be a chance to accelerate the improvement activities of trade facilitation including simplification and readiness documentation procedure, rationalization of custom clearance as well as decrease in unpredictable and un-official charges. “Efficiency” and “Transparency” are keywords for Cambodia to survive and take an initiative in global market, which result in the increase FDI to Cambodia.

In order to strengthen the business linkage for Cambodian garment industry, countermeasures to promote SMEs including financial support schemes must be developed and implemented by the stakeholders. Providing trainings on entrepreneurship also can motivate Cambodian worker/supervisor to build own factories.

The number of functions of the value chain

Acquiring more functions within value chain would contribute to the creation of high added-value to Cambodian garment industry. Possibility on introducing other up-stream industries except for Cut-Make-Trim must be discussed in terms of raw materials supply, spinning, dyeing, machineries, and other supporting industries.

Inviting FDI on the up-stream industries such as knit spinning, fabric weaving and dyeing is one way to increase in the added value of Cambodian garment industry. However, those industries require high consumption of electricity as well as a lot of machineries for securing production scale. Dyeing also has a possibility to provide a negative impact on water resource. A comprehensive and concrete strategy must be formulated as a long term target.

Moving into other types of light manufacturing

In general, labor intensive industries tend to move easily their production bases to other countries according to the availability of abundant low wage workers. At the same time, the experiences of many advanced countries clearly show that garment industry is a primary industry as a first step of the industrialization as well as job creation. Since the industrial structure of Cambodia concentrates in the garment industry, developing other light manufacturing can be considered. Diversifying the industries would contribute to reduce risk of negative impact by economic crisis, in particular on the job security. For the selection of appropriate industries, the selection of more sophisticated products requiring many parts and production procedures can be criteria because these products lead to bigger economic impact compared to the garment industry.

Expected roles of CDC

As an investment promotion agency in Cambodia, CDC/CIB contributes to the advancement of garment industry by providing various kinds of the services. Development of database on existing garment factories as well as supporting industry and its dissemination including the introduction of success stories to potential investors would attract them to invest in Cambodia. Sharing information with line ministries and private sector are necessary conditions to provide this service.

In order to invite the up-stream industry, the promotion of Special Economic Zones (SEZs) with well-built infrastructure and appropriate institutions must be accelerated to provide stable electricity power supply and protect the environment condition. At the same time, the constraints by the rules of origin, for instance Japanese market, must be analyzed and taken actions if necessary.

Demand of potential investors i.e. what they want and what they do not want as well as information on worldwide market must be collected by CDC and disseminated to public and the related stakeholders with various ways such as brochures and web-site.

Further Study

More detail analysis on the potentiality of Cambodian garment industry in terms of adding value to Cambodian economy would be conducted through further study with comparing the priority to other industries.

4. Footwear Industry

4.1 Overview of Footwear Industry

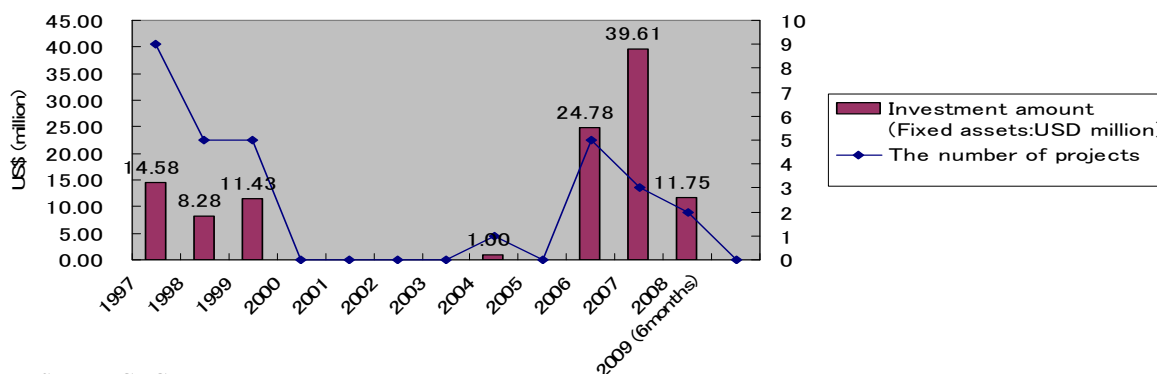
Footwear industry is a main exporting industry as well as garment industry in Cambodia. However, the production scale is of much smaller than that of garment industry. In 2008, the share of export value on footwear industry is merely 2.7 % of the total export value.

Generally, footwear industry is also a typical labor-intensive industry supported by abundant low wage workers for processing and assembly so that worldwide footwear factories tend easily to move their production bases from a country to other countries. However, since footwear industry requires a large number of components and more sophisticated production process compared to the garment industry, the economic impact of the FDI might be larger than that of garment industry in terms of investment amount, involvement of supporting industries, job creation, and strengthening technical skills.

In the case of Cambodia, the growth of the footwear industry has been led by foreign enterprises which invested in Cambodia for enjoying the incentives offered by the RGC and the benefits of GSP/MFN privileges provided by advanced countries such as Japan and EU. Thus, most of products are exported to Japan, EU and other countries. In 2005, the total production amount was 12 million pairs (Japan 50%, EU50%).

FDI trend

Figure 6-4-1 shows the approval investment project by the CDC. Up to June 2009, 30 projects have been obtained QIP status. Taiwanese investors are main players on FDI in Cambodia. The sudden increase in FDI since 2006 might be because of shifts from China or Vietnam due to the application of anti-dumping to these countries by EU.



Source: CDC

Figure 6-4-1 Footwear: CDC-approved Investment in Cambodia (2001-2009)

Export trend

Table 6-4-1 shows footwear export in Cambodia between 2001 and 2008.⁶ Even though the export value in 2005 recorded negative growth, mainly due to the withdrawal of foreign enterprises caused by industrial disputes between labor and management, footwear export value has increased stably in whole. Main export destinations are Japan and EU. The application of the anti-dumping duties to China and Vietnam by EU in September 2006 induced the sudden increase of export value in 2006 because of the increase in the FDI to Cambodia. As of 2008, the negative effect caused by the world economic crisis has not seen seriously, while the growth ratio was decreased. This might be because the Cambodian footwear products have not exported to the USA, originally-affected country by the crisis, since the USA excluded footwear from the list of the GSP privilege.

Table 6-4-1 Footwear Exports in Cambodia (2001-2008)

	2001	2002	2003	2004	2005	2006	2007	2008
Export Amount (USD million)	28.63	32.57	33.87	39.67	37.72	61.37	80.12	84.11
Percentage of Change (%)	18.1	13.8	4.0	17.1	-4.9	62.7	30.6	5.0

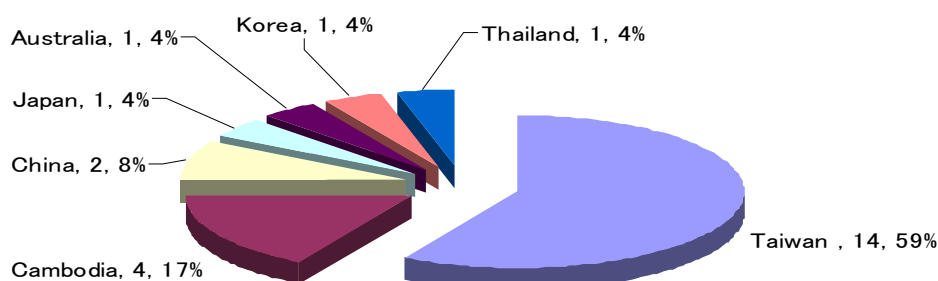
Source: Ministry of Economy and Finance.

Position in the economy of Cambodia

According to the data of MOC, 35 enterprises have registered the GSP privilege since 1997. As of May 2009, 24 enterprises are operating their factories. Main investors are Taiwan (14), China (2) and others. There are 4 Cambodian enterprises. However, those companies also might be shared by foreign capitals. The footwear industry contributes to the job creation more than 32,000, which account for

⁶ There are inconsistencies the data between Cambodian statistics and international statistics such as the data of International Trade Centre. The data of statistics in Cambodia is used in this report.

around 8% of the total workforce in large establishments of Cambodia. The average number is about 1360 persons in each factory.



Source: MOC

Figure 6-4-2 Composition of Enterprises Registered GSP

Market Trend

Table 6-4-2 shows the imports value of major destinations for the exports of Cambodian footwear products. All countries have expanded their imports markets in the range from 30% to 40% between 2003 and 2007. Even though the share of the Cambodian products in each country has been very small, the exports values have increased steadily from 2003 to 2007 according to the up-ward trend of international markets. In particular, the imports value of UK has reached US\$ 42.5 million in 2007, which accounts for more than ten times compared to that of 2003. The exports to Japan also have grown gradually on both the value and the share.

Table 6-4-2 Import Statistics by Country (HS64:Footwear,Gaiters and the Like;Parts of Such Articles)

		US\$ million				
		2003	2004	2005	2006	2007
France	Total value of imports	4103.09	4509.43	4788.61	5067.92	5754.03
	Imports value from Cambodia	4.69	2.98	2.38	3.81	7.47
	Percentage of the share	0.11%	0.07%	0.05%	0.08%	0.13%
Germany	Total value of imports	4908.86	5230.42	5701.7	6147.96	6869.79
	Imports value from Cambodia	49.52	54.92	38.44	60.39	77.58
	Percentage of the share	1.01%	1.05%	0.67%	0.98%	1.13%
UK	Total value of imports	3933.46	4516.57	4783.87	5020.15	5363.69
	Imports value from Cambodia	4.87	6.49	4.67	14.64	42.5
	Percentage of the share	0.12%	0.14%	0.10%	0.29%	0.79%
Japan	Total value of imports	3067.65	3261.26	3597.22	3816.63	4089.93
	Imports value from Cambodia	78.97	88.71	96.36	104.39	121.15
	Percentage of the share	2.57%	2.72%	2.68%	2.74%	2.96%

Source: Global Trade Atlas

4.2 Current Situation after Financial Crisis

The effect of the world economic crisis to Cambodian footwear industry is smaller than that of the garment industry up to March 2009. According to the MOC, total export value for the first quarter of 2009 increased by US\$ 6.07 million compared to with the same period of 2008. However, export values to EU and Japan, the main target markets for Cambodia, decreased by around 4% and 5% respectively.

Table 6-4-3 Footwear Exports in Cambodia (2001-2008)

Destination	2009		2008		Variation	
	Qty (PRS)	Amount (USD million)	Qty (PRS)	Amount (USD million)	Amount (USD million)	Percentage
USA	131,573	1.73	33,849	0.35	1.38	391.14%
EU	3,834,775	14.01	3,934,391	14.60	(17.60)	-4.09%
CANADA	14,770	0.15	7,272	0.03	0.12	397.23%
JAPAN	1,257,551	5.12	1,454,583	5.39	(0.28)	-5.12%
Other markets	468,110	6.51	178,296	1.06	5.45	513.90%
Total	5,706,779	27.51	5,608,391	21.44	6.07	28.33%

Source: MOC

Given the current economic conditions in the world, i.e. the economic growth rate of EU was minus 2.4% in the first quarter, 2009 compared to the same period of last year, and the total values of monthly import of Japan from Asia has decreased continuously at double-digits from November 2008 to May 2009, the forecast of the footwear export trend would be much severe at least in 2009. A comment from a factory owner in the footwear industry shows the evidence i.e. their production amount has declined by 30-40% from last year and this downward trend would continue.

4.3 Potential, Advantages and Disadvantages

The Cambodian footwear industry, mainly developed by foreign enterprises, has contributed to the economic growth by obtaining foreign currency and creating people's jobs, while in fact its market share of in the world production is still small. In general, the production of footwear requires a large number of components and parts i.e. upper part, inner sole and sole consisting of chemical fibers, natural/synthetic leather, rubber and plastic (PU etc.), and sophisticated production procedures such as tanning, cutting, stitching, dyeing, pasting, stamping, punching and extrusion molding. Therefore, the total investment amount tends to be higher than the garment industry because of the necessity of many types of machinery and advanced worker's skills to establish and operate a new footwear factory. In some cases, the sub-contracting factories also set up their factories to assist the main factories.

In Cambodia, most of the existing footwear factories produce their product based on the subcontract with their worldwide clients and the necessary raw materials and machineries are imported due to the absence of domestic supporting industries in the country at this moment. Most of them established their production bases in Cambodia to enjoy the benefits of the GSP/MFN privilege, temporary provided by several advanced countries.

Even though Cambodia has an advantage on abundant supply of low wage workers, this advantage has not been maximized to contribute to the cost competitiveness due to the several problems, i.e. long delivery times due to cumbersome import/export procedures, corruption and extensive bureaucracy,

poor and expensive transportation facilities and electricity supply, and a restrictive labor law.⁷ A factory owner commented that the production costs of footwear in Vietnam and China are cheaper than that of Cambodia. For instance, the production cost of a kind of shoes is only US\$ 0.12-0.15 per pair in China, while the cost is around US\$ 0.40 per pair in Cambodia. The owner also alerted that the growth ratios of export in both China, currently facing the problems such as anti-dumping duties by EU, are much higher than that of Cambodia.

These aforementioned features on the Cambodian footwear industries, given the current severe market condition explained in the previous section, clearly imply us a potential risk facing Cambodia i.e. sudden withdrawals of the existing factories from Cambodia due to the change in international market and political situation. Thus, how to reduce this potential risk is a primary objective for further growth of Cambodian footwear industry.

Based on the review of various reports written by donors and the interviews to footwear private sector in Cambodia, advantages and disadvantages of Cambodian footwear industry are summarized as the following table.

Table 6-4-4 Summary Table of Footwear Industry

Advantages	Disadvantages
Trade negotiation & marketing	
<ul style="list-style-type: none"> • Preferential trade access with the EU (GSP) and Japan (GSP/ Duty Free: 4,200Yen per pair) attracts FDI. • There are incentives on FDI. 	<ul style="list-style-type: none"> • There is no activity as an association on footwear industry in Cambodia to negotiate with the RGC. • Most of the factories operate as subcontractors to export the footwear products to advanced countries. • Footwear exports are concentrated in a few markets. • Rules of Origin constrain the benefit of Preferential Trade Access.
Products	
	<ul style="list-style-type: none"> • It is difficult to meet demands with large-variety, small-lot orders from Japan.
Production	
<ul style="list-style-type: none"> • Footwear factories enjoy benefit of import duty free on their raw materials and machineries. • There exist abundant low wages workers. • There exists high labor standards based on compliance with the ILO standards • The NSSF (National Social Security Fund) provides social security to employees. • Cambodian workers are tenacious and faithful in general. 	<ul style="list-style-type: none"> • Since most of raw materials and machineries depend on imports. Therefore, there is no cost competitiveness on these inputs. • Recruiting workers has become harder according to income increase in rural area. • Wages are not so competitive with Vietnam. • Failure to regulate unions causes the increase unpredictable costs. • Some unions do not comply with the laws and regulations. • Foreign supervisors and managers, mainly from China, with few Cambodian supervisors and managers, which result in the increase in the production costs. • Increase in oil prices, inflation, and costs of raw materials

⁷ Diagnostic Trade Integration Study 2007, MOC/UNDP

Advantages	Disadvantages
	<ul style="list-style-type: none"> causes the increase in production costs. • It is difficult to find skilled workers. • Advanced technical and management skills to up-grade products are still weak. • Lack of education hinders to train the workers. • Production level is rather low due to the utilization of basic machines. • Investment in new machines is difficult because of less opportunity to access to financing. • Electricity costs are still high due to the dependency on generators caused by poor and expensive electricity power supply.
Trade facilitation	
<ul style="list-style-type: none"> • Lead times are low in Cambodia because of short shipping distances from other ASEAN countries • Introduction of ASYCUDA contributed to the efficient services for custom clearance. • Application procedure including processing period has improved gradually. 	<ul style="list-style-type: none"> • Custom clearance fees are very high compared to that of Vietnam. • The fixed EMF takes a high percentage on production costs under the market condition with violent fluctuation. • Transportation facilities costs are high. • Corruption, bureaucracy, and border delays are the major obstacles for the industry. • Actual period of issuance documents such as CO still takes longer than the stipulated time. • Cumbersome import/export procedure causes the long lead time. • Un-official fees still are charged.
Business Linkages	
<ul style="list-style-type: none"> • Some of the existing factories bring their subcontractors to Cambodia. 	<ul style="list-style-type: none"> • Linkages between the footwear industry and domestic economy such as Cambodian SMEs and supporting industries have not been developed well.
Value chain	
<ul style="list-style-type: none"> • There is a case that an existing factory produces their soles from the rubber made in Cambodia. 	<ul style="list-style-type: none"> • There are almost no industries/ producers on raw materials supply, processing components and other supporting goods.

Source: Compiled by JICA Study Team based on interviews and review of various reports

4.4 Countermeasures taken by the RGC/Donors/Private Sector

Since Cambodian footwear industry does not have any function as an association at present, the existing footwear factories have few opportunities to discuss with the RGC as a whole industry, which resulted in the less opportunity to get assistance from the government and donors in the specific field compared to the garment industry. However, as for the trade facilitation which is one of the most important issues for the industry, the RGC and the private sector, mainly represented by the GMAC, have discussed periodically on the improvement of these issues.

Countermeasures taken by the RGC with donor's support

As the Trade Facilitation (TF) initiatives, the RGC have implemented various kinds programs to improve trade facilitation in Cambodia.

Application of IT to border management

Under the Trade Facilitation and Competitiveness Project (TFCP) of the World Bank, an automated customs processing system so called “ASYCUDA: Automated System for Customs Data” has been introduced to the General Department of Customs and Excise (GDCE). The necessary technologies have been transferred by UNCTAD experts and a pilot project has been conducted in Sihanoukville which enabled the custom clearance procedures to simplify. In addition, an Electronic Single Window (SW) which is a shared electronic trade network (CamTradeNet) has been developed in order to integrate and automate trade regulatory and facilitation functions of all key agencies. The SW enabled the RGC to provide Single Administration Document (SAD) that all traders just fill in an integrated electronic form when they apply the custom clearance and other permits.

Post Clearance Audit Program including Risk Management

AUSAID assisted with development of the draft strategy and drafting of the sub-decree on Risk Management. JICA has provided technical assistances including sending experts to transfer necessary knowledge for the operation of Post Clearance Audit (PCA) and Risk Management. Since both the PCA and the Risk Management will contribute to the simplification of custom clearance procedures so that the GDCE is planning to integrate the Risk Management System and ASYCUDA system for further improvement of custom clearance services.

Trade SWAp (Trade Sector Wide Approach)

The Trade SWAp is developed to support the implementation of key recommendations of the Diagnostic Trade Integration Study (DTIS) 2007 that aims to develop and diversify exports, and maximize trade contribution to economic growth and poverty reduction. Based on the Trade SWAp, various activities of the RGC as well as donors can be coordinated and integrated under the single trade strategy i.e. DTIS 2007. The Trade SWAp consists of three pillars, i.e. i) legal reform and cross-cutting issues including the improvement of trade facilitation, ii) product and service sector development including value chain analysis of prioritized sectors and products and iii) capacity development of trade in Cambodia.

In this context, Trade Development Support Program (TDSP) administrated by the World Bank has been started since March 2009 under the financial supports by the European Commission, the Danish International Aid Agency (Danida) and the United Nation Industrial Development Organization (UNIDO). The program consists of four components i.e. i) trade policy formulation and implementation, ii) performance monitoring, iii) strengthening institutional and human capacity and iv) MOC implementation capacity. For the purpose of management of the TDSP as well as the coordination of Trade SWAp, the Department of International Cooperation been established in MOC in September 2007.

4.5 Policy and Countermeasures for Improvement

Challenges

Cambodia succeeded to develop the footwear industry through the FDI promotion by utilizing the GSP/ MFN privilege as the initial step for the economic growth. However, given the current condition as well as the features of the industry, further actions must be undertaken by the both government and private sector to build more solid foundation as a core industry of Cambodia.

Increasing the share of domestic value-added by promoting SEZs and clusters

Increasing the share of domestic value-added by investing in processing parts and raw materials must be a major priority for the future of footwear industry. In order to encourage both existing and future investors to set more production functions in Cambodia, promoting SEZs which provide sufficient electricity power supply and reduce indirect costs such as transportation and documentations would be effective.

Cluster developments around the SEZs also can foster to build business linkages between foreign investors and domestic producers. However, countermeasures on SMEs promotion including financial support schemes must be implemented by the RGC in order to strengthen the business linkage.

As for the raw materials, the possibility of local production must be studied by the RGC in order to increase in the domestic value-added. According to an interview to a factory, one of their subcontractors of rubber sole is using Cambodian rubber as one of their raw materials.

Strengthening of cost competitiveness

The efforts undertaken by the RGC for the improvement of trade facilitation such as simplification of documentation procedure and rationalization of custom clearance through the implementation of ASYCUDA must be accelerated. “Efficiency” and “Transparency” are keywords for Cambodia to survive and take an initiative in global market, which result in the increase FDI to Cambodia.

Reconstruction of footwear association and up grading worker’s skills

Since footwear industry requires more advanced skills than that of garment industry, appropriate trainings for each processing procedure must be provided to workers. In addition, the establishment of an independent footwear industry owned by Cambodian must be encouraged. In order to implement these activities, the function of Cambodian footwear association which is dormant at this moment must be reconstructed as a representative of footwear industry to discuss with the RGC and donors.

Diversifying export market and grading up target products

The effect of the worldwide economic crisis clearly indicates the risk on the concentration of target markets. The supports by the RGC to diversify the market of footwear industry, not only EU and Japan but also ASEAN US and other countries, must be undertaken. On the other hand, the production of

higher grade footwear products, from low grade to middle grade in the case of Cambodia, can be considered in order to maximize the benefit of the GSP/ MFN advantages.

Expected roles of CDC as an investment promotion agency

As an investment promotion agency in Cambodia, CDC/CIB contributes to the advancement of footwear industry by providing various kinds of the services. Development of database on existing footwear factories and its dissemination including the introduction of success stories to potential investors would attract them to invest in Cambodia. Demands of potential investors collected through investment seminars must be shared among line ministries and private sector.

The promotion of the Special Economic Zones (SEZs) with well-built infrastructure and appropriate institutions, in which international footwear factories enable their value chain to be enhanced, might be key factors for the further development of the Cambodian footwear industry. .

Further Study

Since the total production scale of the footwear industry is still small in Cambodia, the path of further growth of the industry would be more complicated compared to the garment industry. More detailed analysis on the potentiality and the comparison with other industries would be conducted through further study.

5. Agricultural, Fishery and Food Stuff Industries

5.1 Overview of Agricultural, Fishery, and Food Stuff Industries

Agriculture of Cambodia has been developed gradually as a backbone industry of Cambodian economy based on abundant natural resources, including agricultural land, forestry and fishery as well as 80% of the population living in rural areas which resulted in the contribution to 34.4% of the GDP in 2008. As described in the section 1, since the productivity of agriculture has not been maximized yet, further development of agriculture and agro-industry including exports promotion can be a powerful engine to accelerate further economic growth as well as poverty reduction of Cambodia.

(1) Cultivated Areas and Production Amounts

1) Agricultural Production

From 1995 to 2007, Cambodian agriculture has achieved significant results in terms of both the area of cultivation and production volume, in particular, rice, maize, cassava, and vegetables. The rice production in 2007 doubled from that in 1995 with increasing cultivated area by around 24% in the same period. Cassava production has risen sharply by 6.7 times from 2003 to 2007.

**Table 6-5-1 Area Cultivated and Production for Short-term Crops
in 1995, 1999, 2003 and 2004**

	1995		1999		2003		2007	
	Area Cultivated (ha)	Production (toousand tons)	Area Cultivated (ha)	Production (toousand tons)	Area Cultivated (ha)	Production (toousand tons)	Area Cultivated (ha)	Production (toousand tons)
Rice	2,086.0	3,447.8	2,157.6	4,041.0	2,314.3	4,711.0	2,585.9	6,727.1
Maize	51.6	54.9	59.9	95.3	93.4	314.6	142.4	522.7
Cassava	14.2	82.0	14.0	228.5	25.7	330.6	108.1	2,215.4
Sweet potato	10.3	39.1	9.3	32.5	8.7	34.9	7.9	38.3
Vegetables	41.7	193.0	31.5	181.9	36.1	139.6	42.4	226.4
Mung bean	25.6	19.6	26.8	15.9	44.9	31.8	65.3	54.5
Peanuts	9.9	6.8	10.6	9.2	14.6	18.5	21.5	30.5
Soybeans	16.5	17.2	35.1	35.1	53.2	63.2	77.0	117.9
Black and white sesame	8.7	3.8	16.5	8.4	34.0	22.0	47.8	31.9
Sugar cane	8.5	202.5	8.4	159.9	9.6	173.1	10.5	286.8
Tobacco	13.6	11.1	8.3	6.4	6.4	7.6	7.3	13.6
Jute	0.9	1.0	0.3	0.3	0.5	0.6	0.5	0.3

Source: NIS Staistical Yearbook 2008

2) Livestock Production

Livestock production in Cambodia has undergone stably between 2000 and 2007. Poultry has hovered around 16,000,000 heads level. Cattle have increased by more than 20% from 2000 to 2007, while both water buffalo and pig increased by around 10% during the same period.

Table 6-5-2 Livestock Production from 2000 to 2007

(thousand heads)

	2000	2001	2002	2003	2004	2005	2006	2007
Poultry	15,250	15,248	16,678	16,014	12,991	15,086	15,135	15,825
Water Buffalo	694	626	626	660	710	677	724	773
Pig	1,934	2,115	2,105	2,304	2,429	2,689	2,741	2,389
Cattle	2,993	2,869	2,924	2,985	3,040	3,193	3,345	3,368

Source: NIS Staistical Yearbook 2008

3) Fishery Production

Fishery production can be divided into three categories, i.e. inland fish, marine fish and aquaculture fish. The production of inland fish has accounted for 80% of the total fishery production between 2000 and 2008, while the both production volumes of marine fish and aquaculture fish have increased by 1.8 times and 2.7 times respectively.

Table 6-5-3 Fishery Production from 2000 to 2008 (Metric tons)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Inland fish	85,600	135,000	360,300	308,750	250,000	324,000	422,000	395,000	365,000
Marine fish	36,000	42,000	45,850	54,542	49,830	33,900	60,500	63,500	66,000
Aquaculture fish	14,431	17,500	18,194	26,300	20,835	15,995	34,180	35,260	40,000

Source: NIS Staistical Yearbook 2008

4) Food Stuff

The following table shows the contribution to the GDP by economic activity. Food, beverages & tobacco which is a sub-industry of manufacturing has increased shortly between 2002 and 2007, which accounts for 9.4% of total manufacturing. However, the contributing ratio of the industries to the total

GDP is merely 1.9% in 2007.

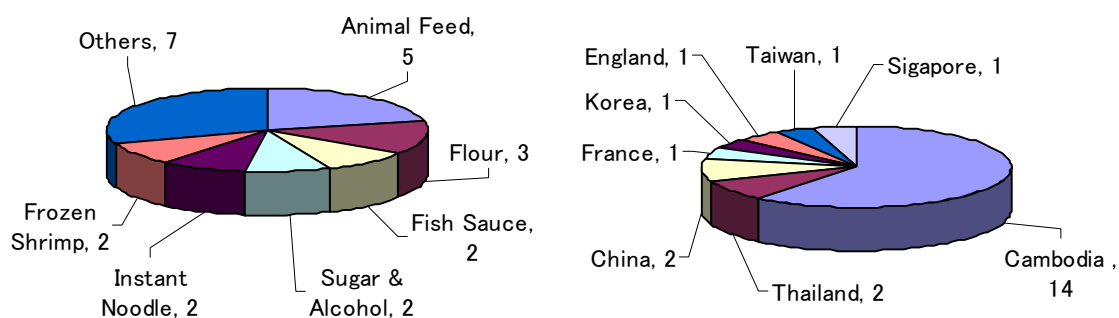
Table 6-5-4 Fishery Production from 2000 to 2008 (Value in billion riel)

	2002	2003	2004	2005p/	2006	2007p/
Manufacturing	2,971,730	3,337,371	3,926,749	4,308,563	5,059,756	5,508,671
Food, Beverages & Tobacco	448,944	469,838	445,229	485,427	501,552	517,272

Source: NIS Statistical Yearbook 2008

5) Food Processing

According to the Ministry of Industry, Mines and Energy, 23 factories are registered in MIME as of May 2009. As shown in the following figures, animal feed and flour hold relatively the majorities among products, and foreign enterprises accounts for around 40% of the total number of enterprises. The average number of workers is around 230, with the range between 20 and 1546. It is merely two factories which employs more than 500 workers. This indicates that the food processing industry in Cambodia is under the initial stage. In fact, there exist 42 large establishments with more than 50 employment and/ or actual investment of more than US\$ 1million, while there are 26,379 small and medium establishments in 2007.⁸



Source: Ministry of Industry, Mines and Energy

Figure 6-5-1 Distribution of Sub-sector of Food Processing Industry and Nationality of the Enterprises

(2) Exports & Imports Trend

The following tables show the statistics of exports and imports related to food stuff between 2003 and 2008. In this table, it is indicated that the growth rates in exports of fishing products and rice increased by 2.9 and 4.2 times respectively, while the imports of beer, alcohol and soft drink increased by 4.1 times. Regarding cigarette with lower exports value achieved growth rate of exports by 7.7 times.

⁸ NIS Statistical Yearbook 2008

Table 6-5-5 Exports Related to Food Stuff Between 2003 and 2008

(million US\$)

	2003	2004	2005	2006	2007	2008
Fishing Product	12.54	38.26	36.67	41.53	41.01	35.79
Rice	0.61	1.82	3.59	2.46	1.51	2.59
Cigarette	1.06	7.18	14.78	6.6	8.33	8.17

Source: Ministry of Economy and Finance.

Table 6-5-6 Imports Related to Food Stuff Between 2003 and 2008

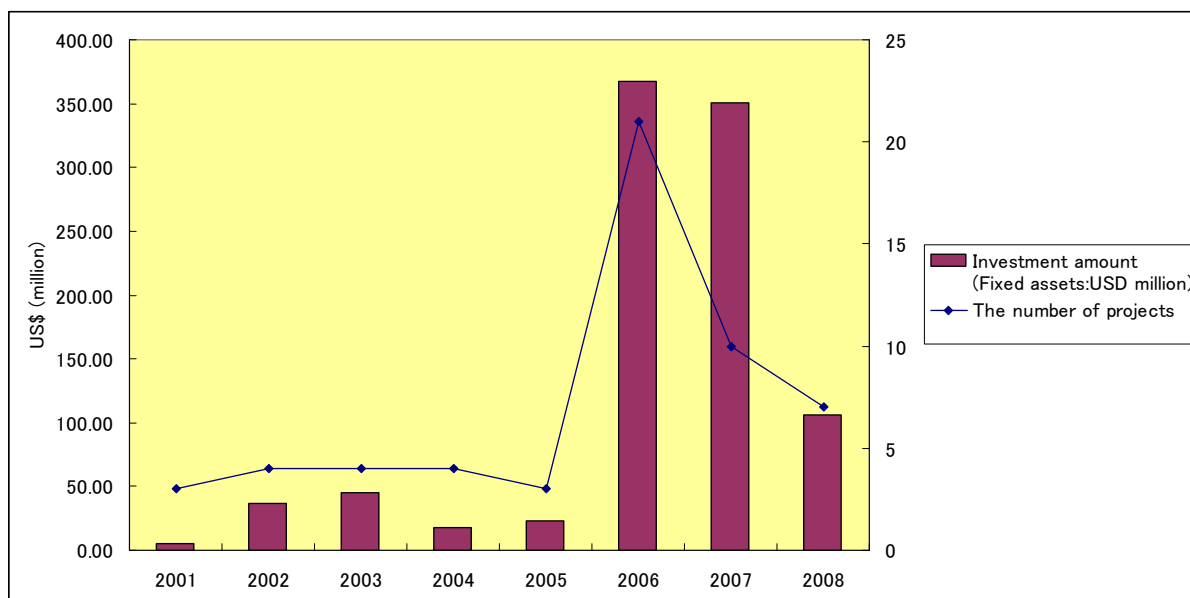
(million US\$)

	Unit	2003	2004	2005	2006	2007	2008
Cigarettes	000 ctn	1,435	1,218	1,167	1,494	1,542	1,794
	Million Riel	274,932	299,893	326,437	393,060	439,005	537,171
Beer, Alcohol and soft drinks	000 ctn	936	953	1,992	1,467	3,967	4,455
	Million Riel	23,075	25,968	48,033	42,602	81,509	93,715
Food and ingredients	000 tons	105	111	125	150	166	148
	Million Riel	176,369	202,310	255,525	281,541	248,201	271,519

Source: Ministry of Economy and Finance.

(3) FDI Trend

The following figure shows the approved QIP by the CDC between 2001 and 2008 on agro-industry including food processing. Both number of project and investment amount had been subsequently remained at low levels except for 2006 and 2007. Sudden increase in investment in 2006 and 2007 might be because of the enforcement of sub-degree on economic land concession in December, 2005. Main foreign investors come from China, USA, Thailand and Vietnam in order to produce mainly cassava, cashew nut, and sugar cane in the Economic Land Concession (ELC).



Source: CDC

Figure 6-5-2 FDI on Agro-industry including Food Processing (2001-2008)

(4) Trend of International Price

The following table shows the international market prices for main commodities. As a whole, the market prices have been fluctuated under the influence of the global food prices. Therefore, continuous monitoring on international commodity prices is required to export food crops in

Cambodia. Furthermore, food processing industries which enable food crops to add higher values should be promoted in order to reduce negative impacts from the price change of international market prices.

Table 6-5-7 Main Commodity Prices in the International Markets

(US\$)

Main Commodity Prices in the International Markets (US\$)

Goods	Market	Dec 00	Dec 02	Dec 04	Dec 06	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08
Rice** (tons)	Bangkok	157.0	183.0	261.8	280.3	700.0	657.5	651.0	487.5	440.3	422.0
Corn* (tons)	Chicago	83.5	95.6	80.4	88.3	265.3	235.0	233.8	183.1	163.8	158.3
Soybeans (tons)	Chicago	175.5	210.4	265.0	297.0	634.0	556.0	509.0	394.0	379.0	360.0
Sugar (tons)	London	245.5	212.0	246.7	255.1	313.7	322.1	298.3	262.3	267.0	259.0

Source: Ministry of Economy and Finance

*: Second Quality, **: 25% Broken

(5) Related Organizations and ELC

According to the report of Cambodia Agriculture and Agribusiness Support Programme (CAASP), there exist over 13,000 Farmer Organizations which were established to improve farmer's access to business markets and financial schemes. However, in fact, 70% of them have less than 30 members and only 1% of them are involved in group marketing activities. The report also explains that business associations related to agriculture such as rice miller and pig raiser as well as Chambers of Commerce have been established in about 12 provinces. Since their main activities are to find foreign investors and donor assistance for training to the members, the activities for building business linkage between farmers and traders have not been conducted yet.

As for fisheries, there exist 468 Community Fisheries (CFs) in Cambodia with 126,360 families. 433 of them are for inland fishing and other 35 CFs are located in coastal areas.

As of November 2008, the number of total validated contracts on ELC is 65 enterprises with total land area of 895,176 ha. The following table shows the list of ELC related to agro-industry. The total number of enterprises is 37 and several enterprises have own processing factory which might be for primary processing in the land site. There exist foreign investments from Korea, China and Taiwan, with many concentrated in Kampong Speu Province. However, investment from Thailand and Vietnam relatively concentrates in the border provinces of each country.

Table 6-5-8 List of ELC Related to Agro-industry

	Nationality of Director	Land site	Land area (ha)	Purpose of Investment
1	Cambodian	Battambang	8,000	Sugar Cane and Tapioca
2	Cambodian	Kampong Cham	2,400	Cashew-apple plantation and Animal husbandry
3	Cambodian	Kampong Cham	1,070	Tapioca (Cassava) Plantation
4	Cambodian	Kampong Cham	1,200	Sugar Cane and Tapioca (Cassava)
5	Korean	Kampong Speu	5,000	Tapioca (Cassava or manioc)
6	Korean	Kampong Speu	3,000	Tapioca (Cassava or manioc)
7	Chinese	Kampong Speu	23,000	Agro-industrial crops plantation and processing factory
8	Chinese	Kampong Speu	28,500	Corn, bean, soya bean, rice, cassava and peanut
9	Chinese	Kampong Speu	8,000	Agro-industrial crops
10	Taiwanese	Kampong Speu	4,900	Agro-industrial crops and processing factory
11	Chinese	Kampong Speu	4,100	Agro-industry crops and Animal husbandry
12	Cambodian	Kampong Speu	12,506	Cashew-apple, Agro-industry crops and Animal husbandry
13	Chinese	Kampong Speu	3,200	Agro-industry crops and Animal husbandry
14	Cambodian	Kampong Thom	9,863	Agro-industry crops and Animal husbandry
15	Cambodian	Kampong Thom	9,784	Agro-industry
16	Cambodian	Kampot	16,000	Oil palms
17	Cambodian	Kampot	10,000	Agro-industrial plantation and Animal husbandry
18	Cambodian	Kampot	9,800	Corn plantation and processing factory
19	Vietnam	Kratie	7,560	Cassava, rubber, cashew and processing factory
20	Chinese	Koh Kong	60,200	Oil palms, fruit trees and acaia
21	Cambodian	Koh Kong	9,400	Sugar cane
22	Thai	Koh Kong	9,700	Sugar cane
23	Vietnam	Monduliri	7,600	Cassava, rubber, cashew and processing factory
24	Cambodian	Pursat	3,000	Cashew-apple and oil palms
25	Vietnam	Rattanakiri	9,380	Agro-industrial crops, animal husbandry and processing factory
26	Cambodian	Rattanakiri	20,000	Oil palms, coffee and additional crops
27	Cambodian	Rattanakiri	8,654	Agro-industry and other tree plantation
28	Cambodian	Siem Reap	5,042	Rubber and agro-industry plantation
29	Cambodian	Siem Reap	4,535	Rubber and agro-industry plantation
30	Cambodian	Sihanoukville	11,000	Oil palms
31	Cambodian	Sihanoukville	1,800	Cassava plantation and processing factory
32	Cambodian	Stung Treng	7,400	Agricultural and agro-industrial crops
33	Chinese	Stung Treng	5,000	Agro-industrial crops, animal husbandry and processing factory
34	Chinese	Stung Treng	9,854	Agro-industrial crops
35	Cambodian	Stung Treng	9,850	Agro-industry and animal husbandry
36	Thai	Uddor Meanchery	8,000	Cassava and agro-industry plantation
37	Thai	Uddor Meanchery	8,000	Cassava and agro-industry plantation

Source: MAFF (Website)

5.2 Current Situation after Financial Crisis

Between January and April in 2009, the monthly average values of exports on fish products and rice are US\$3.5million per month and US\$0.47million per month respectively, which is higher value than that of 2008. CDC has approved 12 investment projects related to agro-industry, of which total investment amount is US\$322.69 million in the first half of 2009. New demands for Cambodian agricultural products have also occurred i.e. the demand from the countries of the Middle East as well as the countries of Africa. According to Cambodia Economic Watch, investors of Qatar and Kuwait recently visited Cambodia to explore opportunities for securing long-term food supplies for their countries. A company is planning to invest about US\$12-15 million to acquire more than 6,000 hectares of land near Phnom Penh to grow Cassava, rice and vegetable.

5.3 Potential, Advantages and Disadvantages

The production often depends on natural conditions such as rainfall, sunshine hours, soil and water conditions, and diseases and insect damage, and the international trade for food crops highly depends

on international market price.

Even though Cambodia has comparative advantages on abundant natural resources on agriculture, livestock and fisheries which can be a new engine for further economic growth as well as poverty reduction, the utilization of those natural resources as economic activities has not been maximized yet.

Rice

The rice is one of the highest potential products in agriculture. The production volume has increased rapidly and research and extension of high-value added varieties has been developed. In 2008, the rice surplus which can be exported is estimated around 2 million tons (3million tons in paddy rice). However, Cambodia's rice industry has been suffered from a lack of processing capacity, mainly due to lack of advanced rice mill facilities as well as funds for collecting paddy rice that has led many farmers to export unprocessed paddy illegally to Thailand and Vietnam. The rice exports to the neighboring countries have been undervalued due to the informal trade. In addition, since the unprocessed rice includes husk which can be a raw material of animal feed, Cambodia loses business opportunities to export processed rice (high added value) and to produce animal feed in Cambodia.

Cassava

Cassava also is a potential product in Cambodia as raw materials of bio fuel as well as tapioca. Similar to rice, cassava is also being smuggled into the neighboring countries. An owner of cassava factory commented that the price of cassava products exported from Vietnam is cheaper than that from Cambodia, while both cassavas are made in Cambodia. This might be because the informal traders from Vietnam have not been charged tax in Cambodia. Since international market price of cassava tends to fluctuate easily, the business risk is higher than other crops. In addition, since the production of cassava damages the land soil condition, double crops a year should be avoided in general. Nevertheless, farmers easily change their production depending on the market price without advanced skills and knowledge on soil fertilization.

Fisheries

Inland fish which accounts for around 80% of the total fisheries production is a primary source of protein for Cambodian people living at the level of poverty line. Therefore, only surplus fisheries production must be exported, for instance aqua-cultural fish. As for marine products, informal trade on the sea is generally conducted. The lack of fishing gear regulation fosters fish poaching.

Based on the review of various reports written by many donors and the interviews to private sector in Cambodia, advantages and disadvantages of Cambodian agriculture, fishery and food stuff industry are summarized in the following table.

Table 6-5-9 Advantages and Disadvantages of Agriculture, Fishery and Food Stuff Industry

Advantages	Disadvantages
Trade & marketing	
<ul style="list-style-type: none"> • WTO negotiations can lead to less protection in agricultural trade in some countries. • China located close to Cambodia can be a big potential market as a destination of agricultural surplus exports. • Demands of Middle East and Africa have increased. 	<ul style="list-style-type: none"> • Producers do not know how to access international market trend and prices. • Many kinds of agricultural products as well as processed food are highly depending on imports. • Informal trade with neighboring countries without

Advantages	Disadvantages
<ul style="list-style-type: none"> Fair-trade and/or organic rice have a possibility to expand market. 	<ul style="list-style-type: none"> monitoring causes the imports of diseased livestock as well as unfair price cutting. There is limited investment capacity or interest in investing in agriculture and food processing.
Production	
<ul style="list-style-type: none"> Rich in agricultural resources thanks to fertile land along the River Mekong. There exist abundant low wages workers who are tenacious and faithful in general. Water resources and their supply are available. The unit costs of crops are low because of very low wage workers and spending little on inputs from off the farm, such as manufactured fertilizer, crop protection chemicals, high quality seed and machinery. <p><u>Rice</u></p> <ul style="list-style-type: none"> There exist huge amount of surplus production of paddy rice. Some high-value varieties are produced. <p><u>Cassava</u></p> <ul style="list-style-type: none"> The utilization as bio-energy fuel can be high value added. <p><u>Fisheries</u></p> <ul style="list-style-type: none"> Large amount of fish in River Mekong, the Tonle Sap River, Tonle Sap and the Gulf of Thailand. 	<ul style="list-style-type: none"> It is difficult to recruit workers because they do not like to work in the farm and choose to work in the factories in urban area. Ineffective management of fertilizing and extermination of pests cause less productivity. Water resources are highly variable by season and location, and agricultural water management technology is poorly developed. Irrigation infrastructure and technological level in farming and processing have room to further improve. The storage and grain silo are not enough. Crop production per hectare is low due to the limited use of off-farm inputs. <p><u>Rice</u></p> <ul style="list-style-type: none"> Lack of milling facilities, which foster to export paddy rice with husks losses chances to add value of paddy rice and to utilize husks effectively e.g. usage as fertilizer. There exists capital shortage for harvest paddy rice produced in Cambodia is shortage. <p><u>Cassava</u></p> <ul style="list-style-type: none"> Since production of cassava damages the soil condition, it is difficult to raise two crops a year. <p><u>Livestock</u></p> <ul style="list-style-type: none"> Quality of livestock food, medicine for livestock, and veterinarian's services has room to improve. <p><u>Fisheries</u></p> <ul style="list-style-type: none"> Informal trade, environmental change of the Tonle Sap, and overfishing might have negative impact on stable supply.
Trade facilitation including transportation/infrastructure	
<ul style="list-style-type: none"> Agriculture and agro-industry enjoy benefit of VAT exemption for imports on the machineries and their spare parts. 	<ul style="list-style-type: none"> VAT is still charged on machinery and spare parts imported. Unofficial charges on transportation are forced to the producers/raisers. Electricity power supply and transport costs are still high. Market access is limited due to poor infrastructure of roads, which prevents to complete cold chain system.
Land title/ Economic Land Concession	
<ul style="list-style-type: none"> ELC attract FDI on big plantations including construction of processing factories. 	<ul style="list-style-type: none"> Duplication of land titles due to the arbitrary provision of ELC by officers has been occurred. Some investors cannot be developed their ELCs due to the demonstration by living people in the land.
Access to Finance	
<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Most of loans are short term i.e. less than a year and the interest ratio is too high i.e. more than 10% per annum.
Supply Chain	
<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Statistics and information of enterprises related to agro-industry are limited in particular at provincial level. Most of producers as well as communities are small scale suppliers so that food processing industry struggles to secure stable supply of raw materials.

Source: Compiled by JICA Study Team based on interviews and review of various reports

5.4 Countermeasures taken by the RGC/Donors/Private Sector

In order to overcome the aforementioned disadvantages of the agriculture and agro-industry in Cambodia, the RGC and various donors has taken actions under the cooperation with private sector.

(1) Countermeasures taken by the RGC

1) Agriculture Strategic Development Plan 2006-2010

The Agricultural Strategic Development Plan shows the long-term vision on agricultural development in Cambodia. The vision includes “to ensure enough and safe food availability for all people”, “to reduce poverty” and “increase GDP per capita and sustainable natural resource management and conservation”. The Plan also defines sub-sector development programs i.e. i) food security, productivity and diversification, ii) improvement and strengthening of agricultural research extension, iii) market access for agricultural product, iv) improving institutional capacity and legislative framework, v) fisheries reform and vi) forestry reform.

2) Strategy for Agriculture and Water (SAW)

The SAW is a common strategy of both agriculture and water. Based on the long-term vision of Agriculture Strategic Development Plan 2006-2010, three goals of the SAW are set i.e. i) poverty reduction, ii) food security and economic growth through enhancing agricultural productivity and diversification and iii) improvement of water resource development and management, and five implementing programs have been planned and partially finalized up to present as follows.

- 1) Institutional capacity building and management support program for agriculture and water
- 2) Food security support program
- 3) Agriculture and agri-business (value chain) support program
- 4) Water resources, irrigation management and land program
- 5) Agricultural and water resource research, education and extension program

As countermeasures for 2009-2010, MAFF set out 33 directions and measures which include some measures related to agriculture and agro-industry mentioned in the following table.

Table 6-5-10 Directions and Measures for 2009-2010 planned by the MAFF**<Agriculture>**

- 1) To further promote **agricultural productivity and diversification** to ensure food security and economic development by:
 - promoting the implementation of integrated agricultural system, through increased soil fertility, plant protection and better seed selection to raise the production yield;
 - promoting the appropriate agricultural mechanization and modern harvesting technology;
 - enhancing the agricultural supporting services, including R&D, technical extension, agricultural development cooperatives support, agricultural marketing service and rural crediting etc;
 - promoting rural financial system preparation to provide rural credit to the farmers for doing their farming;
 - increasing agricultural product quality and developing agro-industry and agro-food processing to raise added value, and generate farmers' income;
- 2) To improve **irrigation schemes and water management** at agricultural research stations, and to further develop high yielded and quality agricultural crop varieties;
- 3) To improve **extension staff capacity**, as well as **agricultural extension system** and farmers field schools at the district and other local levels, especially to strengthen the development and educational extension of agricultural extension materials, technical guidelines, technical extension methodology and aphis etc;
- 4) To **strengthen agricultural cooperatives and farmer groups capacity** in management skills, planning and business, and to develop regulations and strategic frameworks to help protect the agricultural cooperatives and farmer groups' benefits;

<Livestock>

- 1) To further **promote animal husbandry** by focusing on animal seed and feed improvement, dissemination of modern technology in animal raising and biogas to the farmers;
- 2) To promote **public health affairs** by focusing on the management of abattoirs, the control of animal and animal products sanitary at abattoirs and markets to reduce or eliminate infectious disease spreads and ensure food safety for our people;

<Fisheries>

- 1) To promote **human resource development** by providing trainings on fisheries for fishermen, communities fisheries and aquaculture farmers; and to continue cooperation with national and international organizations to develop aquaculture and fishery resource management;
- 2) To increase **releasing local fish species** to natural water bodies at all districts to raise fish stocks to meet the farmers' demand; and to take benefit from water resource by expanding aquaculture development areas, especially paddy field fish cultivation;
- 3) To promote **good cooperation with local authorities**, concerned institutions and organizations to support the development and management of communities fishery and fish pond communities; and to conserve fresh water dolphins in Kratie and Stoeung Treng provinces, by study and research, extension and development of the local people's livelihoods;
- 4) To realize Samdech Prime Minister's recommendation "where there is water there are fish". To enhance fishery produce **quality and safety control system**. And to enhance the control and suppression of illegal fishery activities;

<Information>

- 1) To accelerate 2009 agricultural production in all provinces and towns; to improve capacity in **agricultural statistics** to facilitate data entry, analysis and compilation of annual agricultural statistics;
- 2) To continue providing agricultural **marketing information service** at 11 provinces and towns, with improved analyzed and processed information, and to expand the service to all the 24 provinces and towns, and to disseminate the information through internet, TVs, leaflets and booklets;

<Investment>

- 1) To further promote and guide the **private sector investment in the agriculture**, specifically in economic land concession investment and other small scale investments;
- 2) To continue collaboration with concerned institutions to **settle conflicts for private investment companies** in the agriculture, and to address conflicts between local people and valid economic land concession companies;

<Collaboration>

- 1) To continue appealing and mobilizing **financial assistance** to accelerate the development of the agricultural sector;
- 2) To more **dispatch staff to provincial agricultural departments**, especially to work at district agricultural offices to push for expanded effective development at the local level;
- 3) To continue cooperation with national, international organizations and the development partners to **strengthen partnership and ownership** in managing and developing the agricultural sector.

3) Cambodian Agricultural Research and Development Institute (CARDI)

The CARDI is established in August 1999 by the Royal Government of Cambodia as a semi-autonomous institute to deliver agricultural science and technology services impacting on

farmer's better livelihood and commercial agriculture sector. The CARDI has evolved under the strong cooperation of Cambodia-IRRI-Australia Project (CIAP) funded by AusAID for 12 years. The CARDI conducted various researches on plant breeding, plant protection, and agronomy & farming systems and provide trainings on advanced agricultural skills and management to farmers, communities as well as private sector under the partnership with donor agencies.

(2) Countermeasures Supported by Donors

According to the MAFF, 45 aid assistance projects have been conducted up to 2008 under cooperation with various donors such as FAO, ADB, EU and Japan.

1) Agricultural Sector Development Project (ASDP) by ADB

The ASDP funded by the ADB aims to establish mechanisms to increase participation of farmers in the rural economy through improved productivity and diversification into more marketable, high-value commodities and through greater integration into marketing, processing and other related service activities. The project has four components i.e. i) support services to farmer groups, ii) support services for agro-based enterprises, iii) institutional strengthening for agricultural commercialization and iv) project management. Up to 2008, 1,274 field activities have been conducted with 25,890 farmer's participation.

2) Japanese Aid assistance

Up to 2008, 9 aid assistance projects have been implemented as cooperation projects between Japanese government and the MAFF. Currently, three JICA Technical Cooperation Projects have been conducting i.e. i) Battambang Rural Area Nurture and Development (BRAND) Project, ii) Technical Service Center for Irrigation System Project Phase 2, and iii) Freshwater Aquaculture Improvement and Extension Project. In the BRAND project, Battambang Aromatic Rice, a kind of high value-added rice, has been produced through the project activities and promoted to Cambodia and neighboring countries.

3) Various activities by other donors

Various aid assistance projects have been conducted by various donors. Major on-going and planned project are summarized in the following table.

Table 6-5-11 Major On-going and Planned Projects Related to Agriculture and Agro-industry

Name of projects	Description
The Cambodia Agriculture Value Chain Program (CAVAC) Donor: AusAID Project period: 5years (2009-2013) Budget: A\$42million	The goal: Accelerating growth in the value of agricultural production and smallholder income in the provinces through improving the productivity of rice based farming systems. Target provinces: Kampong Thom, Kampot and Takeo, Main components: agribusiness development, water management and research and extension.
TRADE SWAp. Donor: UNDP Project period: 3years (renewable)	Objective: to develop and diversify exports and maximize the contribution of trade to economic growth of Cambodia through trade policy implementation by the RGC. Three priorities related agriculture and agro-industry are i) to export agricultural products and promote import substitution of vegetables; ii) to establish SPS facilities; and iii) to provide access to finance for commercial purposes, including the export of agricultural commodities.
Development of SMEs in the Agro-Industry Sector in Cambodia Donor: EC Project period: 5years (2007-2012) Budget: €11.3 million	Objective: to develop SMEs in the agro-industry sector, especially in processing, and support SME policy development through value chain approach. The activity includes to provide training to banks designed to improve links with agribusiness and identify new investors.
Micro, Small and Medium Enterprises Project (MSME) Donor: USAID Project period: 4years (2005-2008) Budget: Phase 1 US\$5.2million Phase 2 US\$20million	Objective: to improve/strengthen business skills, weak links to markets, financial access, regulatory constraints to business, and marketing support services through value chain approach. Target area of Phase I: Kratie, Kampong Cham, Svay Rieng and Prey Veng provinces Target area of Phase 2: Other provinces
Cambodian Agricultural Market Information Project (CAMIP) Donor: CIDA Project period: 5years (2006-2010) Budget: US\$4.2million	Objective: to support for collecting and disseminating price information in order to integrate market information into agricultural extension services. Target area: Kampot, Takeo, Kampong Cham, Kandal, Prey Veng, Battambang, Banteay Meanchey, and Siem Reap provinces (The target area will be expanded.)
ECOSORN Donor: EC Budget: US\$25million	Target area: 40 out of the 96 communes in Siem Reap, Battambang, and Banteay Meanchey provinces Main components are small-scale irrigation; landmine clearance; linking farmers to markets, especially through the improvement of tertiary roads; developing integrated farm models using a farming system approach
Cambodia Agriculture Development Facility (CADF) Donor: NZAID Project period: 5years (2006-2011) Budget: US\$1.5million	Objective: to promote agribusiness development in Siem Reap and Banteay Meanchey provinces, providing business advice to carefully selected agribusiness clients. The project provides additional technical assistance, not only to the client, but also to other market participants in the client's supply chain.
Protected Geographical Indications Donor: AFD Budget: US\$1.2million	Objective: to promote geographical indication as a means of adding value and provides commercial opportunities for accessing the international market, in particular Europe. Target area and products: Kampot focusing on pepper, silk and palm sugar in Kampong Speu
Smallholder Livestock Production Project Donor: EC Project period: 5years (2004-2009)	Project activities include i) to build institutional capacity for the Department of Animal Production and Health ii) improve rural animal health services through training, certification, and

(3) Countermeasures Implemented by Private Sector

1) The Government-Private Sector Forum (G-PSF)

The issues which private sector is suffering are discussed in an agriculture and agro-industry working group in the G-SPF. The current topics are “pig smuggling prevention”, “tax on transport and export”, “livestock health”, “land issues”, “financial access” and provincial dialogue”.

2) Business Associations

Many business associations such as Federation of Cambodian Rice Millers Association (CRMA) and Cambodian Organic Agriculture Association have implemented for the development of agriculture and agro-industry. For instance, the CRMA obtained a loan which amounts US\$ 15 million from Rural Development Bank for upgrading equipments and increasing rice purchase in order to improve rice-milling capacity in Cambodia.

5.5 Policy and Countermeasures for Improvement

Agriculture, fisheries and food stuff industries have been grown dramatically in recent years and have big potential to attract FDI. However, several critical challenges such as weakness of supply chains, low productivity and poor infrastructure must be overcome by the efforts of stakeholders in Cambodia. For further development and attracting FDI in this sector, improvement of infrastructure, particularly for distribution and processing/storage is critically important.

Statistics and information of farmers and private sector on agro-industry must be prepared at provincial level. Otherwise, business linkage between producers and processing factories would not be established. Currently, NIS is preparing statistical data on manufacturers as a whole under the cooperation of JICA. As for agro-industry, the MAFF is planning to conduct a survey for collecting the enterprises information at provincial levels.

The study on economic policy support proposed export development scenarios i.e. expansion of agricultural product exports as short-term scenario, and import substitution of agricultural processing products/diversification of export items. Particularly, the expansion of production of fruits and vegetables which are value-added would not only encourage exports but also promote import substitution.

A Co-Chair of the Agriculture and Agro-Industry working group in the G-PSF pointed out that most farmers are not informed about the demand for agricultural products in the world or domestic market.⁹ Since the MOC selected 19 priority products under the national export strategy, such kind of information must be disseminated to farmers.

The Co-Chair also suggested that the MAFF would encourage contract farming between buying

⁹ Investment in Cambodia 2009 edition

companies and farmers. Cambodian small producers and farmers always face the risk of price fluctuation, for instance there is no guaranteed price for their products, so that they cannot supply sufficient product to market at an appropriate price which resulted in unstable supply. Contract firming can be a strong measure to reduce these risks of both buyers and farmers. Currently, the MAFF is preparing the draft of contract firming law.

As for rice and cassava production, monitoring activities to informal trade in cross borders must be strengthened. Otherwise, not only the Cambodian products might be sold at the lower price compared to the international price, but also Cambodia would lose the trust from the existing foreign investors in Cambodia. Financial support schemes to rice millers such as a two step loan might be effective to increase rice-milling capacity in Cambodia.

In order to reduce fish poaching, a regulation of fishing gear must be formulated by the MAFF. The preparation of accurate statistics at provincial level is also very important to understand real conditions on fishery industry of Cambodia. For the development plan of fisher industry a systematic planning procedure based on the total allowable catch (TAC) by must be established.

As for food processing industry, the promotion of Special Economic Zones (SEZs) with well-built infrastructure and appropriate institutions must be accelerated to provide stable electricity power supply and protect the environment condition. At the same time, the access of transportation must be improved based on the priority.

(1) Expected Roles of CDC as an Investment Promotion Agency

As an investment promotion agency in Cambodia, CDC/CIB contributes to the advancement of agriculture, fishery and food stuff industry by providing various kinds of the services. Development of database on existing farmers/producers and enterprise's information and its dissemination including the introduction of success stories to potential investors would attract them to invest in Cambodia. Demands of potential investors collected through investment seminars must be shared among line ministries and private sector.

The promotion of the Special Economic Zones (SEZs) with well-built infrastructure and appropriate institutions, in which international food processing factories enable their value chain including cold chain to be enhanced, might be key factors for the further development of the Cambodian food processing factories.

(2) Further Study

Since agriculture, fisheries and food stuff industries cover a wide range, more detailed analysis including from the aspect of value chain will be conducted. Recently, the activities on investment promotion between Cambodia and Japan have been facilitated based on the agreement between the both countries for liberalization, promotion and protection of investment in June 2008, in particular

agriculture, fishery and food stuff industry. Two Japanese enterprises have commenced experimental cultivation on Japanese short- grain variety of rice i.e. japonica and vegetables such as taro and sweet potato. Further study will be conducted with paying close attention to the progress of this new trend.

6. Machinery and Electric/Electronics Industries

6.1 Overview of Machinery and Electric/Electronics Industries

In Cambodia, the machinery and electric/electronics industries are still at an early stage of development. In this section, the machinery and electric/electronics industries are treated altogether because these two industries come under the category of “fabricated metal products” in Cambodia’s industrial classification. According to the Ministry of Industry, Mines and Energy (MIME),¹⁰ there were 565 in 2007 and 570 factories in 2008 owned by large-sized firms. Out of these, fabricated metal products factories account only for 1.1% in 2007 and 3.7% in 2008. The number of machinery and electric/electronics firms is very small. These firms are engaged in processing of steel sheet, assembly of motorcycles/bicycles, manufacture of transformer and overhead electrical aluminum conductors, etc.

(1) Related Overall Policies

In Cambodia, there are no specific policies and strategies for developing the machinery and electric/electronics industries. The Rectangular Strategy and the National Strategic Development Plan (NSDP) 2006-2010 aim at developing labor-intensive and export processing industries, in which the machinery and electric/electronics industries are included.¹¹ SME Development Framework (SMEDF),¹² a comprehensive strategy for SME development, is also related to the two industries because they are mostly SMEs. The purpose of SMEDF is to improve business enabling environment, for example, by reforming business registration and licensing.

(2) FDI Trend

Eleven projects have been approved in the machinery and electric/electronics industries by CDC, which amounts to US\$ 78.1 million (fixed assets), between 2001 and 2008.

With regard to the investment by sector, in 2001 and 2002, there were 3 investments in steel processing, assembly of motorcycle and agricultural equipment, while no investments in 2003 and 2004. There were 3 investments in 2005 in the assembly of motorcycle and bicycle, the manufacture of power cable, etc. There were 3 investments in the manufacture of cans and transformer and the

¹⁰ The data was provided by the Department of Industrial Affairs (DIA) of MIME.

¹¹ Manufacture of capital-intensive parts/components is excluded such as integrated circuit.

¹² In order to support its implementation, RGC established SME sub-committee and its secretariat office. The sub-committee is headed by the Minister of Industry, Mines and Energy. The secretariat office is represented by Small Industry and Handicraft Department of MIME.

assembly of automobile (ambulance) between 2006 and 2008.

As for the nationality of investors, investments have been made by Cambodians, Japanese, Chinese, South Koreans, Belgians and Americans. A South Korean-owned manufacturer was established in December 2005 and its main products are power cable, overhead electrical aluminum conductors, etc.¹³ Regarding Japanese-affiliated firms, as of July 2009, there are several manufacturers in Cambodia: Suzuki Motor Corporation, a manufacturer of motorcycle. Honda's Thai subsidiary invested in Cambodia and has assembled motorcycles in this country.

Table 6-6-1 Machinery and Electric/Electronics: CDC-approved Investments (2001-2008)

	2001	2002	2003	2004	2005	2006	2007	2008	Total
Number of Projects	2	1	0	0	5	1	1	1	11
Investment Amount (Fixed assets: US\$ million)	2.5	0.8	0.0	0.0	30.8	33.3	2.3	8.4	78.1

Source: CDC-CIB

(3) Position in the National Economy

1) Production Volume

The share of the machinery and electric/electronics industries in the manufacturing sector is very small. As mentioned above, the machinery and electric/electronics industries are classified into the category of "fabricated metal products." As Table 6-6-2 indicates, fabricated metal products accounted only for less than 1.0% out of total industrial production between 2001 and 2004.

Table 6-6-2 Volume of Production of Fabricated Metal Products by Size (2001-2007)

	2001		2002		2003		2004		2005		2006		2007	
	(US\$ million)													
(1) Large Enterprises	1.5	0.1%	1.4	0.1%	10.7	0.6%	2.4	0.1%	n.a.	-	n.a.	-	n.a.	-
(2) SMEs	10.7	0.8%	5.7	0.3%	7.3	0.4%	7.5	0.3%	9.4	n.a.	9.3	0.3%	22.2	0.5%
(1) + (2)	12.2	0.9%	7.1	0.4%	18.0	0.9%	9.9	0.4%	n.a.	-	n.a.	-	n.a.	-
Total volume of industrial production	1,402.2	100.0%	1,693.4	100.0%	1,902.6	100.0%	2,378.6	100.0%	n.a.	-	3,666.5	-	4,098.2	-

Source: MIME

2) Export and Import

It is difficult to analyze the export trend of fabricated metal products because the amounts are negligibly small. On the other hand, import trend is analyzed by using the import amount of machinery and transport equipment. Table 6-6-3 shows that the import amount of machinery and transport equipment increased between 2001 and 2007 at the average annual growth rate of approximately 8%. The machinery and transport equipment accounted for more than 25% of the total import throughout this period. In 2007, the amount became more than doubled from of 2001.

¹³ According to *The Cambodian Daily* issued on 27 February 2009, Prime Minister Hun Sen approved the construction plan of the country's first automotive assembly plant of Hyundai, a South Korean vehicle-maker. The South Korean manufacturer is planning to begin to assemble automobiles in the middle of 2010.

Trade deficits increased to US\$ 1,335.1 million in 2007. The amounts of import of machinery and transport equipment were quite close to those of trade deficits during the above period.

Table 6-6-3 Export and Import of Machinery and Transport Equipment (2001-2007)

(US\$ million)

	2001		2002		2003		2004		2005		2006		2007	
Total export	1,571.2	100.0%	1,769.8	100.0%	2,086.8	100.0%	2,588.9	100.0%	2,910.3	100.0%	3,693.2	100.0%	4,088.5	100.0%
Machinery and transport equipment	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total import	2,094.0	100.0%	2,360.5	100.0%	2,668.1	100.0%	3,269.5	100.0%	3,927.8	100.0%	4,749.2	100.0%	5,423.6	100.0%
Machinery and transport equipment	546.0	26.1%	643.6	27.3%	743.5	27.9%	968.2	29.6%	1,077.9	27.4%	1,280.4	27.0%	1,381.9	25.5%
Trade balance	-522.8	-	-590.7	-	-581.3	-	-680.6	-	-1,017.5	-	-1,056.0	-	-1,335.1	-

Source: National Bank of Cambodia (NBC)

3) Domestic Manufacturers

(i) Large-Sized Manufacturers

According to the number of employees, manufacturers are categorized into small, medium and large firms.¹⁴ As Table 6-6-4 shows,¹⁵ there were 565 and 570 factories in 2007 and 2008, respectively, which were owned by large-sized firms in Cambodia. There were 6 (1.1%) and 21 (3.7%) manufacturers of fabricated metal products in 2007 and 2008, respectively, in which the machinery and electric/electronics industries are included.

Table 6-6-4 Number of Factories Owned by Large-Sized Firms (2008)

Classification	2007		2008	
	No of Factories	Share	No of Factories	Share
Fabricated Metal Products	6	1.1%	21	3.7%
Total Number of Factories of Industrial Sector	565	100.0%	570	100.0%

Source: MIME

(ii) Small- and Medium-Sized Manufacturers

According to MIME,¹⁶ as Table 6-6-5 indicates, the registered factories of manufacturing SMEs have increased in number since 2002. In 2008, there are 31,659 factories, and approximately 10% of all these factories manufacture fabricated metal products. As Table 6-6-5 shows, the number of labor forces of manufacturing SMEs has increased since 2004.

In 2008, 96,883 workers were employed in manufacturing SME sector, around 10% of which were engaged in fabricated metal products. The average number of labor forces employed by fabricated

¹⁴ According to SMEDF, the criteria of classification are number of employees and assets. Large firms have more than 100 employees. Firms with less than 100 employees are classified into small and medium firms.

¹⁵ Information was provided by the Department of Industrial Affairs (DIA) of MIME. DIA is in charge of large-sized manufacturers and issues license of manufacturing operation.

¹⁶ Department of Small Industry and Handicraft of MIME is in charge of micro, small and medium firms, and issues operating license for them.

metal product manufacturers was 3.2 in 2008.

Table 6-6-5 Number of Registered Factories and Labor Forces of Manufacturing SMEs

	2002	2003	2004	2005	2006	2007	2008	
Number of factories manuf.of fabricated metal prod.,machinary&equipment	1,899	1,850	2,160	2,334	2,380	2,918	3,039	9.6%
Total number of factories of the industrial sector	26,940	25,985	26,564	29,297	31,149	32,619	31,659	100.0%
Number of labor forces manuf.of fabricated metal prod.,machinary&equipment	5,627	5,121	6,727	7,941	8,243	9,407	9,821	10.1%
Total number of labor Force of industrial sector	76,368	71,358	79,780	79,447	87,072	94,835	96,883	100.0%

Source: MIME

6.2 Current Situation after Financial Crisis

The recent report of the Economic Institute of Cambodia (EIC) projects the growth of the Cambodian economy will slow down to 2% in 2009, while the growth rates of 2007 and 2008 were 10.2% and 5.2%, respectively.¹⁷ It is reported that,¹⁸ because of the global economic crisis, there seems to be a sharp decrease in industrial outputs of machinery and electric/electronics in 2009 in comparison to those in 2008. According to the Working Group on Manufacturing and SMEs, there has also been a decrease in production of agricultural equipment.¹⁹

In 2008, approximately 200,000 motorcycles were sold in Cambodia, while less than 100,000 in 2009.²⁰ It is also reported that the motorcycle assemblers are expecting a further decrease in domestic sales for the coming years, although one of the Japanese motorcycle assemblers is planning to construct an assembly plant and another prepares to expand its production capacity after the upturn of the international and domestic markets of motorcycle.

6.3 Potentials, Advantage and Disadvantages

As mentioned earlier, the machinery and electric/electronics industries take up only a small portion of the industrial sector in terms of production and the number of employees. In the future, however, these industries are expected to play a major role in creating more job opportunities.

(1) SWOT Analysis

1) Strength

Cambodia has a geopolitical advantage because it is located between Thailand and Vietnam along the Southern Economic Corridor. There is a possibility that the manufacture of some labor-intensive

¹⁷ Information source is *The Cambodian Daily* issued on 26 May 2009.

¹⁸ The interview with officials of MIME was conducted in June and July 2008.

¹⁹ Based on agenda for Manufacturing SME Working Group held on 20 March 2009.

²⁰ This figure of 2009 is a projection of one of the Japanese motorcycle assemblers. Currently, no official statistics about industrial products, such as motorcycles, is available in Cambodia.

products and parts/components can be shifted from Thailand and Vietnam to neighboring countries because of their rising costs of labor and other factors.

2) Weakness

The industrial base of Cambodia is quite narrow. Although there are several foreign motorcycle assemblers, the supporting industries do not virtually exist. There are no assemblers of other final products in the machinery and electric/electronics industries.

As the supporting industries do not virtually exist in Cambodia, horizontal and vertical linkages between firms are weak. According to JICA (2007),²¹ almost all raw materials and parts/components are imported, such as screws and steel sheet. For instance, Suzuki Motor Corporation imports all parts for assembly of motorcycles, which are manufactured by its group company in Thailand. Eastern Steel Industries also imports almost all materials, including galvanized steel sheets, zinc ingots, steel coils, etc.

Physical infrastructure, such as road network, is in poor condition and energy prices (electricity in particular) are higher in Cambodia than those in neighboring countries. There has been a delay in the construction of industrial parks although there are several special economic zones.

Technological capability is low in the machinery and electric/electrical industries. This is because of a lack of skilled workers, trained engineers, technicians, repairmen, and personnel of testing and maintenance, as well as of poor access to appropriate technology and finance for renewal and repair/maintenance of productive equipment.

3) Opportunity

In ASEAN, there has been an increase in regional trade, and the division of labor has been advanced in the production network of automobile and electric/electronics products. In particular, Thailand serves as the center of automobile production in the region. The accumulation of automotive production has gradually been in progress in Vietnam, too. Development of international logistics network, such as the Southern Economic Corridor, has been in progress. There is a possibility that the manufacture of labor-intensive parts/components (such as wire harness) of automobile and electric/electronics products is relocated to Cambodia.

With the rapid growth of the Cambodian economy, there are increasing demands for industrial and agricultural equipment and the related parts/components. There are also growing demands for the repair and maintenance of the above-mentioned products and parts/components, as well as for repairmen and personnel of testing and maintenance.

²¹ Chapter 9 of the final report of “the Study on Economic Policy Support in the Kingdom of Cambodia.”

4) Threat

With the tariff reduction under AFTA scheme, more and more foreign products, parts/components and raw materials are expected to be imported, because those produced by domestic manufacturers are less cost-competitive.

5) Results

Results of the SWOT analysis are as presented in Table 6-6-6.

It is recommended to attract FDI in the manufacture of (labor-intensive) parts/components of motorcycle, automobile and electric/electronics products, as well as in industrial and agricultural equipment and their parts/components. In order to take Cambodia's geopolitical advantage, FDI should be attracted to SEZ near the Thai and Vietnamese borders or along the Southern Economic Corridor.

Table 6-6-6 SWOT Analysis

<i>Strength</i>	<i>Weakness</i>
Locational advantage (between Thailand and Vietnam along the Southern Economic Corridor)	Poor conditions of physical infrastructure (e.g. road network)
Development of international logistics network in the region (e.g. Southern Economic Corridor)	Delay in development of industrial parks
Possibility that private sector's voice is reflected in policy-making through public-private dialogue	Higher energy prices (especially electricity)
	Underdeveloped supporting industries
	Low productivity and product quality
	Lack of skilled workers, trained engineers, technicians, repairmen, and personnel of testing and maintenance
	Lack of managerial skills and knowledge
	Poor access to appropriate technology and finance (for productive investment)
	Complicated and cumbersome procedures for export and import
<i>Opportunity</i>	<i>Threat</i>
Increase in regional trade in ASEAN	Tariff reduction under AFTA scheme
Growth of the Thai automotive, motorcycle and electronics industries	Influx of imported products, raw materials, and parts/components
Increase in demand for industrial equipment (e.g. power switch board and power generator)	Influx of lower-cost contraband goods
Increase in demand for durable consumer goods and for oil-well drilling and extraction of other natural resources	
Progress of mechanization in agricultural production	

Source: JICA Study Team

6.4 Countermeasures Taken by the RGC/Donors/Private Sector

In order to make good use of the advantages and overcome the disadvantages indicated in the Table 6-6-7, the RGC, the private sector and donors have worked on the key issues as follows:

(1) RGC

Since its founding in early 2000, GPSF is a consultation mechanism to improve the business environment, build trust between the public and private sectors. Under the GPSF, there are eight Working Groups (WGs), such as Manufacturing and SME; Tourism; Agriculture and Agro-industry; Law, Tax and Governance; and Export Processing and Trade Facilitation. In the Working Group on Manufacturing and SME, various related issues, such as difference of price evaluation in terms of import of raw materials, are addressed between the public and private sectors.

(2) Donors

1) World Bank

(i) Trade Facilitation and Competitiveness Project

This project aims to support Cambodia's strategy to promote economic growth by reducing transaction costs associated with trade and investment, introducing transparency in investment processes, and facilitating firms' access to export markets. Main relevant components are as follows: (a) application of appropriate ICT to border management activities can significantly streamline operations, improve the level of transparency and accountability and facilitate the achievement of all border related government objectives; and (b) technical assistance to the matching grant facility that would cover 50% of the cost of achieving market standards.

2) ADB

(i) Project on Strengthening Technical and Vocational Education and Training

ADB is a leading partner in the technical and vocational education and training (TVET) sector in Cambodia. This project begins by the end of 2009 and aims to (i) determine skills requirements in areas recommended for coverage by project (ii) collect baseline data and identify monitoring and evaluation indicators, (iii) conduct needs assessment, and (iv) assess the need for employment support services. Main inputs are specialist in the areas of team leader/TVET policy and management, labor economist and enterprise linkage, TVET institutional capacity building, agribusiness development, and social equity.

3) IFC

(i) Mekong Private Sector Development Facility (MPDF)

MPDF promotes small and medium enterprise development at the macro, meso and micro levels of the economy, and achieves economies of scale by implementing programs. Through MPDF, publications

such as Provincial Business Environment Scorecard and Handbook on Export Procedures are disseminated among stakeholders.

6.5 Policy and Countermeasures for Improvement

On the basis of the SWOT analysis, policy and countermeasures for improvement are as follows.

(1) Supporting Industry Development

In order to develop supporting industries in Cambodia, there are 4 strategic measures. First of all, a comprehensive policy to nurture the supporting industry should be formulated. Secondly, there is a need to upgrade technology by attracting FDI and by facilitating technology transfer. Thirdly, it is important to improve management skills/knowledge. Fourthly, human resources development is also critical.

(2) Technological Education and Skill Training

From the viewpoint of those firms that consider investing in the machinery and electric/electronics industries, Cambodia's low-cost labor is one of the siting inducements. But, it is also important to supply well-trained engineers, technicians, repairmen, maintenance and testing personnel, etc. There is an intense need for the establishment and reinforcement of vocational schools and universities of science and technology.

The Ministry of Labor and Vocational Training (MLVT) is responsible for vocational training and is recommended to take an initiative in reviewing curriculum. Enhancing industrial competitiveness requires education and training covering both production and management technologies/knowledge. In order to meet actual technological demands, MLVT should cooperate closely with manufacturers as well as other line ministries such as MIME, MAFF and MOC. Manufacturers and line ministries can provide MLVT with information on the practical technological demands, so that the demands can be reflected in the curriculum of vocational schools.

(3) Strengthening of Linkages among Related Organizations

Currently, there are inter-industry associations in Cambodia, such as Phnom Penh Chamber of Commerce (PPCC) and other provincial chambers of Commerce. Their umbrella organization is Cambodia Chamber of Commerce (CCC). Phnom Penh Small and Medium Industry Association (PPSMIA), which was established with MIME's assistance, is also active.

In Cambodia, however, there has been no industry-specific association that represents the machinery and electric/electronics firms. It is difficult to exchange information and views within the industries. The association should be established that represent them and participate in the policy dialogues through GPSF.

(4) Identification of Potential Industries

In order to diversify its industrial base and to reduce over-reliance on garment products and primary commodities of agriculture, it is necessary to identify the potential areas of FDI. The following table indicates the examples of products and parts/components that can be manufactured in Cambodia.

Table 6-6-7 Potential Industries (products, parts/components and services)

Industrial Sector	Major Products, Parts/Components, and Services	
Industrial equipment	Power switchboard, electric motors and power generators, etc.	Testing, repair, maintenance and provision of spare parts
Automobile and motorcycle	Wire harness, rubber products (e.g. rubber part of motorcycle's handlebar), etc.	
Agricultural equipment	Agricultural hand tools, farm tractors, etc.	

Source: JICA Study Team

7. Natural Rubber Industry

7.1 Overview of the Natural Rubber Industry

(1) Related Overall Policies

In Cambodia, there is no specific policy and strategy for the rubber industry. “National Strategic Development Plan (NSDP) 2006-2010” aims at developing labor-intensive and export processing industries, and the natural rubber industry is considered to be one of these industries.

The General Directorate of Rubber Plantations (GDRP) of the Ministry of Agriculture, Forestry and Fisheries (MAFF) is in charge of the development of the Cambodian natural rubber industry. There are no specific policies on the industry, although GDRP has attempted to draft a strategy for it.

(2) FDI Trend

Total number of projects in the natural rubber industry is 15 and total amount of FDI is US\$ 192 million between 2001 and 2008 as shown in Table 6-7-1. Especially since 2006, there has been a sharp increase in the investments. Between 2006 and 2008, there have been 30 investments in the agricultural sector, 33.3% of the investments are those in the natural rubber.

The majority of the projects are investment in plantations and in processing factories, and the rest in the manufacturing of furniture made from rubber tree.

Regarding investments in 2008, three of the four projects were investments in both plantations and processing factories, while the remaining one is only in plantation. The nationalities of investors were

China (100%), Vietnam (100%), joint venture between Cambodia and Vietnam, and Cambodia (100%).

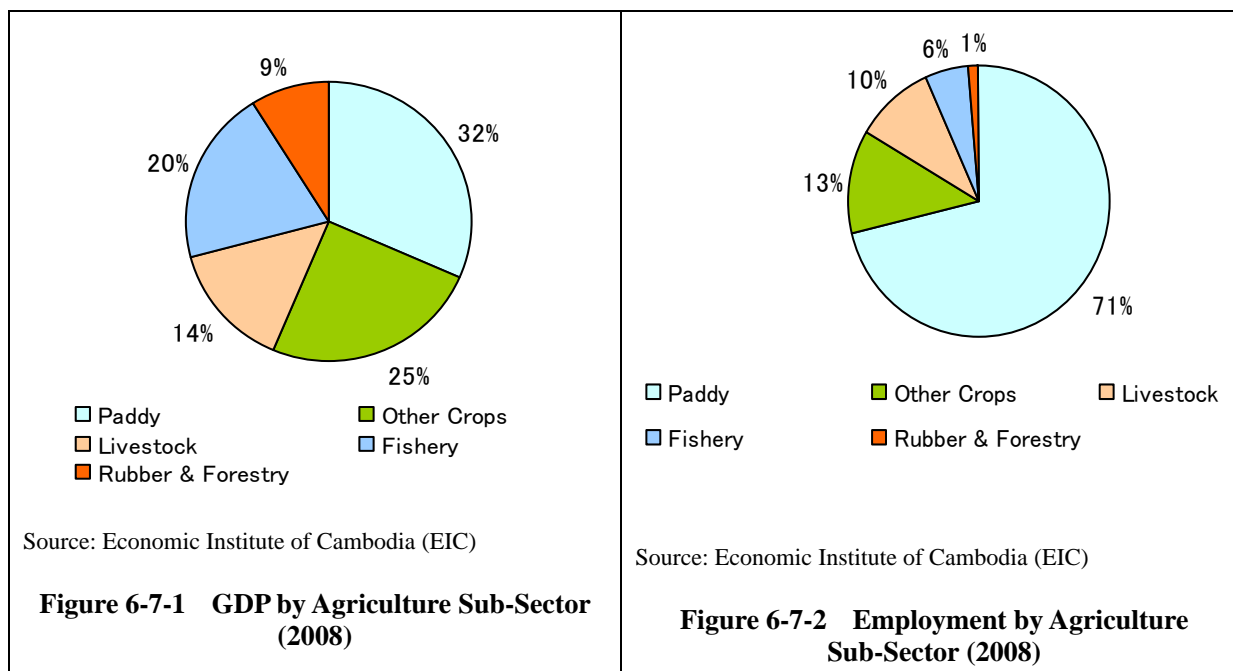
Table 6-7-1 Natural Rubber Industry: CDC-approved Investment (2001-2008)

	2001	2002	2003	2004	2005	2006	2007	2008	Total
The number of projects	0	0	2	2	1	3	3	4	15
Investment amount (Fixed assets:USD million)	0.0	0.0	4.7	4.0	1.1	32.2	102.7	48.2	192.9

Source: CDC-CIB

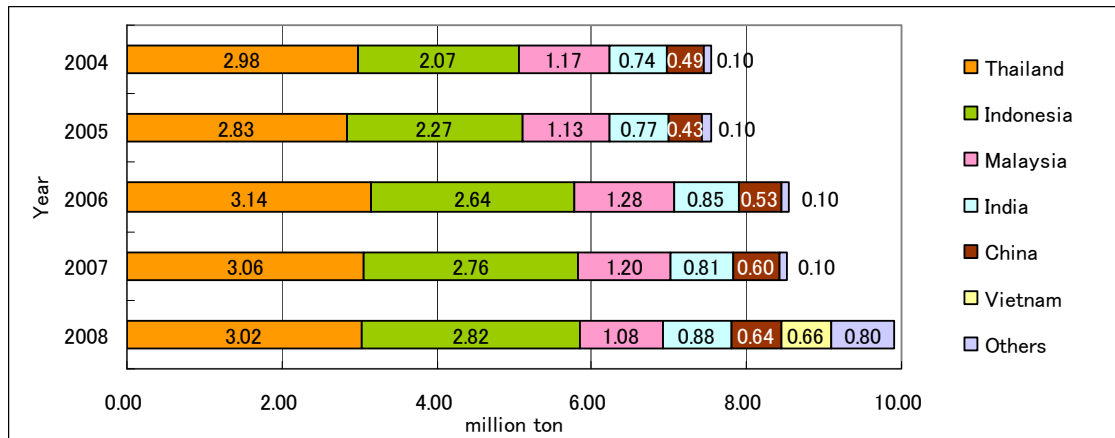
(3) Position in the National Economy

In Cambodia, the natural rubber industry plays an important role in supporting socio-economic development. In terms of GDP, as Figure 6-7-1 shows, rubber and forestry sub-sector accounts for 9.0% of agriculture sector in 2008. As Figure 6-7-2 shows, this sub-sector accounts for 1.0% of agriculture sector’s employment in 2008.



(4) International Market Trend

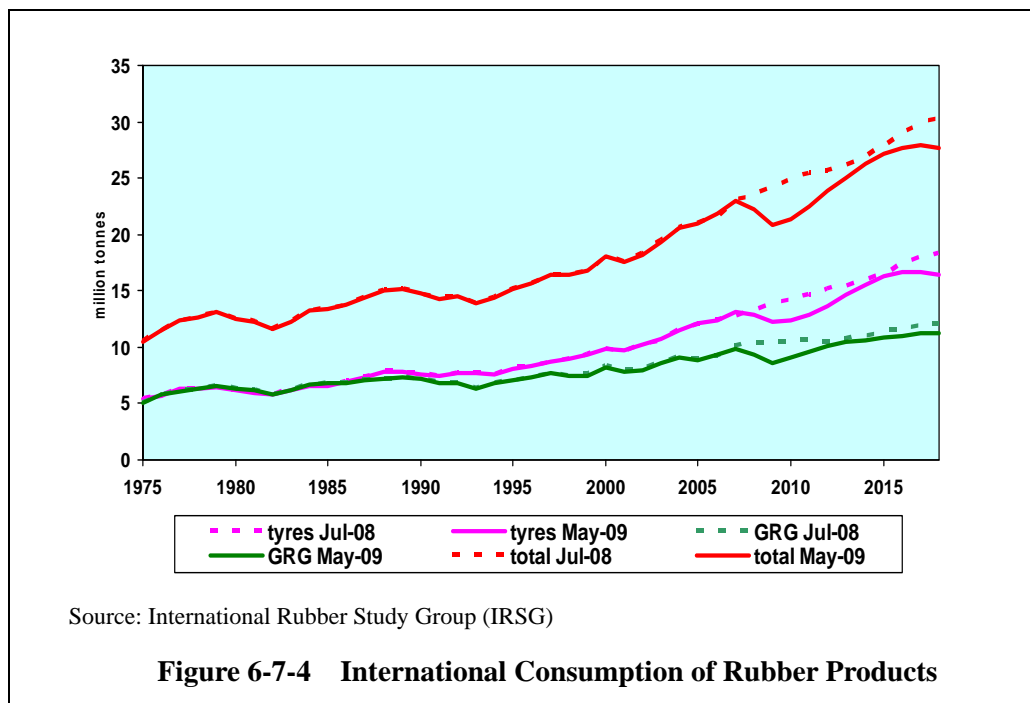
In 2008, the production of natural rubber and synthetic rubber in the world were approximately 9.94 and 12.79 million tons, respectively. For the past several years, as Figure 6-7-3 shows, there has been a steady increase in natural rubber production in the international market, and top three producers were Thailand, Indonesia and Malaysia in 2008. The production volume of these three accounted for approximately 70% of world’s total production in 2008.



Source: Rubber Statistical Bulletin (every year) by International Rubber Study Group (IRSG)

Figure 6-7-3 Production of Natural Rubber

On the other hand, Figure 6-7-4 shows the total consumption of rubber products in the international market: 8.7 million tons in 2004, 8.6 million tons in 2005, 9.7 million tons in 2006, 9.7 million tons in 2007, and 9.9 million tons in 2008. Figure 6-7-4 shows the forecast of international consumption of rubber products by the International Rubber Statistics Group (IRSG). Total consumption dropped in 2008 when the global financial crisis happened. The consumption is expected to increase again in 2009 and continues to increase steadily towards 2015 and beyond.



Note: In the above figure, there are three lines and the broken lines indicate the forecast of consumption (2009 and beyond). The green line refers to general rubber products (GRG), such as rubber gloves, mattress, rubber band and rubber sole of shoes, the pink to automotive tyres, and the red top to the total of the others.

(5) Export Trend

There has been a steady increase in export amount since 2001. As for its share in the total export, rubber and products have accounted for 3.3% to 4.7% between 2001 and 2007.

Table 6-7-2 Export of Rubber and Products

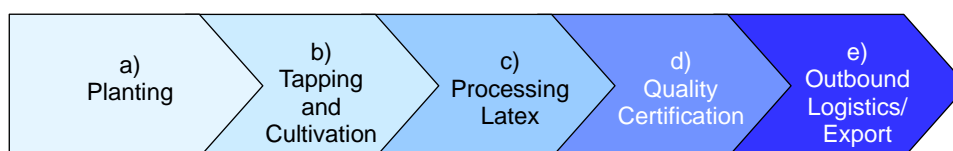
(US\$ million)

	2001		2002		2003		2004		2005		2006		2007	
Total export	1,571.2	100.0%	1,769.8	100.0%	2,086.8	100.0%	2,588.9	100.0%	2,910.3	100.0%	3,693.2	100.0%	4,088.5	100.0%
Rubber and products	52.4	3.3%	62.7	3.5%	97.7	4.7%	114.8	4.4%	118.9	4.1%	174.6	4.7%	156.8	3.8%
Total import	2,094.0	100.0%	2,360.5	100.0%	2,668.1	100.0%	3,269.5	100.0%	3,927.8	100.0%	4,749.2	100.0%	5,423.6	100.0%
Trade balance	-522.8	-	-590.7	-	-581.3	-	-680.6	-	-1,017.5	-	-1,056.0	-	-1,335.1	-

Source: National Bank of Cambodia (NBC)

(6) Supply Chain of Natural Rubber Processing

The following figure indicates the supply chain of natural rubber processing, which consists of five components: a) planting, b) tapping and cultivation, c) processing latex, d) quality certification, and e) outbound logistics/export to foreign markets.

**Figure 6-7-5 Supply Chain of Natural Rubber in Cambodia**

(7) Rubber Production in Cambodia

In Cambodia, land for growing rubber is categorized into the following three; that is, (a) rubber estates, (b) ELC companies and (c) smallholders.

1) Rubber Estates

According to MAFF, there are ten rubber estates as of the end of 2008. Only one of them is state-owned and the others are all private firms. The problems facing these estates are that their rubber trees are too matured and that their equipment is obsolete and outmoded.

2) ELC Companies²²

As of November 2008, there were more than 60 ELC firms. In recent years, however, there have been legal conflicts between these firms and the government because of government's breach of contract.

3) Smallholders

According to MAFF, there approximately 150 smallholders, who work on rubber plantations, as of the end of 2006 in ten provinces such as Kampong Cham, Rattanakiri, Kratie, Battambang. In 2008, the

²² In August 2007, the MAFF requested to the RGC for contract cancellation of 37 companies with total land area of 332,240 ha located in 11 provinces. Furthermore, there are 53 companies with total land area of 845,920 ha while contract remained validation. Until November 2008, the total validated contracts increased to 65 companies with total land area of more than 900,000 ha. This total land area would be cut down after conducting the detailed study in the concession area.

total area of smallholders' production was 54,227 ha and their production volume was 12,385 tons.

As Table 6-7-2 shows, the planting areas of the above three categories have increased steadily between 2006 and 2008. Annual production is 32,077 tons in 2006, 31,316 tons in 2007, and 35,676 tons in 2008. In 2008, the natural rubber production of the world was 9.9 million tons in total, while that of Cambodia was 35,676 tons. Cambodia's production accounts for only 0.4% of the world's production.

Table 6-7-3 Rubber Production Area and Production

Category	Planting Area (ha)			Annual production (ton)		
	2006	2007	2008	2006	2007	2008
(a) Rubber estates	39,698	39,472	45,469	21,295	17,951	19,291
(b) ELC	5,147	6,236	8,205	3,082	3,205	4,000
(c) Smallholders	25,150	36,351	54,227	7,700	10,160	12,385
Total	69,995	82,059	107,901	32,077	31,316	35,676

Source: General Directorate of Rubber Plantations, MAFF

Note: ELC's annual production of 2007 is estimated by JICA Study Team

(8) Quality Certification System in Cambodia

The Cambodia Rubber Research Institute (CRRI) is a research institute, which undertakes research, testing, advisory and training activities in the field of natural rubber. The CRRI was established in 1955 as an autonomous body operated by the Rubber Planters Association of Cambodia. The CRRI was reorganized by Sub-decree N°65 of October 17, 1997, as a public administrative body. On the basis of TSR that is the international standard of certification, Cambodia Specified Rubber (CSR) standard was established by CRRI. However, CSR is not recognized internationally. It is necessary to upgrade the capacity of CRRI.

(9) Key Issues of Supply Chain

As for the supply chain, key issues to enhance competitiveness of the Cambodian rubber industry are as follows:

1) Planting

- Planting areas are small although there is a sufficient amount of land due to not leveling
- Clone and fertilizer is not necessarily appropriate for the land.

2) Tapping and Cultivation

- Rubber trees are damaged because of poor tapping techniques.
- Cultivation areas are not managed and maintained regularly and properly.
- There are damages to rubber trees due to vermin.

3) Processing Latex

- Since washing time is too short, alien substances are sometimes included in the products.
- Workers cannot find alien substances before processing.
- Quality is unstable because temperature is not controlled properly.
- Products are damaged because of poor infrastructure.

4) Quality Certification

- Testing equipment is obsolete and outmoded.
- There are not many specialists in testing and grading.
- CSR²³ scheme is not recognized internationally.

5) Outbound Logistics and Export

- Currently, marketing channels are limited. Foreign buyers come to Cambodia to buy products.

7.2 Potentials, Advantages and Disadvantages

(1) SWOT Analysis

1) Strength

As Table 6-7-1 indicated, FDIs have increased since Sub-Decree on ELC came into effect in 2003,²⁴ which enables a private firm to make a contract with the RGC to have the economic concession to use land in Cambodia. ELC, as well as lower labor costs, plays a major role in attracting FDI in the natural rubber industry. Several major foreign tire manufacturers are seeking to diversify their procurement sources of raw materials. Some foreign firms have recently established a rubber plantation in line with an agreement with Minister of Agriculture on economic land concession. If foreign firms utilize this system of economic land concession, they can diversify their procurement sources of raw materials.

2) Weakness

One of Cambodia's main disadvantages is its low export price, which results from low product quality. As indicated in Table 6-7-3 indicates, the average unit price of the estates (Approximately US\$ 1,391/ton) is lower than that of international market (US\$ 1,530.00/ton).²⁵ According to Yamaguchi University (2008),²⁶ this is partly because the quality of Cambodian products is viewed as poorer in the international market, and partly because it is difficult for Cambodians to provide a large volume of products for foreign customers.

²³ CSR was established by MAFF in accordance with Technically Specified Rubber (TSR).

²⁴ According to *The Cambodian Daily* issued on 8 April 2009, a joint venture company between Cambodia and French announced that they would establish a rubber plantation and they signed an agreement with Minister of Agriculture on 2,705 hectare economic concession in Mondulkiri.

²⁵ Access to the website on 15 July 2009 at <http://www.business-i.jp/print/article/200904220029a.nwc>

²⁶ Yamaguchi University (2008) *Survey on the Promotion of Cambodian Natural Rubber Industry and Financial Functions*.

Table 6-7-5 indicates productivity of local rubber estates. As it shows, the productivity of these countries is about 1,500 kg/ha, while that of Cambodia is approximately 923 kg/ha. The productivity of the local rubber estates is much lower than that of major exporters such as Thailand.

Costs of processing in Cambodia are US\$ 110 to 130 per ton, which are higher than those of the major producers. This is partly because production equipment is obsolete and outmoded, and partly because capacity of equipment is small.

Conditions of infrastructure, such as road, are poorer than those in neighboring countries and electricity tariff is also higher. When they are carried by unpaved or uneven road, package is broken and alien substances can be included in products. Higher electricity tariff increases costs of production.

Table 6-7-4 Export Price of Local Rubber Estates (2008)

	Exported Amount	Exported Volume	Export Price
	US\$	ton	\$/ton
Chamcar Andong	2,479,344	2,001.60	1,238.68
Boeng Keth	1,857,020	1,357.20	1,368.27
Peam Cheang	4,228,686	2,962.80	1,427.26
Chup	11,141,812	7,819.20	1,424.93
Krek	4,605,216	3,187.20	1,444.91
Memot	2,647,620	2,017.20	1,312.52
Snoul	2,036,556	1,459.20	1,395.67
CRRI	212,280	194.40	1,091.98
Average Unit Price	29,208,534	20,998.80	1,390.96
Export Unit Price of Int'l Market			1,530.00

Source: IRSG and General Directorate of Rubber Plantations, MAFF

Table 6-7-5 Productivity of Local Rubber Estates (2008)

	Production Volume	Cultivation Areas	Productivity
	ton	ha	kg/ha
Chamcar Andong	1,930.80	2,468.52	782.17
Boeng Keth	1,336.80	2,472.04	540.77
Peam Cheang	2,800.80	2,504.86	1,118.15
Chup	7,467.20	6,561.14	1,138.09
Krek	3,219.00	3,187.77	1,009.80
Memot	1,997.60	2,621.03	762.14
Snoul	1,370.60	1,663.37	823.99
CRRI	259.30	606.68	427.41
Productivity	20,382.10	22,085.41	922.88
Productivity of Foreign Major Exporters			1,500.00

Source: IRSG and General Directorate of Rubber Plantations, MAFF

3) Opportunity

There are opportunities for investment in Cambodia as demands for natural rubber increase in the international markets. According to Tokyo Commodity Exchange (2008), especially, the share of China is more than 25% in the total consumption of the world. As Table 6-7-2 indicated, there has been an increase in export of Cambodia's rubber and products. There has also been in domestic

demands for rubber products such as rubber sole of shoes and glove.

4) Threat

As explained earlier, Thailand, Indonesia and Malaysia account for approximately 70% of total rubber production of the world. While the share of Cambodia is only 0.4% in 2008. On top of Thailand, Indonesia and Malaysia, other countries are emerging and the competition has become more intense among rubber producers in recent years.

5) Results

Results of the SWOT analysis are as presented in Table 6-7-6.

There are potentials to attract FDI in rubber estates and/or processing factory by focusing on a niche area such as rubber glove and mattress, as well as by expanding production and increasing the varieties of products to meet the increasing demands of foreign market.

In order to offset weakness and threat, there is a need to strengthen research institutes, especially CRRI that is a public institute of quality certification, as well as to provide technical and vocational training and education for technical upgrading of the natural rubber industry. Since ELC plays a major role in attracting FDI, RGC should settle related legal conflicts with private firms.

Table 6-7-6 SWOT Analysis

<i>Strength</i>	<i>Weakness</i>
Enforcement of ELC Sub-Decree	Poor conditions of physical infrastructure (e.g. road network)
Increase in technological capability and financial viability through inward FDI	Higher energy prices (especially electricity)
Increase in domestic demands for rubber products	Small scale of rubber production in Cambodia
Lower labor costs	Low int'l recognition of CSR and lack of research institutes
	Low productivity and product quality
	Weak manufacturing technology
	Lack of marketing skills/knowledge
<i>Opportunity</i>	<i>Threat</i>
Expansion of foreign market	Dominance of Thailand , Indonesia and Malaysia in the int'l market
Expansion of domestic market	Increasing competition in the region
Foreign major manufacturers' trend to diversification of procurement sources	Negative impacts of global economic crisis

Source: JICA Study Team

7.3 Countermeasures taken by RGC/Donors/Private Sector

(1) RGC

Under the Government Private Sector Forum (G-PSF), the Agriculture and Agro-Industry Working

Group (WG) facilitates public-private dialogues. This WG consists of various stakeholders of both public and private sectors: MAFF, related line ministries, Association for Rubber Development of Cambodia (ARDC), Association of Cambodia Rubber Plant Development; Kampong Cham Small and Medium Enterprise Association, provincial chambers of commerce, various community groups, etc.

The WG has addressed a range of issues such as access to finance; economic land concession (ELC)-related issues; customs procedures; the import of agricultural machinery and spare parts; and tax on agricultural equipment. In relation to the rubber industry, rubber plantations' access to finance has been under discussion.

(2) Donors

AFD (French aid agency) has provided small holders with technical and financial assistance since 1994. The total beneficiaries are 1,000, surface areas are 3,800 ha, and total project costs are US\$ 9.8 million. The project purpose is to increase rubber price and the quality of plantations.

7.4 Policy and Countermeasures for Improvement

In the global market, as Figure 6-7-2 showed, the demands for automotive tires and other rubber-related goods continue to grow in the coming years ahead. As a result, the demand for natural rubber will also grow. Under this situation, it is reported that major international tire manufacturers plan to invest directly in rubber estates to own them for the purpose of diversifying their sources to procure raw materials,²⁷ which may increase FDI in the natural rubber industry in Cambodia. In order to attract FDIs further, it is important (1) to strengthen institutional support by formulating and arranging related policies, laws and programs, and (2) to strengthen the supply chain itself as explained below:

(1) Strengthening of Institutional Support

- 1) to arrange and, if necessary, formulate policies and laws to settle the conflicts between the government and private land concession companies,
- 2) to improve infrastructure such as road rehabilitation and supply of lower-cost electricity,
- 3) to upgrade quality certification system by strengthening functions of CRRI,
- 4) to conduct various surveys on the use of land, the selection of clone, compound of fertilizer, packaging and transport, etc.
- 5) to provide training of processing latex and tapping/cultivation,
- 6) to launch various marketing initiatives,

²⁷ Interview survey was conducted by JICA Study Team in June and July 2009.

- 7) to provide funding for rubber estates and ELC companies, for example, to upgrade equipment and to reclaim planting areas, and
- 8) to settle conflicts with investors about ELC contract.

(2) Upgrading of Supply Chain

It is necessary to strengthen the supply chain, as well as to enhance the competitiveness of the local natural rubber industry. In relation to strengthen the supply chain, the key issues are as follows (Table 6-7-7):

- 1) Planting
 - Reclaiming planting areas
 - Selection of clone
 - Compound of fertilizer
- 2) Tapping and Cultivation
 - Techniques of tapping
 - Management and maintenance of cultivation areas
 - Crop damage
- 3) Processing latex
 - Washing
 - Removal of alien substances
 - Production management
 - Packaging and transport
- 4) Quality certification system
 - Testing equipment
 - Human resource development of specialist in testing
 - Quality certification
- 5) Outbound logistics/Export
 - Marketing capability

Table 6-7-7 Upgrading of Supply Chain

Components of supply chain	Key issues	Strategies
1) Planting	Reclaiming planting areas	Slope the ground when leveling it.
	Selection of clone	Select and obtain appropriate clone for the land.
	Compound of fertilizer	Compound fertilizer appropriately according to the growth stages.
2) Tapping and Cultivation	Techniques of tapping	Improve techniques of tapping according to expert's advice.
	Management and maintenance of cultivation areas	Manage and maintain cultivation areas on a regular basis.
	Crop damage	Use appropriate pesticide.
3) Processing latex	Washing	Wash raw materials for a sufficient time.
	Removal of alien substances	Find and remove alien substances before processing and use metal detector if possible.
	Production management	Control temperature appropriately to stabilize quality.
	Packaging and transport	Improve infrastructure to prevent alien substances from being added.
4) Quality certification system	Testing equipment	Renew and upgrade testing equipment.
	Human resource development of specialist in testing	Participate in training course in foreign countries such as Thailand.
	Quality certification	Upgrade Cambodia's quality certification system to the international level.
5) Outbound logistics/Export	Marketing capability	Diversify sales channels.

Source: JICA Study Team

8. Tourism Industry

8.1 Overview of Tourism Industry

(1) Related Overall Law and Policies

The tourism industry is viewed as one of the key industries in the Rectangular Strategy, the National Strategic Development Plan (NSDP) 2006-2010 and the Mid-term Review of NSDP. There had been, however, neither a policy nor a law specifically on the tourism industry until the National Tourism Policy and the Tourism Law came into effect in 2009. The policy and the law provide a legal basis for the promotion of the industry.

1) National Tourism Policy

The National Tourism Policy took effect in 2009 and provides direction for the promotion of the

tourism industry. The Ministry of Tourism (MOT) plays a leading role in implementing the policy. Specifically, it places emphasis on the importance of security, diversification of tourism destinations (four tourism poles: Phnom Penh, Siem Reap, Sihanoukville and northeast provinces), and the conservation of cultural heritage and natural resources, human resource development and public-private cooperation.

2) Tourism Law

The Tourism Law was ratified on 10 June 2009. The purpose of the Law is to help develop the tourism industry and ensure higher quality service. The Law explains which areas of the sector MOT should supervise and clarifies the roles between national and provincial governments. The Law also enables the government to have control over the sector. Under the Law, it is mandatory for tourism industry such as hotels and restaurants, to get formal licenses and to renew them on a yearly basis.

3) Government-Private Sector Forum

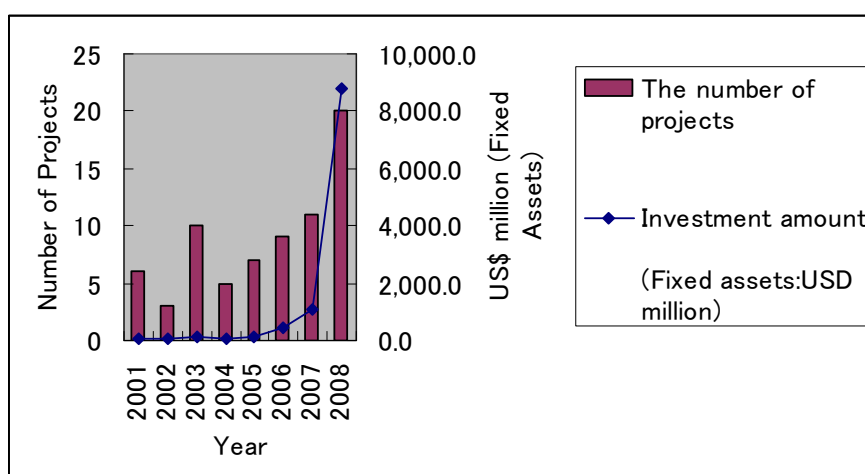
The Government Private Sector Forum (GPSF) is a public-private consultation mechanism. In relation to GPSF, the Tourism Working Group (WG), co-chaired by Tourism Minister and private sector representative, plays a role in facilitating public-private dialogues.²⁸

(2) FDI Trend

The number of projects and investment amount for the tourism industry is presented in the Figure 6-8-1. FDI in the tourism sector increased especially after 2005. FDI (all sectors) is US\$ 19,952 million between 2001 and 2008, while that of the tourism industry is US\$ 10,730.7 million in the above period. The investment in the tourism industry accounted for approximately 53.8% of the total FDI during the same period.

The contents of the investments are indicated in Table 6-8-1. More than 60% of investments are made for hotel construction. The nationalities of investors (except Cambodia) have been diversified in recent years.

²⁸ This WG consists of various stakeholders of both public and private sectors: MOT, related line ministries, Cambodia Tourism Association; Cambodia Association of Travel Agents (CATA); Cambodia Hotel Association (CHA); Khmer Angkor Tour Guide Association; National Association of Tourism Enterprises; and so forth. The WG has so far dealt with a broad range of issues: the waiving of visas, the diversification of tourism destinations, bad practices at immigration checkpoints on the borders, a variety of national- and provincial-level marketing campaigns and initiatives, and so forth.



Source: CDC

Figure 6-8-1 CDC-Approved Investment (2001-2008)

Table 6-8-1 Contents of CDC-Approved Investment (2001-2008)

	2001	2002	2003	2004	2005	2006	2007	2008
Main Purposes of Investment	Hotel and Tourism Park	Hotel	Hotel and Museum	Hotel and Agro-tourism	Hotel and Resort	Hotel and Resort	Hotel, Resort and Golf Club	Hotel, Tourism Center and National Garden/Park
Nationalities of Investors	Malaysia and Taiwan	Holland and Singapore	Thailand and China	China	Thailand, China and Australia	China, Singapore, Russia and UK	Malayasia, Japan, Australia and UK	Canada, Singapore, Australia, China, Russia, Israel, Korea and USA

Source: CDC-CIB

(3) Position in the National Economy

There has also been an increase in domestic and international tourism and tourism receipts are contributing to the national economy. According to UNDP (2009),²⁹ tourists' spending in hotel, restaurant and transport accounts for less than 10% for the economy of Cambodia. Taking into consideration the impact of tourism spending beyond the tightly defined 'tourist' sector, for instance in retail and construction sector, it is estimated that tourism constitutes approximately 20% of the national economy.

(4) Market Trend

1) Mode of Arrivals

According to the Ministry of Tourism (MOT) (2008),³⁰ there has been a sharp increase in international tourist arrivals from approximately 605,000 in 2001 up to 2.1 million in 2008, as indicated in the following table.

²⁹ Cambodia Country Competitiveness Driving Growth and Poverty Reduction Discussion Paper No. 7.

³⁰ MOT (2008) Annual Report on Tourism Statistics 2008.

Table 6-8-2 International Visitors by Mode of Arrivals

Mode of arrivals	visitor arrivals								Share (%)	Change (%)
	2001	2002	2003	2004	2005	2006	2007	2008		
									2008*	08*/07
Air	408,377	522,978	455,972	626,121	856,521	1,027,064	1,296,513	1,239,407	58.31	-4.40
Phnom Penh Int'l Airport	274,689	320,187	269,674	316,748	416,396	427,389	535,262	570,903	26.86	6.66
Siem Reap Int'l Airport	133,688	202,791	186,298	309,373	440,125	599,675	761,251	668,504	31.45	-12.18
Land & waterways	196,542	263,546	245,042	361,238	476,479	564,286	576,054	762,027	35.85	32.28
Land	196,542	263,546	245,042	335,859	444,818	524,501	532,366	690,138	32.47	29.64
Boat				25,379	31,661	39,785	43,688	71,889	3.38	64.55
Same-day visitor	0	0	0	67,843	88,615	108,691	142,561	124,031	5.84	-13.00
Total	604,919	786,524	701,014	1,055,202	1,421,615	1,700,041	2,015,128	2,125,465	100.00	5.48

(Source) MOT (2008)

Regarding the mode of arrivals, in 2008, approximately 58% visited Cambodia by air while the rest visited by land and waterways. In 2008, there was a 4.4% decrease from 2007 in those visited by air, and on the other hand, 32.3% increase in those visited by land and waterways.

2) Share of Major Source Market

There are other positive trends in the tourism sector. The share of source market has changed from a distant European and U.S. to a much more balanced combination: i.e. South Korea, Japan, and several of member states of ASEAN. The share of major source market between 2001 and 2008 is shown in Figure 6-8-2. In particular, South Korea has been a top generator since 2004. Top ten countries of 2008 were Korea, Vietnam, Japan, USA, China, Thailand, UK, France, Australia, and Taiwan. Seven out of ten were the countries in Asia and the Pacific.

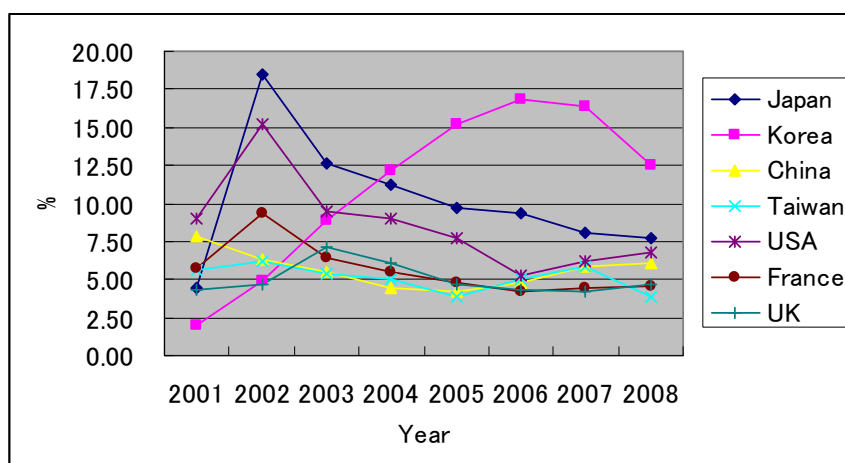


Figure 6-8-2 Share of Major Source Market 2001-2008

3) Purpose of Visit

Table 6-8-3 indicates that there has been an increase in the ratio of group tour since 2006. In terms of gender, there has been a more than 10% increase in the number of male tourists in 2008 from 2006. In

terms of purpose of visit, more than 90% of those who visit Phnom Penh are on business, and more than 70% of those who visit Siem Reap are on vacation. As for age, the number of tourists in their 20s and 30s is slightly larger than that of other age groups.

Table 6-8-3 Profile of International Visitor Arrivals to Cambodia 2006-2008

	2006		2007		2008	
	Phnom Penh	Siem Reap	Phnom Penh	Siem Reap	Phnom Penh	Siem Reap
Frequency of visit	100.0	100.0	100.0	100.0	100.0	100.0
First visit	89.0	53.6	89.0	53.6	79.0	58.5
Revisit	11.0	46.4	11.0	46.4	21.0	41.5
Travel Arrangement	100.0	100.0	100.0	100.0	100.0	100.0
Group tour	51.3	62.0	51.3	62.0	55.7	69.2
Non-group tour	48.7	38.0	48.7	38.0	44.3	30.8
Gender	100.0	100.0	100.0	100.0	100.0	100.0
Male	68.4	51.0	68.4	51.0	64.3	61.4
Female	31.7	49.0	31.7	49.0	35.7	38.6
Age	100.0	100.0	100.0	100.0	100.0	100.0
Under 19	5.4	12.6	5.4	12.6	10.9	13.0
20-29	24.1	19.4	24.1	19.4	26.1	19.5
30-39	22.5	18.8	22.5	18.8	22.5	19.4
40-49	19.5	17.7	19.5	17.7	17.8	17.9
50-59	17.6	17.0	17.6	17.0	14.2	18.4
60 and over	11.1	14.6	11.1	14.6	8.5	11.8
Occupation	100.0	100.0	100.0	100.0	100.0	100.0
Employee	22.2	15.1	22.2	15.1	23.1	17.1
Business	21.4	14.8	21.4	14.8	22.2	16.4
Traveler	16.2	12.9	16.2	12.9	17.1	17.1
Retired	6.2	9.3	6.2	9.3	7.5	12.3
Official	4.4	8.9	4.4	8.7	5.4	10.2
Student	13.0	11.8	13.0	11.8	13.7	13.8
Others	16.8	27.2	16.8	27.4	11.0	13.1

(Source) MOT (2008)

4) Tourism Facilities and Services

As Table 6-8-4 shows, at the end of 2008, there are 398 registered hotels, 925 guesthouses, 934 restaurants, 29 casinos and 473 travel agencies. As international tourist arrivals increase, there has also been an increase in the related tourism facilities and services.

Table 6-8-4 Number of Tourism Services

	Hotels	Guesthouses	Restaurants	Casinos	Travel Agency
2001	247	370	505	--	236
2002	267	509	624	--	259
2003	292	549	--	--	270
2004	299	615	713	--	302
2005	317	684	719	--	336
2006	351	742	747	--	382
2007	395	891	920	22	451
2008	398	925	934	29	473

(Source) MOT (2008)

5) Tourism-related Infrastructure

a) Road

In this country, the total coverage of road network is approximately 30,268km, which consists of 4,695km of national roads, 6,615km of provincial roads, and 18,958km of rural roads. Several rehabilitation projects of the road network have been underway and their conditions have been improved to link up the four tourism poles: namely, Phnom Penh, Siem Reap, Sihanoukville and northeastern provinces.

b) Airport

As of July 2009, there are two international airports in Phnom Penh and Siem Reap, while there are six domestic airports. According to MOT (2008),³¹ 27 airlines are in operation in Cambodia; 23 are international and the rest are domestic flights. For instance, there are 14 flights every week between Phnom Penh and Bangkok, and 77 flights on a weekly basis between Siem Reap and Ho Chi Minh.

Currently, there are several direct non-stop flights and tourists can fly directly from/to Bangkok, Ho Chi Minh, Hanoi, Vientiane, Seoul, Singapore, Kuala Lumpur, Hong Kong, Taipei, and Guangdong (Guangzhu).

c) Sea Port

In Cambodia, there is only one deep seawater port in Sihanoukville. The expansion projects of the port have already been completed and a large-sized cruiser, which can accommodate 300 to 400 passengers, can call at the port.

d) Railway

According to MOT (2008), there are two railway lines, both of which starts from Phnom Penh. One is a northbound line (386 km) and the other is a southbound one (264 km). In recent years, however, only a basic service has continued for both freight and passengers.

According to *The Cambodian Daily* issued on 16 June 2009, Asian Development Bank (ADB) announced in March 2009 that it would provide a loan of US\$ 42 million in order to improve the conditions of the railway.

8.2 Current Situation after Financial Crisis

In the first quarter (January to March) of 2009, there was an approximately 3.4% decrease in international tourist arrivals in comparison to the same period of 2008. As a result of decrease in the number of tourists, it is also reported that there seems to be oversupply of hotels in Siem Reap as of July 2009,³² and that some of hotels are closed during the low season.³³ It can be argued that the

³¹ *Annual Report on Tourism Statistics 2008* released by MOT.

³² Interviews were conducted in June and July 2009.

global economic crisis have had a negative impact on the tourism industry.

8.3 Potentials, Advantages and Disadvantages

(1) Potentials

Development potential of the tourism is high and the number of international arrivals is expected to reach 3.0 million in 2013 and 3.5 million in 2015. Given the projected increase in international arrivals, there are opportunities for foreign and domestic investors to invest in the tourism industry, such as hotels, restaurants and tourist boats and cruisers.

(2) Advantages

- 1) Cambodia has a comparative advantage over a rich wealth of its cultural heritages such as a complex of the Angkorian temples.
- 2) Not only has Cambodia enhanced its image as a safe travel destination, but also its source markets have gradually been diversified.

(3) Disadvantages

1) Low Competitiveness by the International Standards

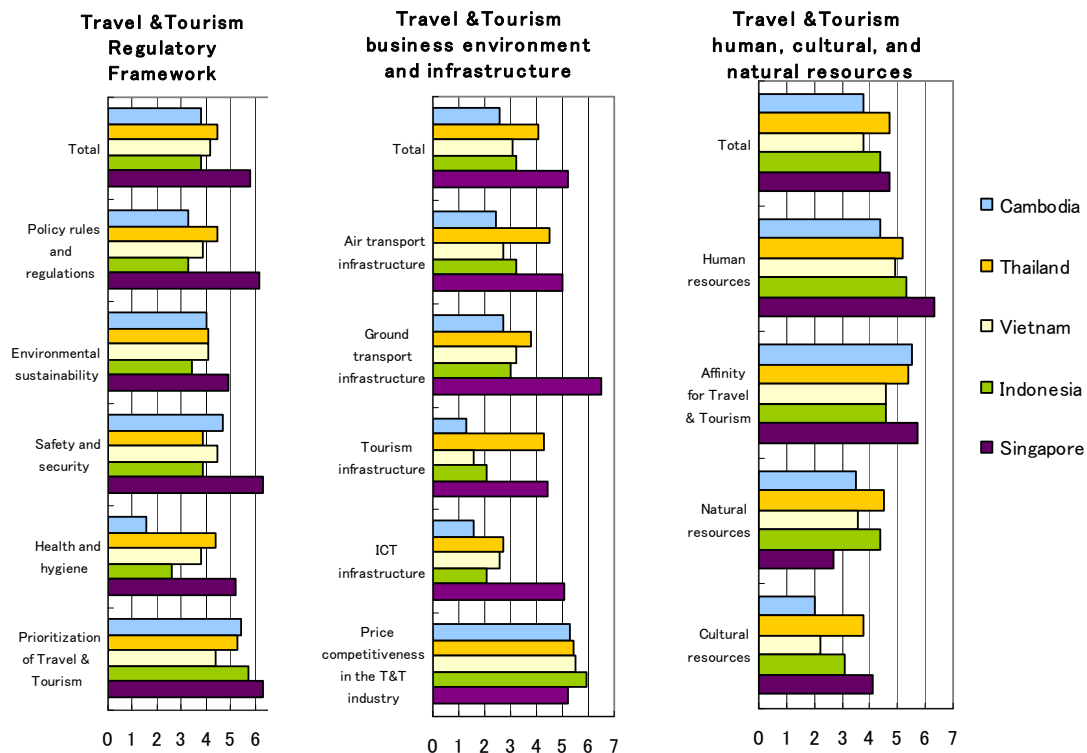
- Cambodian tourism competitiveness is ranked 112th out of 130 nations by the World Economic Forum (WEF).³⁴ This is partly because of high energy and flight costs, insufficient infrastructure, and limited information and communication technology (ICT).
- According to the Figure 6-8-3, competitors in the region, such as Thailand and Vietnam, are more competitive in price terms, although Cambodia is cost-competitive by the international standard.

2) Regulatory uncertainty and quality of human resource

- UNDP (2009) points out that there is uneven application of policies and rules though regulatory uncertainty can be reduced by the enforcement of National Tourism Policy and Tourism Law.
- Corruption increases costs for tourists and also reduces competitiveness and growth potential.
- The quality of the human resources is not necessarily high in the tourism industry.

³³ Low season is between April and October.

³⁴ Refer to www.weforum.org/en/initiatives/gcp/TravelandTourismReport/index.htm.



Source: 2009 World Economic Forum “The Travel & Tourism (T&T) Competitiveness Report 2009”

Figure 6-8-3 Travel and Tourism Competitiveness Index (Score: 1-7 scale)

8.4 Countermeasures Taken by RGC/Donors/Private Sector

(1) RGC

RGC has tackled the development of business environment in relation to the tourism industry. The infrastructure development projects have been underway in cooperation with international donors: e.g. airports of Rattanakiri and Stung Treng and port of Sihanoukville.

For years, RGC has also been engaged in the preparation of the National Tourism Policy and Tourism Law and, finally, they both came into effect in 2009.

(2) Donors

1) Mekong Discovery Trail

This project is a joint project among MOT, UN World Tourism Organization (UNWTO) and Netherlands Development Organization (SNV). There are three phases:

Phase 1- Preliminary research, development of Kratie Tourism Master Plan. The first phase was over in 2007.

Phase 2 - Ecotourism plan, community support and consultation, marketing and trail opening. This phase was completed in June 2008.

Phase 3 - Trail network and services expanded, infrastructure installed, communities providing services further supported. The phase 3 will be completed in 2010.

2) Mekong Tourism Development Project

This project has been implemented since 2003. There are two outcomes. One is increased foreign exchange earnings from tourism. There has been an increase in the number of tourists in the project areas that resulted in the increased foreign exchange earnings from tourism.

The other is sustainable tourism in the lower basin of the Mekong River. As a result of the Project, awareness and sustainable use of natural and cultural heritage have been enhanced in the target areas: i.e. Provinces of Rattanakiri, Stung Treng, the Municipality of Phnom Penh and the Town of Siem Reap.

(3) Private Sector

Representatives of private sector, such as Cambodia Association of Travel Agents (CATA) and the Cambodia Hotel Association (CHA) actively promote cooperation between public and private sectors. The president of CHA participated in the Travel Expo held in May 2009 in South Korea together with officials of MOT. The president gave a presentation on Cambodian cuisine in order to deepen the understanding of Cambodian culture as well as its food.

8.5 Policy and Countermeasures for Improvement

In order to enhance the competitiveness of the Cambodian tourism industry, the following two issues are to be tackled.

(1) To Enhance Competitiveness

In order to enhance competitiveness, the Royal Government of Cambodia (RGC) should tackle the following issues:

1) Effective implementation of relevant policies and laws

- Implement the National Tourism Policy and the Tourism Law effectively, both of which came into effect in 2009, and other related policies and regulations with a view to reducing regulatory uncertainty, and
- Initiate human resource development programs, for example, front desk, reception, housekeeping, cookery and bartending.

2) Improvement of Conditions of Infrastructure

- Facilitate further tourism-related infrastructure development; by developing or rehabilitating the road towards northeastern provinces, as well as by increasing the number of flights among the four domestic destinations: namely, Phnom Penh, Siem Reap, Sihanoukville and northeastern

provinces.

3) Deregulation or relaxation of restrictions

- Reduce electricity costs by utilizing the electricity generated in Thailand and Vietnam,
- Lift or relax the restrictions against tourist visa,
- Remove restrictions against the use of information and communication technology (ICT) so that the tourism enterprises may make good use of ICT, and
- Reduce airport tax, at least, to the same level as neighboring countries.

4) Encouragement of private sector's participation in policy-making and implementation

- Increase private sector's participation more in the process of policy-making and implementation through the Tourism Working Group.

(2) To Reduce Over-reliance on Angkor Wat

In order to reduce over-reliance on a complex of Angkorian temples, through facilitating diversification of tourism products as well as tourist destinations, the RGC should:

- 1) Publicize Phnom Penh as one of the destinations of Meetings, Incentives, Conventions and Exhibitions (MICE) in the region,
- 2) Focus on a coastal destination (Sihanoukville and its surrounding areas), which is accessible from Sihanoukville airport,
- 3) Improve access to the northeastern provinces and continue to support the ecotourism sector,
- 4) Formulate tailor-made marketing strategies for major source markets, by using a variety of information and statistical data, in tandem with foreign-owned tourist agencies. Promotional campaign to improve the negative image of Cambodia is to be implemented urgently, particularly for Japanese tourists, and
- 5) Promote cooperation with neighboring countries on Greater Mekong Sub-region (GMS)-wide tourism in line with infrastructure development in the region: for instance, North-South Economic Corridor, East-West Economic Corridor, and Southern Economic Corridor.

Appendix 7

Results of the Cambodian Investment Seminars in Japan

Appendix 7 Results of the Cambodian Investment Seminars in Japan

1. Outline of the Seminar

The Cambodian Investment Seminar was held with an aim to provide information to private companies for consideration of doing business in Cambodia. For the seminar, H.E. Sun Chanthol, Senior Minister and Vice Chairman of CDC and H.E. Lou Kim Chhun, Chairman and CEO of Sihanoukville Autonomous Port were invited, and the current political and economic situation in Cambodia as well as Sihanoukville Autonomous Port currently with JICA's assistance was introduced. As Japanese organizations for international cooperation, Mr. Suzuki, chief representative of JICA Cambodia Office, and Mr. Doho, representative of JETRO Phnom Penh Office made speeches about their activities in Cambodia. Moreover, Ajinomoto, which is to complete the construction of the local factory on June 2010, introduced its experience of doing business in Cambodia.

The schedule, organizers/supporters and agenda of the seminar are as follows

(1) Date/Time and Venue

Date/Time: <Osaka> Monday, May 24th, 2010

<Tokyo> Wednesday, May 26th, 2010

Venue: <Osaka> International House, Osaka "Sakura"

<Tokyo> The Prince Park Tower Tokyo "Convention Hall"

(2) Organizers and Supporters

Organizer: Japan International Cooperation Agency (JICA), ASEAN-Japan Centre

Japan External Trade Organization (JETRO), Ministry of Economy, Trade and Industry (METI)
Council for the Development of Cambodia (CDC)

Supporter: Organization for Small and Medium Enterprises and Regional Innovation, JAPAN

Osaka Chamber of Commerce and Industry (OCCI), Kansai Economic Federation

United Nations Industrial Development Organization (UNIDO)

Ministry of Foreign Affairs of Japan (MOFA), Royal Embassy of Cambodia

(3) Agenda

The agendas of Osaka and Tokyo seminars are as follows.

<Osaka>

- 13:30 Start of Seminar
13:35 Opening Remarks
Mr. Kazuhiro Yoneda, Director General, Industrial Development Department, JICA
13:40 “Investment Climate in Cambodia”
H.E. Mr. Sun Chanthol, Senior Minister and Vice Chairman, CDC
14:10 “Regulatory Framework for Investment and Special Economic Zone(SEZ) in Cambodia”
Mr. Yuji Imamura, Investment Environment Improvement Advisor to CDC, JICA Expert
14:40 Break (20 min.)
15:00 “JICA’s Assistance on Investment Promotion in Cambodia”
Mr. Yasujiro Suzuki, Chief Representative, JICA Cambodia Office
15:15 “JETRO’s Activities and Japanese Companies in Cambodia”
Mr. Kiyotaka Doho, Representative, JETRO Phnom Penh
15:25 “Outline of Port SEZ”
H.E. Mr. Lou Kim Chhun, Chairman and CEO, Sihanoukville Autonomous Port
15:45 “Experience of Doing Business in Cambodia”
Mr. Tomoo Higuchi, Group Manager, Umami Seasoning Group, Overseas Foods & Seasoning
Department, Food Products Division, Ajinomoto Co., Inc.
16:00 Q&A Session
16:15 Closing Remarks
Mr. Kazuhiro Yoneda, Director General, Industrial Development Department, JICA
16:20 End of the Seminar

<Tokyo>

- 13:30 Start of Seminar
13:35 Opening Remarks
Mr. Yoshikuni Ohnishi, Secretary General, ASEAN-Japan Centre
Mr. Atsuo Kuroda, Vice-President, JICA
13:45 Welcome Remarks
H.E. Mr. Hor Moniroth, Ambassador of Cambodia to Japan
13:50 “Investment Climate in Cambodia”
H.E. Mr. Sun Chanthol, Senior Minister and Vice Chairman, CDC
14:20 “Regulatory Framework for Investment and Special Economic Zone(SEZ) in Cambodia”
Mr. Yuji Imamura, Investment Environment Improvement Advisor to CDC, JICA Expert
14:50 Break (20 min.)
15:10 “JICA’s Assistance on Investment Promotion in Cambodia”
Mr. Yasujiro Suzuki, Chief Representative, JICA Cambodia Office
15:25 “JETRO’s Activities and Japanese Companies in Cambodia”
Mr. Kiyotaka Doho, Representative, JETRO Phnom Penh Office
15:35 “Outline of Port SEZ”
H.E. Mr. Lou Kim Chhun, Chairman and CEO, Sihanoukville Autonomous Port
15:55 “Experience of Doing Business in Cambodia”
Mr. Tomoo Higuchi, Group Manager, Umami Seasoning Group, Overseas Foods & Seasoning
Department, Food Products Division, Ajinomoto Co., Inc.
16:10 Q&A Session
16:25 Closing Remarks
Mr. Kazuhiro Yoneda, Director General, Industrial Development Department, JICA
16:30 End of the Seminar

2. Results of the Seminar

(1) Number of Participants

There were 306 participants in both Osaka and Tokyo seminars (75 in Osaka, 231 in Tokyo).

(2) Q&A Session

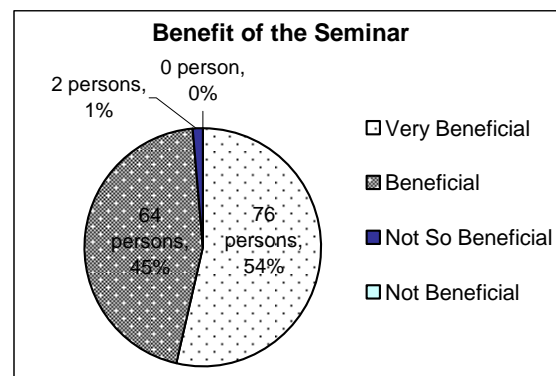
In the seminar where H.E. Sun Chanthol, H.E. Lou Kim Chhun, the representatives of Cambodia offices of JICA and JETRO, and a Japanese company with the experience of doing business in Cambodia gathered in a place, various questions from Japanese private companies, mass media and a researcher could be responded by speakers with the latest information. In this regard, the Q&A session in the seminar could be substantive enough.

(3) Questionnaire

A questionnaire was conducted to obtain the feedback of the seminar and grasp the interests and concerns of the participants about investment to Cambodia.

As for the benefits of the seminar, it was found in the questionnaire that almost all of the participants feel the seminar beneficial (54% feel very beneficial and 45% feel beneficial) (see the right figure).

Besides, in terms of the question whether participants wish to receive the information related to Cambodian investment, it is expected in the future that CIB would continuously provide the information to those who wish to receive the information through Mr. Imamura, JICA Expert on investment environment improvement in Cambodia.



Note: Excerpt from “Results of Questionnaire on Cambodian Investment Seminar”(Japanese only)

3. Pictures of the Seminars

<Osaka>



Venue of Osaka Seminar



Speech by H.E. Sun Chanthol

<Tokyo>



Venue of Tokyo Seminar



Opening Remarks by Mr. Yoshikuni Ohnishi,
Secretary General, ASEAN-Japan Centre



Opening Remarks by Mr. Atsuo Kuroda, Vice President, JICA



Speech by Mr. Imamura, JICA Expert



Speech by H.E. Lou Kim Chhun



Q&A Session