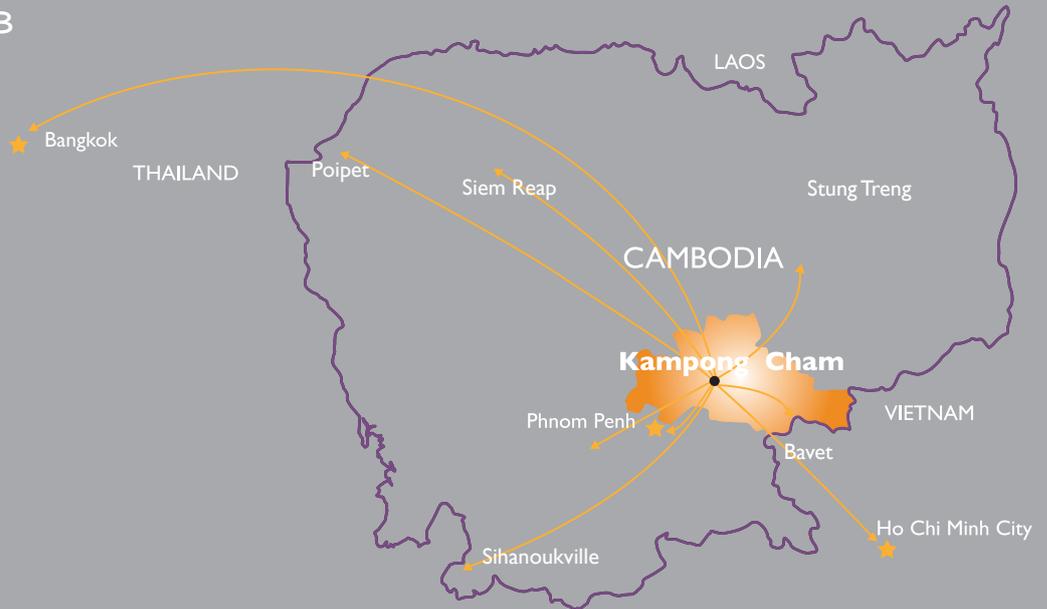


KAMPONG CHAM PROVINCE

INVESTMENT PROFILE

OCTOBER 2008



KAMPONG CHAM

Voted Cambodia's best business environment



USAID
FROM THE AMERICAN PEOPLE

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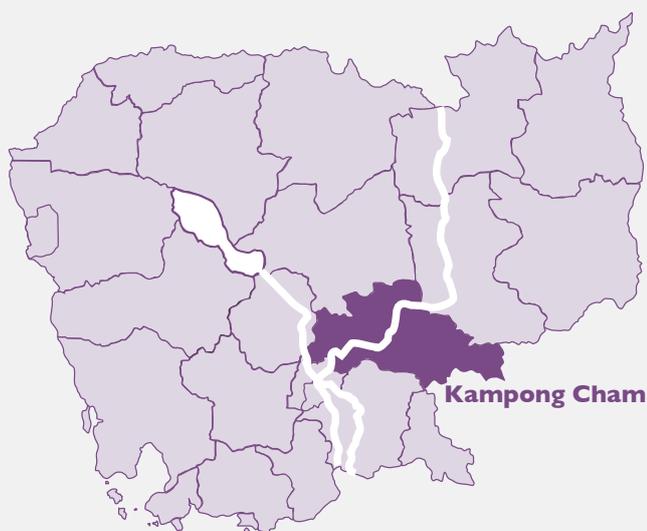
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This Investment Profile was produced by Emerging Markets Consulting (EMC) for the USAID-funded Cambodia MSME project implemented by DAI.



Greetings from His Excellency the Governor

Kampong Cham has long been known as the agricultural centre of Cambodia. Over the years, agri-business has driven our local economy and enabled us to prosper economically and socially. Agri-business has also provided the foundation for further economic development and investment opportunities.

Today, there is much more to Kampong Cham's local economy than just rice and cassava. With nearly two million young, energetic, educated and hard-working people, we represent the future of Cambodia's fast growing economy and developing society. We are centrally located between key urban centres and are home to an increasing number of innovative and growing businesses.

To continue growing our economic base and strengthening our reputation as Cambodia's favoured location for investment, the Kampong Cham provincial government has worked tirelessly to strengthen the business environment. Our efforts have paid off - Kampong Cham has recently been rated the Number 1 province for business environment in Cambodia.¹

We are not stopping there, however. We will continue to make improvements in our province to attract additional investment and support our existing business enterprises. We are excited about the potential to broaden and deepen our industry base and openly welcome new investors, both local and foreign. We do our best to make it easy and inexpensive for you to register your business and get established and we work energetically to provide a stable and predictable business environment.

I look forward to working with new investors to help expand their businesses and grow our dynamic province.

Sincerely,

H.E. Hun Neng
Governor, Province of Kampong Cham

1. Kampong Cham was ranked Number 1 in a 2006 IFC-Asia Foundation study of the business environment in ten Cambodian provinces.



National Strengths

Over the last decade, Cambodia has emerged as a vibrant and robust regional player with many of the underlying attributes necessary for successful business development and growth.

Open for Business

- Low corporate taxes – 20% tax on corporate profits (5 years carry forward of losses).
- No foreign ownership restrictions. Cambodia allows joint ventures or 100% foreign-owned companies to operate, with full rights to import and export almost all types of products.
- Equal treatment of all investors.
- Ranked ahead of China, India, Vietnam and Indonesia for economic freedom.²
- No price controls on any products or services.
- No foreign exchange controls or restrictions on convertibility.
- No restriction on capital repatriation.
- WTO and ASEAN membership.
- No quantitative trade restrictions; falling tariff barriers. Cambodia has duty-free and quota access to major world markets (such as the United States, European Union, Japan and many ASEAN members).
- Provincial governments have authority to approve investments under US\$2 million to fast-track business development start-up.

“Cambodia is fully open for business and the Royal Government of Cambodia will try its best to guarantee a favourable environment and the success of every enterprise in Cambodia.”

- H.E. Samdech Hun Sen, Prime Minister of Cambodia

Inexpensive Workforce

Compared to many of its regional competitors, Cambodia enjoys relatively low wage rates, making it an attractive destination for labor-intensive industry.

Over recent years, Cambodia’s labor force has grown by over 50%, more than double the rate in any other ASEAN country.³ And with a very young population (half are under 20), this labor force growth will continue.

2. Heritage Foundation, *Index of Economic Freedom, 2008*.

<http://www.heritage.org/index/>

3. ILO, *Labour and Social Trends in ASEAN 2007 - Integration, Challenges and Opportunities*, 2007.

Wages in the garment industry⁴

Country	Hourly wage rate (US\$)
Cambodia	0.33
China	0.88 ^a /0.66 ^b
Pakistan	0.41
India	0.38
Indonesia	0.30
Bangladesh	0.39

Strategic Regional Location

Cambodia is ideally located in the heart of the most dynamic region in the world. Nestled between Thailand and Vietnam, Cambodia is part of the Greater Mekong Sub-Region’s Southern Economic Corridor stretching from Ho Chi Minh City to Bangkok.

Given its strategic position, Cambodia has enjoyed significant international support in building its transport infrastructure to facilitate trade within the country and with its neighbors. As a result, trade with Vietnam and Thailand is growing rapidly



“You’ve got two of the biggest cities in Asia on either side of you. You’ve got 15 million people in Bangkok and 8 million people in Ho Chi Minh City, and things are increasingly happening between the two.”

- Edward Hopkins, CB Richard Ellis Group Inc.

4. Note: a) coastal areas; b) non-coastal

Source: O. Bargawi, *Cambodia’s Garment Industry – Origins and Future Prospects*, Overseas Development Institute, 2005.

WHY KAMPONG CHAM?



Why Kampong Cham?

I. Cambodia's Best Business Environment

Centrally located in Cambodia, Kampong Cham's business environment is Cambodia's best. Kampong Cham has recently been awarded Cambodia's #1 provincial ranking for its pro-business environment. In Kampong Cham we do all we can to provide a secure yet dynamic environment for your business.

Our ranking was awarded through the 2006 IFC-Asia Foundation Provincial Business Environment Scorecard (PBES).⁵ The scorecard measures economic governance and regulatory policy as it relates to supporting an active and vibrant business environment.

It is with pride that the evaluation found the following attributes about Kampong Cham's business environment:

Lowest Entry Costs

Kampong Cham has built a business registration system that is the most efficient in the country – represented by low license fees, limited requirements for special licenses and permits and fast overall registration time.

Entry Cost indicator	Days*	Fee, \$*
Provincial Registration Certificate	10	3.75
Provincial Operating License	7	2.25
Patent Tax Certificate	15	5.50

* Median

Most Secure Property Rights

Kampong Cham ranked first on Property Rights – we do all that we can to ensure the formal rights of businesses to operate and secure land tenure – and **we do it better than any other province.**

Property Rights indicator	Firms
Hold documentation for household or business land	92%
Solid land titles	36%
Consider expropriation is often or always a risk	0%
Consider material change in rental contracts is high or very high	14%
Renting from governments	0%

5. The IFC-TAF 2006 Provincial Business Environment Scorecard in Cambodia surveyed 500 businesses in ten provinces: Phnom Penh, Siem Reap, Kampot, Battambang, Kampong Cham, Kandal, Banteay Meanchey, Svay Rieng, Kampong Chhnang, and Sihanoukville.

Most Transparent Policies and Regulations

Companies in Kampong Cham have the best access to all planning and legal documents necessary to run their business. These documents are equitably available and new policies and laws are communicated to companies and predictably implemented.

Applications for, and information about, registration and operating licenses are readily available in the foyers of the offices of our Department of Commerce and Department of Industry, Mines, Energy. Unlike other provinces, it is not necessary to contact a provincial official to obtain this information.

Lowest Time of Regulatory Compliance

Businesses located in Kampong Cham spend less time on regulatory compliance and waiting periods than in any other province in Cambodia. Our companies also undergo inspections by local regulatory agencies less often than those in other provinces.

Indicator	
Firms spending over 16 days per year on bureaucratic procedures (%)	14
Total annual inspections (median no.)	4
Wait for land title (median days)	30

Highest Private Sector Participation in Policy

Finally, we consult with our businesses more often and more thoroughly than any other province to ensure that your needs and concerns are addressed in provincial policy development.

We take great pride in having established an environment that supports the needs and interests of our businesses and look forward to welcoming more progressive and innovative businesses to our province.

2. Location – Cambodia's Central Transport Hub

Kampong Cham is located in the heart of the country while also sharing a border with Vietnam. Its close proximity and shared border with Vietnam provides efficient access to a large market for the province's agricultural products - a number of products, including rubber and agricultural products, are exported in significant quantities from, or through, the province to Vietnam.

The province has excellent transport infrastructure and is a trade and transportation hub, serving a number of areas of Cambodia through different transport modes.

WHY KAMPONG CHAM?



Cambodia - Kampong Cham Province Travel Time by Road from Provincial Capital



Arrows indicate estimated travel time by road in hours
Driving times to Bangkok and Ho Chi Minh City do not include border crossing time

Road Network

Kampong Cham is served by 11 national roads, running for 440km (nearly 11% of Cambodia's total). As a result, the province has twice as many kilometres of high quality national roads per square kilometre of area than the national average.

Kampong Cham capital is a short two-hour drive from Phnom Penh and only 4.5 hours from Ho Chi Minh City. Trade with Vietnam is supported by 6 border entrances (1 international border check point, 1 bilateral and 4 regional).

Rail

The Royal Government of Cambodia has begun work to build a railway line from Kandal, through Kampong Cham, to Loc Nihn in Vietnam. This 255km line will further improve transportation and trade between Kampong Cham and Vietnam.

River

Kampong Cham is situated along the Mekong River, which flows from Laos through north-eastern Cambodia and into Vietnam. Ideal for travel and bulk product transport, the river has long been a key element of the provinces identity and transportation network.

3. Leading Special Economic Zone to encourage profitable trade

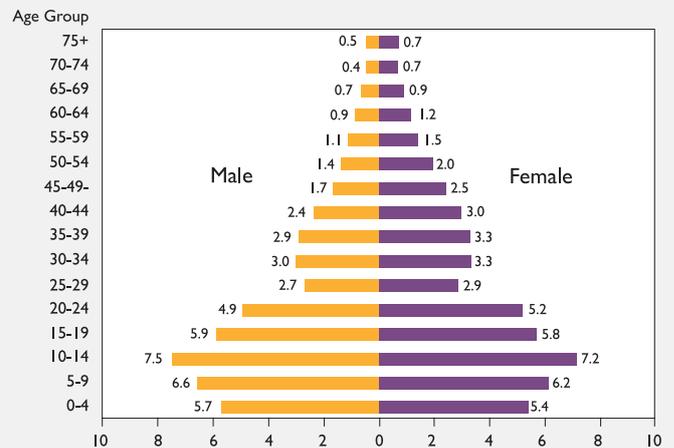
Kampong Cham is home to the Thary Kampong Cham Special Economic Zone. Located in Memot district, this 142 hectare site is only 160km from Ho Chi Minh City and provides the following additional benefits:

- Streamlined licensing
- Tax holidays of between 3 to 6 years
- Full import duty exemption
- No export taxes
- World-class infrastructure
- 10% cheaper electricity and water

4. Labor Force – large, young, educated, inexpensive

Outside of the national capital, Kampong Cham is Cambodia's most populous province with 1.7 million people. With almost 60% of the population under the age of 25, our workforce is young, enthusiastic and educated.

Favorable demographics⁶



Provincial literacy and secondary school enrolment rates are well positioned nationally, with 425,000 students attending Kampong Cham's 763 primary schools, 86 secondary schools and 40 high schools.

Spending on primary education as a share of GDP has increased significantly in Cambodia in recent years, and is now on a par with Thailand. Kampong Cham is no exception to this. The government plans to continue increasing education spending.

6. Chart is for all Cambodia. Source: National Institute of Statistics, Cambodia Inter-Censal Population Survey 2004.

KEY PROVINCIAL INDUSTRIES



Given our strong educational system, it is not surprising that Kampong Cham's labour force is relatively developed with 31% employed in the industry and service sectors.

We take pride in having leading human resources to support our businesses and believe this is one of our strongest competitive advantages – let our people help grow your enterprise.

5. Strong Financial Services Sector

The financial services sector in the province is well developed. Five banks serve the province with 23 branches – more bank branches than any other province outside Phnom Penh.

We also account for the largest microfinance loan portfolio outside the capital – our businesses are provided the capital they need to make productive investments.

6. Ample, High-Value Real Estate

We support and are active in working with companies to secure appropriate and sustainable land concessions. To date, businesses in our province have secured over 14,600 ha for production of critical crops and bi-products.

Land concessions granted

Company	Use	Size (ha)
Men Sarun Co.	Rubber and other crops	4,400
Merng Liheng Co.	Na	3,000
Vann Ma Co.	Agriculture and agro-industry	1,200
Bigi Mexico Sothy Aphivath Co Ltd	Rubber and cashew	980
Heng Chay Ngim Aphivath	Rubber and other	600
Thary Aphivath	Rubber	832
Heng Sok Nguon Investment	Rubber	832
Agrostar	Cashews and animal raising	1,993
Khmer Le Tech	Rubber and rubber processing	60
Kobe Bussan Cambodia	Vegetables for export	1,800

7. Diverse Electricity Supply

Kampong Cham is supplied with electricity from a number of sources. The state-owned EDC, in conjunction with GTS, produces electricity at three plants; in Kampong Cham town, in Memot, and in Ponhear Kraek. In addition, 36 independent power producers operate within the province. A third important source of electricity is imports from Vietnam — to Memot and to Por Ngekrek.

Electricity supply throughout the province is expected to improve with imports from Vietnam increasing over the next one to two years.

Electricity in Kampong Cham town costs 950 riel per kWh (around US\$0.23/kWh). Electricity imported from Vietnam costs 650 riel per kWh.

Key Provincial Industries

Our success at supporting an active and vibrant business sector has made Kampong Cham a leading destination for enterprises in the country. Today, we are proud to have over 3,000 private enterprises operating in Kampong Cham, including:

Activity	Number of enterprises	Number of employees
Rubber processing	27	na
Textiles	2	2,000
Cashew processing	2	650
Oil processing	1	50
Tapioca starch	2	125-150
Vegetable processing	2	100-150
Garment manufacturing	2	1,900
Beverage production	1	300
Electricity from biomass	1	na
Animal feed	1	35-65

The output of many of these businesses is exported to Vietnam.

The province is home to two tapioca starch factories (Seav Fong Development Agriculture Co. and Sun Ath Aphivath), each with a capacity of around 2,200 tonnes per year.

Our province is also home to leading multinational firms who have recognized the benefits of operating in the province. British American Tobacco, among others, is active in Kampong Cham working with roughly 800 local farmers in the production of tobacco leaf.

Japanese investors are currently building a vegetable processing plant in Kampong Cham, adding further value to Cambodia's largest vegetable crop.

Our manufacturing base is developing. Two garment factories are operational in the province, one in Kampong Cham town and one at the Vietnamese border in Mermot.

Kampong Cham also has suppliers of animal feed, agricultural machinery and fertiliser, rice millers, brick manufacturers, furniture makers and other small industrial operations.

Many small business operate in our province, with nearly 1,000 registered at our provincial office. In addition, there are



thousands of micro enterprises. These are involved in:

- Rice milling;
- Power generation;
- Furniture production;
- Handicrafts;
- Machinery repair;
- Wholesaling and retailing;
- Hospitality; and
- Health services.

Business Opportunities

Our province provides a myriad of opportunities for new businesses, as evidenced by the types of companies already operating here. We see significant opportunity for businesses to take advantage of our competitive strengths through further investment in:

- **Agriculture.** We have abundant land (80% of which is very fertile), farm labor, draft animals and groundwater sources. For example, one hectare in Kampong Cham can yield up to 40 tonnes of cassava, worth around \$2,500. A newly opened bio-ethanol plant in Kandal will use cassava from Kampong Cham and other provinces, increasing demand for this crop.
- **Agri-business,** particularly food processing. We significant scope to add value to our large and diverse agricultural output. New cassava and tapioca starch factories have been successful in Kampong Cham and there is scope for more capacity.
- **Aquaculture.** We have natural water sources, and existing knowledge and skills in this industry. Many rice farmers in Kampong Cham are keen to raise fish in their fields, if they can acquire sufficient fry. The Oceans King Company plans to build a fish-food factory in Phnom Penh, increasing local demand for fish.
- **Light manufacturing,** including garments. Abundant inexpensive labor, infrastructure and supportive business environment.

Ongoing Developments

Although we are proud of our accomplishments, we are not done strengthening and improving our investment attractiveness. We remain active in building our business infrastructure and attracting leading business enterprises to our home. Some of the key developments under way include:

- The Royal Government of Cambodia's Diagnostic Trade Integration Strategy. Under this program, many of Kampong Cham's products receive additional support. Products identified under this strategy include garments, footwear, light manufacturing, rubber, fisheries, cassava, rice, silk, and transport. Assistance includes trade facilitation and investment promotion, legal reforms, and the building of management capacity and local expertise.
- A number of development partners are aiding Kampong Cham's private sector development in key industries:

Project	DP	Sector
Improving Understanding and Management of Rice Pathogens	ACIAR	Rice
Farming Systems Research for Crop Diversification in Cambodia and Australia	ACIAR	Non-rice upland crops
Cambodia Australia Agricultural Extension Project Phase II (CAAEP II)	AusAID	Agriculture
Agriculture Marketing Information Service (AMIS) Project	CIDA	Fruits & Vegetables
SPFS Support Livelihood Diversification and Natural Resource Management by Small Group Enterprises	FAO/OPEC	Small livestock, honey, mushroom, food processing, sustainable natural products
Private Sector Promotion	GTZ	Cashews, organic rice, silk, ICT
Cambodia Micro, Small, and Medium Enterprise (MSME) Project	USAID	Livestock, aquaculture, agro-processing, and clay tiles

WANT TO LEARN MORE ?



Want to learn more?

For more information on investment opportunities and development in Kampong Cham, please contact:

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www.cambodiainvestment.gov.kh
www.investincambodia.com

The Council for the Development of Cambodia -
Cambodian Investment Board
Tel: (855) 23 981 154
www.cambodianinvestment.gov.kh

National Institute of Statistics:
www.nis.gov.kh

National Ministries

Ministry of Commerce:
www.moc.gov.kh

Ministry of Economy & Finance:
www.mef.gov.kh

Ministry of Industry, Mines & Energy:
www.mine.gov.kh

Ministry of Labor and Vocational training:
www.mlv.gov.kh

Ministry of Land management, Urban Planning & Construction:
www.mlmupc.gov.kh

Ministry of Posts & Telecommunication:
www.mptc.gov.kh

Ministry of Public Works & Transport:
www.mpwt.gov.kh

Ministry of Tourism:
www.mot.gov.kh

Ministry of Agriculture, Forestry and Fishery:
www.maff.gov.kh

Other

Garment Manufacturers Association of Cambodia:
www.gmac-cambodia.org

The Government-Private Sector Forum:
www.cambodia-gpsf.org

Phnom Penh Chamber of Commerce:
www.ppcc.org.kh

Phnom Penh Small and Medium Industry Association
www.smecambodia.org

STATISTICS

Kampong Cham at a glance

Population:	1802,546
Aged 15-64:	57%
Proportion employed in Agriculture:	67%
Provincial poverty ranking:	12/24
Land area:	9,799 km ²
Population density: (% of National Average)	247%
Number of Districts:	16
Number of Communes:	173

Kampong Cham's soils

Type: wide variety, from Brown Alluvial Soils, Alluvial Lithosols and Alumisols to Grey Hydromorphics and Latosols
Fertility level: high

Cambodia Tax Rates		
Profit tax	normal	20%
	incentive rate	0% or 9%
Minimum tax		1% of turnover
Withholding tax		15%
Income from property rental		10%
Payment to non-residents		14%
Tax on salary (riel per month)		
0-500,000		0%
500,001-1,250,000		5%
1,250,001-8,500,000		10%
8,500,001-12,500,000		15%
12,500,001 +		20%
Non-residents	flat rate	20%
Fringe benefits tax		20%
Value added tax		10%
	exports	
Property transfer tax		4%

Cambodian macro-economic data	2005	2006	2007	2008f	2009f
GDP growth (%)	13.5	10.8	9.6	6.5	6.0
Exports growth (%)	12.6	19.2	8.1	5.6	8.5
Exports (% GDP)	64.2	68.0	66.7	65.7	66.1
FDI (\$m)	375	475	598	660	759
FDI (% GDP)	6.0	6.5	6.9	6.7	6.8

Business costs

Land	Sale (per sq.m)
Phnom Penh	\$350-\$2,000
Commercial land	\$30-\$100
Other area	\$4-\$30
Rural	\$0.50-\$5
Office space	Rent per month
Prime	\$9-11/sq.m
Secondary	\$6-8/sq.m
Factory rental	\$1.50-\$2.50/sq.m per month
Warehouse rental	\$1.00-\$2.50/sq.m per month

Electricity tariffs in Phnom Penh (excl. SEZs)

Industrial	kWh/month	Tariff (riel/kWh)
	<45,000	600
	45,000-130,000	550
	>130,000	500
	Medium voltage	480
Commercial	<45,000	650
	45,000-130,000	600
	>130,000	500
	Medium voltage	480

Industrial gas supply	\$0.32/kg
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Labour costs	Salary, \$ per month
Senior Manager	1,000-1,500
Middle Manager	500-1,000
Entry level Manager	240-400
Accountant	250-400
Secretary	120-150
Office clerk	100-120
Driver	100-120
Janitor	50-80
Laborer	50-80
Garment worker minimum wage	60

KAMPONG CHAM PROVINCE

INVESTMENT PROFILE

