



ក្រុមប្រឹក្សាអភិវឌ្ឍន៍កម្ពុជា
Council for the Development of Cambodia

A SNAPSHOT ON INVESTMENT CLIMATE & REGULATORY FRAMEWORK FOR INVESTMENT IN CAMBODIA

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Raffles Le Royal , 02 October 2019

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1. INVESTMENT ENVIRONMENT IN CAMBODIA



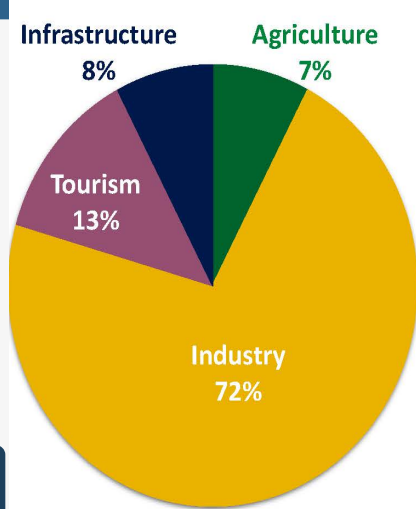
INVESTMENTS BY COUNTRY

4

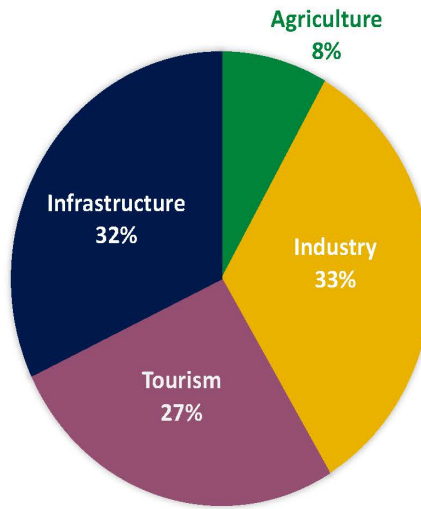
Year	2015		2016		2017		2018		2019 (as of August)	
Total	\$4.6 Billion		\$3.6 Billion		\$6.3 Billion		\$6.4 Billion		\$6.1 Billion	
Rank	Country	%	Country	%	Country	%	Country	%	Country	%
1	Cambodia	69.28	China	29.92	Cambodia	50.68	China	53.24	Cambodia	62.81
2	China	18.62	Cambodia	27.55	China	25.97	Cambodia	29.77	China	31.57
3	U.K	3.00	Japan	22.78	Vietnam	9.20	Japan	13.08	BVI	2.39
4	Singapore	2.18	Thailand	4.61	Malaysia	4.37	Thailand	0.76	Thailand	1.19
5	Vietnam	1.92	Korea	4.59	Singapore	4.12	BVI	0.73	Singapore	0.49
6	Malaysia	1.61	US	3.38	Korea	3.20	Malaysia	0.65	UK	0.42
7	Japan	1.28	Singapore	3.38	Japan	1.00	Samoa	0.64	Korea	0.34
8	Thailand	1.18	Vietnam	2.45	UK	0.88	Singapore	0.26	Malaysia	0.16
9	Korea	0.21	UK	0.60	Thailand	0.25	UK	0.22	US	0.12
10	Canada	0.19	India	0.55	BIV	0.12	Korea	0.22	Netherlands	0.11
11	Others	0.52	Others	0.53	Others	0.21	Others	0.45	Other	0.40

Source: Council for the Development of Cambodia, 2019

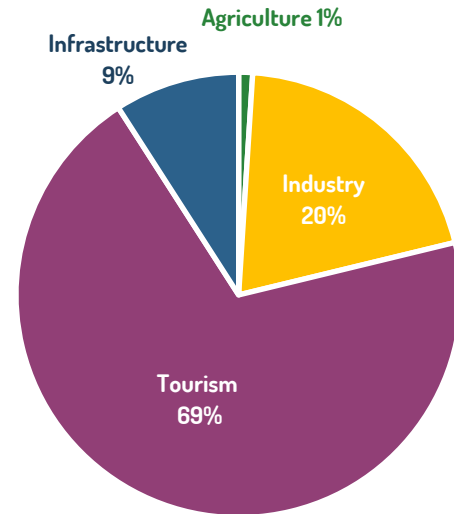
INVESTMENTS BY SECTOR



2014



2014-2018



As August 2019

Source: Council for the Development of Cambodia, 2019

INVESTING IN SPECIAL ECONOMIC ZONES

6



STATUS OF SEZ IN CAMBODIA

Approved by Sub-Decree	30
Operation	23
SEZ Administration	18
Investment Project (2018)	80 Projects
Investment Capital (2018)	742 Million USD
Export Volume (2018)	Approx. 2 Billion USD

Source: Council for the Development of Cambodia, 2019



Source: Council for the Development of Cambodia, 2019

Council for the Development of Cambodia (CDC)

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Council for the Development of Cambodia



**One-Stop
Service**



**Investment
Incentives
and
Supports**



**Investment
Aftercare
Service**

2. REASONS TO INVEST IN CAMBODIA

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Open economy

Equal treatment of all investors

- No requirement of local equity participation
- Least restriction on sectors for investment
- No price controls on products or services
- No restriction on foreign currencies conversion



Competitive investment incentives

- Low corporate tax: 20%
- Tax holiday: 0% up to 9 years
- Full import duty exemption (production equipment and machineries, contraction material, production inputs)



Sound macroeconomic environment

- 6th fastest growing economy in the world during the last two decades (average growth rate: 7.7%)
- Low & manageable inflation rate (under 5%)
- Stable exchange rate (USD 1 = 4000 ± 5%)



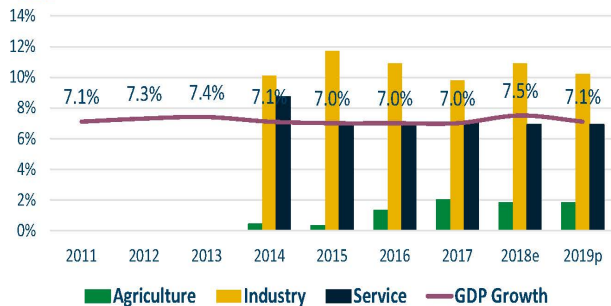
One-stop service

- Information & Application
- Fast-Track Investment Approval Process: all documents will be processed within only 28 working days.
- Customs Duty & Tax Exemption
- Visa & Work Permit

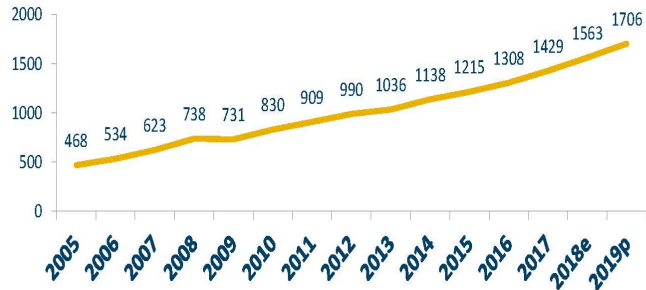
ECONOMIC INDICATORS



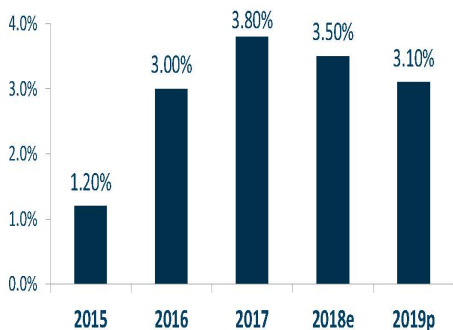
GDP Growth by Sector (2011-2019)



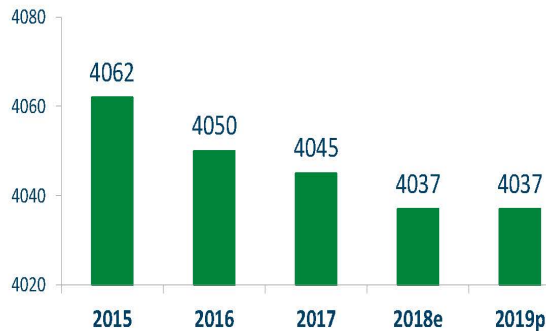
GDP Per Capita (2004-2018)



Low & Manageable Inflation



Stable Exchange Rate (USD-Riel)

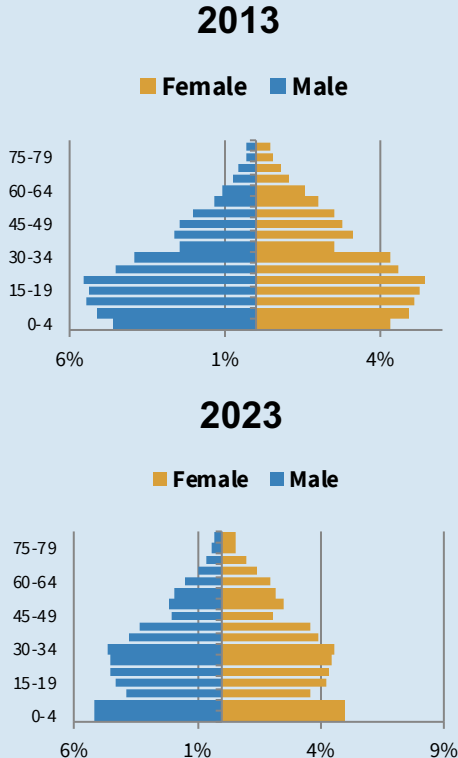


Source: Ministry of Economic and Finance

2. REASONS TO INVEST IN CAMBODIA

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Young and Dynamic Population



Competitive labor force

- Reasonable wage: (minimum wage in 2019: \$182)
- Young and dynamic labor force (72% of whole populations are under 35 years old)



Strategic location

- Center of ASEAN: flight time average only 1:30 hour to other ASEAN countries



Market access and preferential trading status

- ASEAN Market (AEC)
- ASEAN + China, Japan, Korea, India, Australia & New Zealand (RCEP)
- Market Access: US, EU, Japan etc.
- GSP



RCEP

REGIONAL
COMPREHENSIVE
ECONOMIC
PARTNERSHIP



**ASEAN Economic Community
Prospective Regional Comprehensive Economic Partnership
(RCEP)**

3. REGULATORY FRAMEWORK FOR INVESTMENT

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1. Domestic Law and Regulations (one size fits all)

- Law on Investment (1994, 2003)
- Sub Decree No.111
- Sub Decree No.148

2. International Instruments

- ASEAN Comprehensive (ACIA-2009)
- Bilateral Investment Agreements (28)

SUBSTANTIAL COMMITMENTS

1. Market Access

- Annex of Sub Decree No.111 provides Negative Lists that apply to all.
- No Distinction between Foreigners and Khmer regarding SEZ Development

2. Guarantee and Protection

- Fair & Equitable Treatment
- Non-Discrimination
- Free Transfer of Payment
- No Expropriation or Nationalization
- Most Favored Nation & National Treatment
- Compensation for Losses
- Disputes Settlement Mechanisms

4. REGULATORY INITIATIVES AND SUBSTANTIAL REFORMS

Regulatory Initiatives as guided by IDP (2015-2025)

- **Law on Investment [Draft]**
- **Special Economic Zone Law [Draft]**



5. CAMBODIA INDUSTRIAL DEVELOPMENT POLICY 2015-2025



រាជរដ្ឋាភិបាលកម្ពុជា
Royal Government of Cambodia

**គោលនយោបាយអភិវឌ្ឍន៍វិស័យ
ឧស្សាហកម្មកម្ពុជាឆ្នាំ ២០១៥-២០២៥**
Cambodia Industrial Development Policy
2015 - 2025

« តម្រងទិសទីផ្សារ និងបង្កើតលក្ខខណ្ឌអំណោយផល
ដើម្បីជំរុញការអភិវឌ្ឍវិស័យឧស្សាហកម្ម »
“Market Orientation and Enabling Environment for
Industrial Development”

បានទទួលការយល់ព្រមពីគណៈរដ្ឋមន្ត្រី
ក្នុងសម័យប្រជុំពេញអង្គ ទី១៧ ថ្ងៃ ខែ ឆ្នាំ ២០១៥
Approved by the Council of Ministers
at its Plenary Meeting on 06 March 2015



រាជរដ្ឋាភិបាលកម្ពុជា

រោងចក្រកំណត់
ស្តីពីវិធានការនៃការអនុវត្ត
គោលនយោបាយអភិវឌ្ឍន៍វិស័យឧស្សាហកម្មកម្ពុជា
ឆ្នាំ ២០១៥-២០២៥
ពិតប្រាកដថ្ងៃ ្នាំ ២០១៦

បានទទួលការយល់ព្រមពីគណៈរដ្ឋមន្ត្រី
ក្នុងសម័យប្រជុំពេញអង្គ ទី១៧ ថ្ងៃ ខែ ឆ្នាំ ២០១៥ ព.ស. ២៥៥១
ក្នុងសម័យប្រជុំពេញអង្គ ទី១៧ ថ្ងៃ ខែ ឆ្នាំ ២០១៥



VISION

- New growth strategy
- A transformation and modernization of Cambodia's industrial structure from a labor-intensive industry to a skill-based industry by 2025

BY

- Connecting to regional and global value chain
- Integrating into regional production networks and developing clusters
- Strengthening competitiveness and improving productivity of domestic industries
- Marching toward developing a modern technology and knowledge-based industry

Strategic Framework and Policy Measures

1) Key Strategies (four pillars)

- *First Pillar: attracting FDS and mobilizing domestic private investment...*
- *Third Pillar: improving the legal environment to enhance competitiveness by way of improving investment climate and promoting trade facilitation...*

2) Policy Measures and Action Plans

- Review and amend the Law on Investment and other relevant regulations..
- Further strengthen favorable environment for investment and doing business by improving the regulatory framework, rationalizing the provision of

IDP PRIORITY SECTORS



NEW INDUSTRIES

Machinery assembly, mechanic/electronic/electric equipment assembly, means of transport assembly and natural resource processing

01



SMES IN ALL SECTORS

drugs and medical equipment production, construction materials, packaging equipment for export, furniture manufacturing and industrial equipment, etc.

02



AGRO-INDUSTRIAL PRODUCTION

For export and domestic use

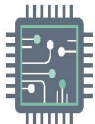
03



VARIOUS TYPES OF SUPPORTING INDUSTRIES

agriculture, tourism and textile sectors as well as for industries serving regional production chains with either global markets or global value chains

04



INDUSTRIES OF FUTURE STRATEGIC IMPORTANCE

ICT, energy, heavy industries, cultural/historical/traditional handicraft, and green technology

05

6.1 Key Features of new LOI (Draft)

1. Incentive for CSR:

- R&D
- Training Cambodian employees
- Employee's welfare.

2. Incentive for QIP invests in sectors:

- Logistic
- Management and protection of Environment
- Education and Vocational Training

3. Incentive for QIP Expansion

*Remark: - (draft) new LOI stipulate to confirm what QIPs are entitled to in according with Law on Taxation.
- (draft) new LOI enable government to provide incentives through Law on Financial Management on certain investment activities that will potentially contribute to Cambodia's Economy.*

4. Enhancing effectiveness and efficiency of One-Stop Mechanism through strengthening the CDC's role in facilitated and coordinated with concerned Ministry-Institution in issuing licenses for Investor.

5. Simplification of legal procedure, required documents for investment registration

6. Inclusion of Cambodia's International Obligations:

- National Treatment Obligation
- Most Favored Nation Treatment Obligation
- Prohibition of Performance Requirement

7. The After-Care Service.

Note: all is draft but subject to policy decision to be made.

6.2 Key Features of SEZ Law (Draft)

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1. **SEZ Development Projects will be entitled to incentives as provided by new LOI [Draft]**
2. **Additionally, Incentives will also include:**
 - Simpler requirement for Environmental Protection Agreement.
 - Simpler requirement to get approval on industrial standards etc.

7. RECENT REFORM MEASURES TO IMPROVE BUSINESS ENVIRONMENT AND COMPETITIVENESS



Recent Reform Measures

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1. Reduce the electricity cost by 2 cents/Kwh from 2019
2. Withdraw CAMCONTROL agents from all the ports of entry
3. Cancel the issuance of CO (Certificate of Origin) for goods exported to countries that do not require CO
4. Terminate the mandate of Kampuchea Shipping Agency and Brokers (KAMSAB)
5. Prepare the online procedure on VAT Refund and VAT Credit by General Department of Taxation (GDT)
6. Reduce scanning fees for the export and import of garment, footwear, and rice sector
7. Implement the Prakas on Public Services of General Department of Customs and Excise (GDCE) for working days and holidays
8. Reduce public holidays by 7 days starting from 2020
9. **Finalize the draft of Law on Investment and Law on Special Economic Zone by the 2nd Quarter of 2019**



Thank you

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