

KAMPONG THOM PROVINCE

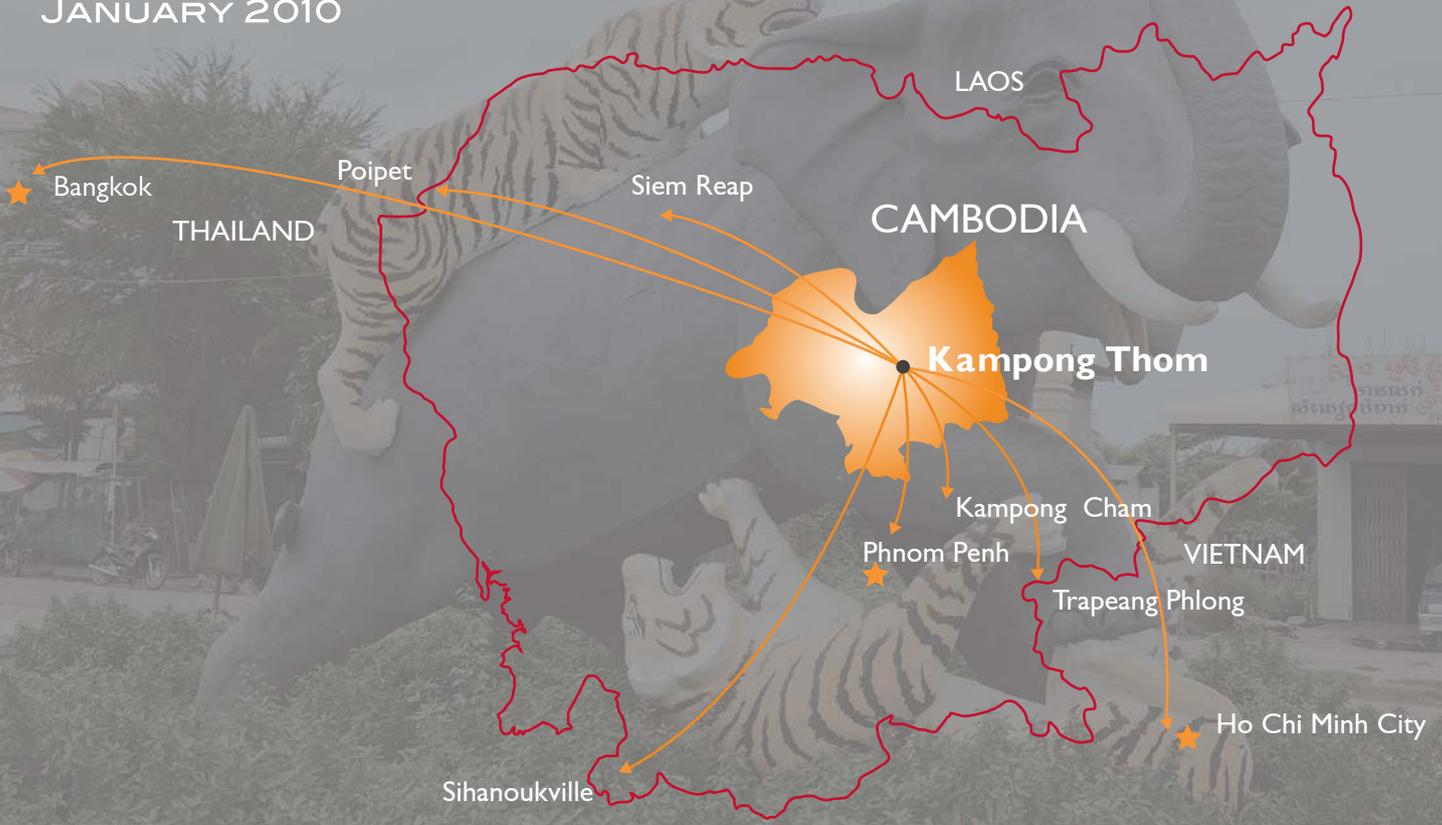
INVESTMENT PROFILE



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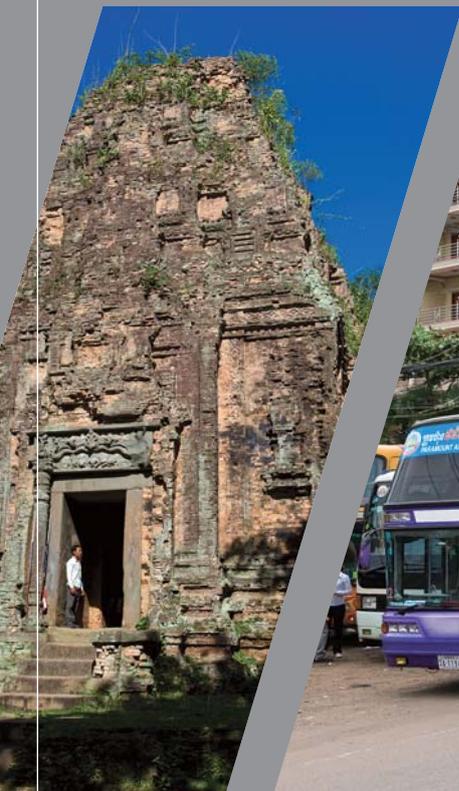


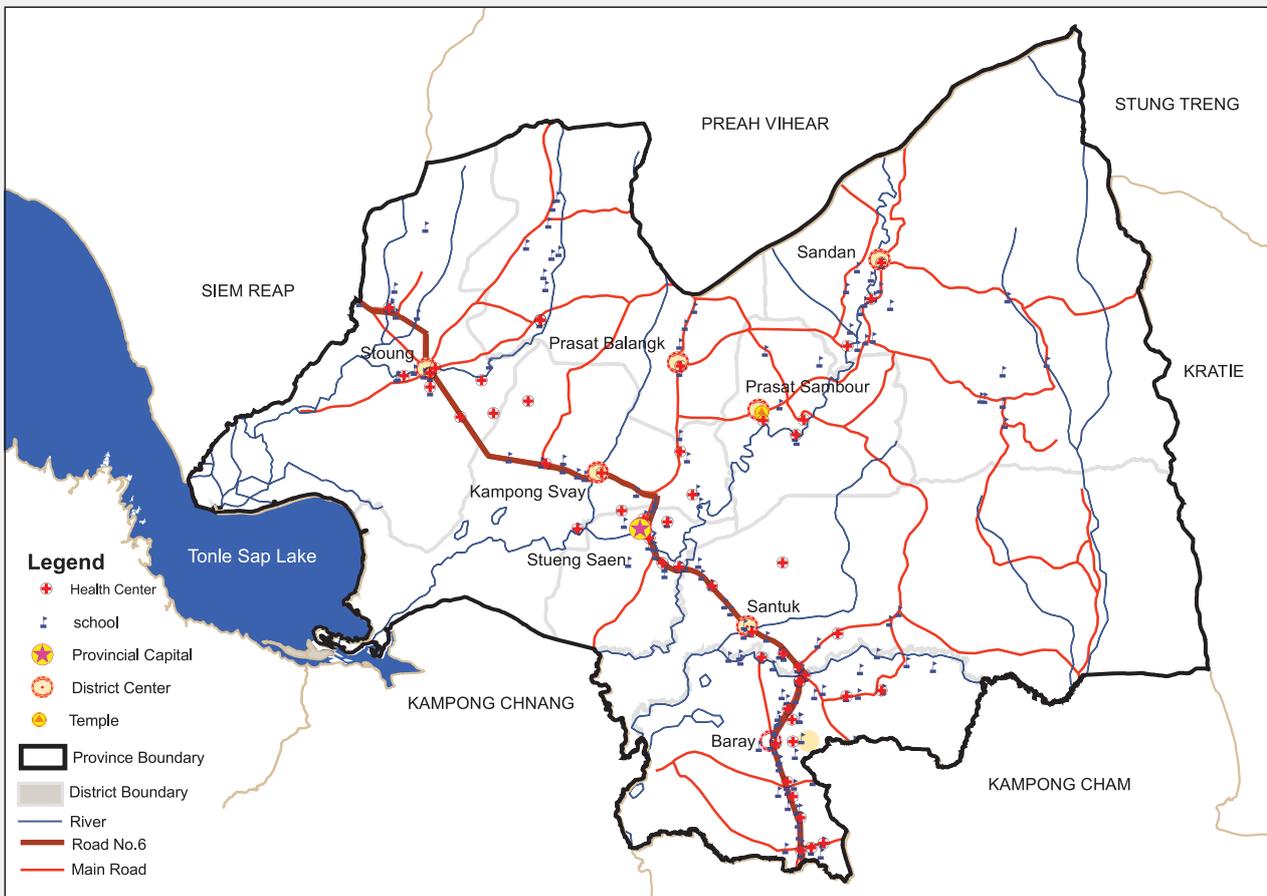
JANUARY 2010



KAMPONG THOM

Untapped Commercial Potential





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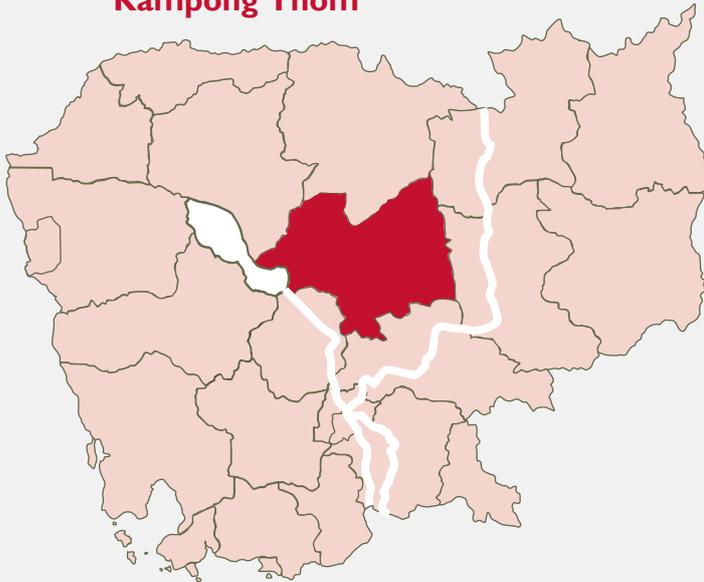
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Kampong Thom



Greetings from His Excellency the Governor

January 2010

Kampong Thom Province is located in the middle of the Kingdom of Cambodia, along National Road No. 6, 168 kilometres from Phnom Penh. The central town of Kampong Thom is Stung Sen. The population density of the province is 48 people per square kilometre and 80% of the population works in agriculture.

The geography of the province is divided in two parts. The first is to the north of the national road, with highland Ultisols soils suitable for long-term and short-term agro-industry crops. The second part to the south of the national road is highly fertile lowland soils running to the banks of Tonle Sap Lake. As a result of these fertile soils, Kampong Thom has very productive agricultural and agro-industrial sectors. Good roads and waterways facilitate transportation through the province. Moreover, Kampong Thom has many temples which were built before the prosperous Angkor era by our Cambodian ancestors— Sambor Prei Kuk temple, Kuk Norkor temple and other temples that attract national and international tourists.

In order to continue growing our economic base, the province has added considerably to its key infrastructure, enhancing our trade potential. In particular, the provincial authority has worked hard to develop the province and to provide the possibility for greater trade in all sectors. The province has also improved leadership and governance in accordance with a public administration reform strategy in order to better provide services to our people, to attract more investors, and to support all existing enterprises in the province.

We are very excited by the economic potential of the province and welcome all investors who are growing their businesses. We are open to new national and international investors.

We always welcome and look forward to cooperating with new investors opening businesses in Kampong Thom and in participating in the development of our province.

Sincerely,

H.E. Chhun Chhorn

Governor, Province of Kampong Thom



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.
- Ranked ahead of China, India, Vietnam and Indonesia for economic freedom.¹
- Equal treatment of all investors.
- Ranked ahead of Philippines, China and Vietnam for protecting investors.²
- No price controls on any products or services.
- No foreign exchange controls or restrictions on convertibility.
- No restriction on capital repatriation.
- First low-income country to join the WTO.
- 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 & Productive Labor

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.

1. Heritage Foundation, 2009 Index of Economic Freedom. <http://www.heritage.org/index/>
 2. World Bank, Doing Business 2009. <http://www.doingbusiness.org/>
 3. ILO, ‘Labour and Social Trends in ASEAN 2007 - Integration, Challenges and Opportunities’, 2007.

Labor cost in the garment industry (2008)

Country	Hourly wage rate (US\$)
Thailand	1.29-1.36
Malaysia	1.18
China, prime	1.08
China, coastal	0.86-0.94
China, remote	0.55-0.80
Indonesia	0.44
Vietnam	0.38
Cambodia	0.33

Source: Jassin-O'Rourke Group, Global Apparel Manufacturing Labor Cost Analysis 2008.

“Like China and India in earlier periods, Cambodia has been identified as a location with a promising future for manufacturing investment, primarily due to the wide availability of low-cost labour and its falling country risk premium ... it also benefits from relative proximity to the West Coast of the US.”

- PriceWaterhouseCoopers.

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.



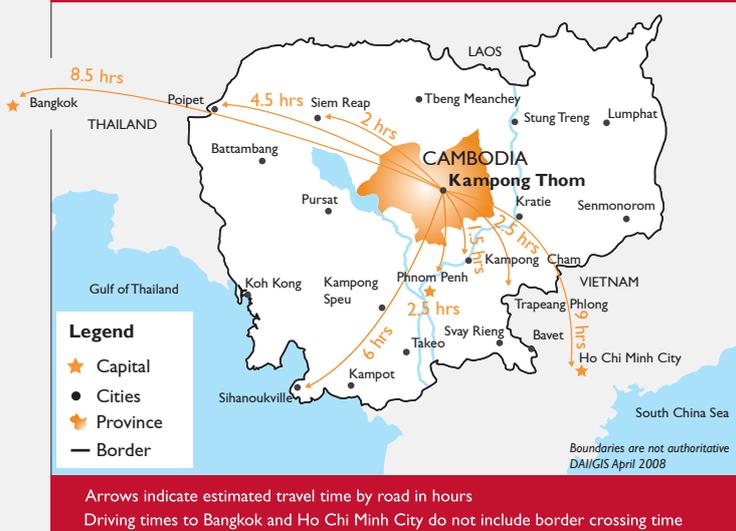
Why Invest in Kampong Thom?

1. Strategic Location

Kampong Thom is strategically located midway between Phnom Penh and Siem Reap, connected to each by National Road #6, which runs through the heart of the province.

The province has excellent transport infrastructure. Kampong Thom also serves as the gateway to the northern province of Preah Vihear, home to the UNESCO World Heritage-listed Preah Vihear temple.

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



Waterways

Kampong Thom province is on the north bank of the great Tonle Sap Lake providing enterprises located in the province a cost effective waterway to transport their productions to ports further south on the Tonle Sap river.

Kampong Thom town sits on the Sen River, which flows from Cambodia's northern border with Thailand to the Tonle Sap lake. Kampong Chhnang can be reached by water in around 3 hours.

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

Our workforce is young, enthusiastic and educated. Over 46% of our 670,000 people are under the age of 18, so our labor force will continue to grow.

We have over 160,168 students (one-quarter of the province's population) attending our primary schools and secondary schools.

A number of universities and vocational training institutes operate in the province. The Cambodian government plans to continue increasing education spending.

Educational Institution	Number
Kindergarten	81
Primary School	435
Secondary school	64
Post-secondary	19
Technical training school	1
Vocational training centre	2

Unskilled labor in Kampong Thom costs around \$60 to \$80 per month (plus food and accommodation in some cases).

3. Ample, High-Value Real Estate

Kampong Thom is a very large province, accounting for nearly 8% of Cambodia's territory.

Although much of the province is forested, particularly in the north, land is available for agriculture. Land concessions are available, including 100,000 hectares in San Dan district.

Good agricultural land close to main roads and with dry season irrigation costs around \$30,000-\$40,000 per hectare, while cheaper good land is available for \$5,000 - \$7,000 per hectare.

4. Competitive Electricity Supply

Kampong Thom is well-served with reliable electricity, and supply is expected to increase over the next few years.

Research is being conducted into the potential for hydro generation on the Sen River near the border with Preah Vihear prov-

Road Network

Kampong Thom capital is only 2.5 hours drive from Phnom and 2 hours from Siem Reap. It is also only 2.5 hours from the Vietnam border near Memot, enabling efficient transport of goods to Cambodia's massive neighbor.

The province is served by three national roads, running for over 220km (around 5% of Cambodia's total). The most important of these is National Road #6, which connects Siem Reap to Phnom Penh. An estimated average 4,790 vehicles travel along this road each day.

Road conditions throughout the province have significantly improved in recent years and local businesses report improvements in transport times and costs.

Road #62 north to Preah Vihear province is being upgraded. This work is expected to be completed in 2011, which will enable tourists from Phnom Penh and Siem Reap to efficiently access that province's historical sites via Kampong Thom. Two other new roads are planned, including one in the provincial capital.



ince, which would have an anticipated capacity of 35–45 MW. In addition, the \$350 million dam – which would be one of Cambodia’s largest – would irrigate around 150,000 hectares for dry season crops. Construction is expected to begin by 2011.

There is also scope to construct transmission lines from Kampong Cham to Siem Reap through Kampong Thom, which would deliver electricity imported from Vietnam and Thailand.

Electricity in Kampong Thom town currently costs 1,350 riel per kWh (around US\$0.33/kWh).

5. Low Tax Administration and Burden

Kampong Thom was recently found to have the second-lowest provincial tax administrative burden in Cambodia.

Our ranking was awarded through the 2009 IFC-Asia Foundation Provincial Business Environment Scorecard.⁴ The scorecard measures economic governance and regulatory policy as it relates to supporting an active and vibrant business environment.

We will work to continue to improve our business environment to encourage investment and the economic development of our province.

6. “The most impressive pre-Angkorian monuments in Cambodia”

Kampong Thom offers ancient temples, a picturesque riverside town and the great Tonle Sap Lake - all easily accessible from Phnom Penh and en-route to Siem Reap.

Prasat Sambor Prei Kuk and **Prasat Andet** are the two main pre-Angkorian temples in the province providing a unique historical foundation for the more famous Angkor Wat temples of Siem Reap. Kampong Thom is also home to a number of other significant Angkorian sites.

Sambor Prei Kuk pre-dates Angkor Wat and was constructed in the 7th century. There are over 100 small temples scattered through the forest at the site and these are some of the oldest structures in Cambodia. Currently 4,000 to 5,000 tourists visit the temples each year. The site is 30km from town. Prasat Andet is 29km from town, 2km south of #6.

The **Boeng Tonle Chhmar Wildlife Sanctuary** in Peam Bang commune on the edge of the Tonle Sap Lake is a protected wetland covering 28,000 hectares and is home to a large number of diverse fish and waterbird species, many that are rare or endangered.

Phnom Sontuk is a natural-historical site and the most important holy mountain in the region. Highlights include Buddha images and a series of pagodas, with great views of the surrounding countryside. It is 20km from town.

Prasat Kuha Nokor, one-and-a-half hours (70km) from town, is an 11th century temple that has been maintained in excellent condition.

The dam at **Tumnop Bong Hear Steung Chinot** is a popular site for local tourists with swimming and picnicking.

“Kampong Thom remains the ideal base from which to explore the pre-Angkorian Chenla capital of Sambor Prei Kuk and a gateway to the incredibly remote temples of Preah Kahn, Koh Ker and Prasat Preah Vihear.”

“Sambor Prei Kuk is the most impressive group of pre-Angkorian monuments in Cambodia.”

- Lonely Planet, Cambodia, 2007.

Key Economic Activity

Agriculture

Kampong Thom has a very strong agricultural sector, based on good soil and water supply. Our soil is fertile, particularly in the west and the south of the province.

Kampong Thom is a significant producer of rice, accounting for over 6.5% of Cambodia’s wet season crop. We also have one of the best dry season yields in the country – averaging over 4 tonnes per hectare across 80,000 hectares. Yields and total production have increased over recent years and we expect this to continue with new Kuwaiti investment in irrigation in five of our districts. A group of Cambodian and Malaysian investors believe that the introduction of a new, hybrid rice strain has the potential to triple rice yields.

Rubber is a very important agricultural crop for the province with around 16,000 hectares devoted to rubber plantations for our two major commercial producers.

Kampong Thom is one of Cambodia’s main cashew and peanut growing areas. The best quality cashews are found in our province.

Jatropha and acacia trees are other major provincial crops, as are corn, sesame, mixed vegetables, sugar cane, soy bean and sweet potato.

Industry and Services

Today, we are proud to have over 600 private enterprises operating in Kampong Thom, including:

4. The IFC-TAF 2009 Provincial Business Environment Scorecard in Cambodia surveyed 1,234 businesses from every province in Cambodia.



Activity	Number of enterprises
Large brick manufacturers	6
Roof tile factory	1
Handicrafts (inc. metal)	16
Drinking water	3
Ice factories	4
Potable ice factories	4
Other food processing	1
Restaurants/food stalls	73
Repair shops	80
Professional services (including health)	24
Other services	35
Ceramic hardware	1
Furniture manufacturing	4
Other manufacturing	2
Construction materials	11
Wholesale	6
Grocery retail	51
Other retail	263
Greenhouses/horticulture	9
Animal husbandry	2

Sources: Asia Foundation & IFC, *Listing of Business Establishments in Cambodia's Provincial Towns and Selected Urban Areas, March 2009*; local Departments.

In addition to these, Kampong Thom is one of the main precious gem producing regions in Cambodia, supplying the country's jewellery industry.

Business Opportunities

Our province provides a myriad of opportunities for new businesses, as evidenced by a number of new deals recently signed by Kuwaiti and Korean investors in areas such as rice, irrigation and electricity.

In addition, in early 2009 ACLEDA bank upgraded a district office to a new branch in Baray District, reflecting "the developing economy and improving standard of people's living in Kampong Thom province."⁵

We see significant opportunity for businesses to profit and contribute to our development through further investment in:

Agriculture. We have abundant fertile land, farm labor, and supportive infrastructure. Areas in the east of the province are particularly suitable for crops and our province has significant potential in rice.

Agri-business, particularly food processing. We significant scope to add value to our agricultural output. A large automated rice mill and cassava processing factories are under construction by local investors. A new wine producer is also expected to commence operations soon.

Tourism, particularly capitalizing on Sambor Prei Kuk. Improved roads have helped increase the number of tourists visiting the site and more are expected. Provincial officials are keen to encourage eco-tourism, adding to existing home stays and rural cart trips. There are plans to construct a 5-star hotel and resort at Stung Prey Broh (a beautiful stream). Provincial officials are considering the construction of a cultural village.

Light manufacturing, including garments. Inexpensive labor, sound infrastructure, and supportive business environment form a good base for investment in manufacturing.

Infrastructure, particularly electricity and irrigation. Local officials also believe good opportunities exist water and sanitation and are keen to encourage and support investment in these areas.

5. H. E. Nam Tum, former Governor of Kampong Thom Province, at branch opening, 9th January 2009.



Ongoing Developments

Although we are proud of our accomplishments, we continue to strengthen and improve our investment attractiveness. We remain active in building our business infrastructure and attracting leading business enterprises to our home. Some of the key developments underway include:

- The Royal Government of Cambodia’s Diagnostic Trade Integration Strategy. Under this program, many of Kampong Thom’s products receive additional support. Products identified under this strategy include garments, footwear, light manufacturing, transport and tourism. 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 Thom’s private sector development in key industries:

Project	DP	Sector
Micro, Small and Medium Enterprise Program (USAID Cambodia MSME)	USAID	Clay tiles, aquaculture, swine, water & sanitation, honey, resin, garments, and tourism
Stung Chinit Irrigation Scheme Rehabilitation Project	AFD / ADB	Irrigation
Cambodia Australia Agricultural Extension Project Phase II	AusAID	Agriculture
Cambodia Agricultural Value Chain Program (CAVAC)	AusAID	Rice, Fruits & Vegetables
Private Sector Promotion	GTZ	Cashews, organic rice, silk, ICT
Rural Development Programme Kampot & Kampong Thom	GTZ	Organic rice, organic cashew nuts

Want to learn more?

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

Chief of Cabinet of Kampong Thom

Phone/ Fax : (855) 62 961 338

www.investincambodia.com

The Council for the Development of Cambodia

Cambodian Investment Board

Tel: (855) 23 981 154

www.cambodiainvestment.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

Kampong Thom at a glance

Population:	670,324
Proportion working in Agriculture:	80%
Provincial poverty ranking:	23/24
Land area:	13,814 km ²
Population density: % of National Average:	48 persons/km ² 64%
Number of Districts/Town:	1 town and 7 districts
Number of Communes/Sangkat:	73 Communes and 8 Sangkat

Kampong Thom's soils

Type: The west, south-west and south of the province is lucastrine alluvial soils. The banks of the Stung Sen are alluvial lithosols. Other regions are hydromorphics and podzols.

Fertility level: High (particularly in the south) to medium.

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	fl at rate	20%
Fringe benefits tax		20%
Value added tax		10%
	exports	0%
Property transfer tax		4%

Cambodian macroeconomic data	2005	2006	2007	2008
Real GDP growth (%)	13.5	10.8	9.6	5.5
Exports growth (%)	12.4	26.9	10.7	8.8
Exports (% GDP)	64.2	68.0	66.7	68.8
FDI (\$m)	375	475	867	790
FDI (% GDP)	6.0	6.5	6.9	6.0

Business costs

Land	Sale (aper sq.m)
Phnom Penh	\$350-\$2,000
Commercial land	\$30-\$200
Other area	\$4-\$50
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	55

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