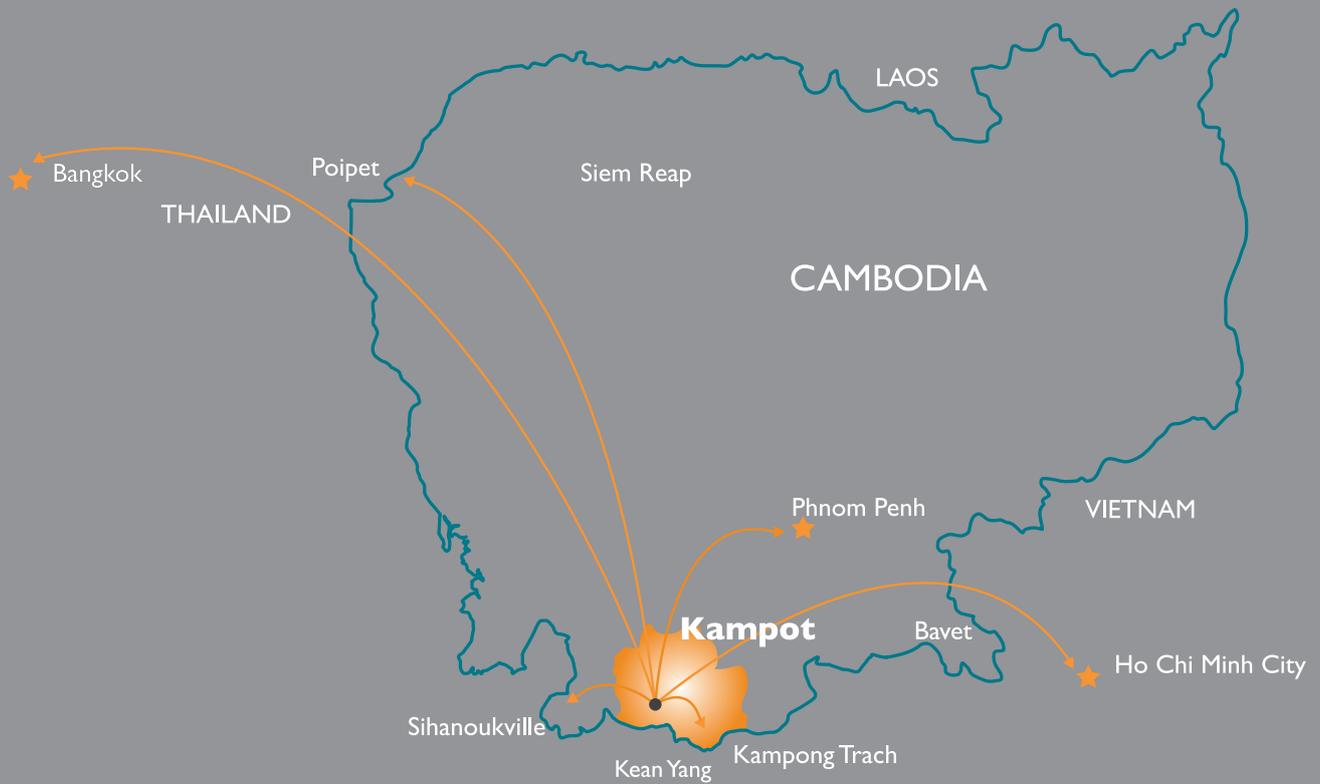


KAMPOT PROVINCE INVESTMENT PROFILE

JANUARY 2010

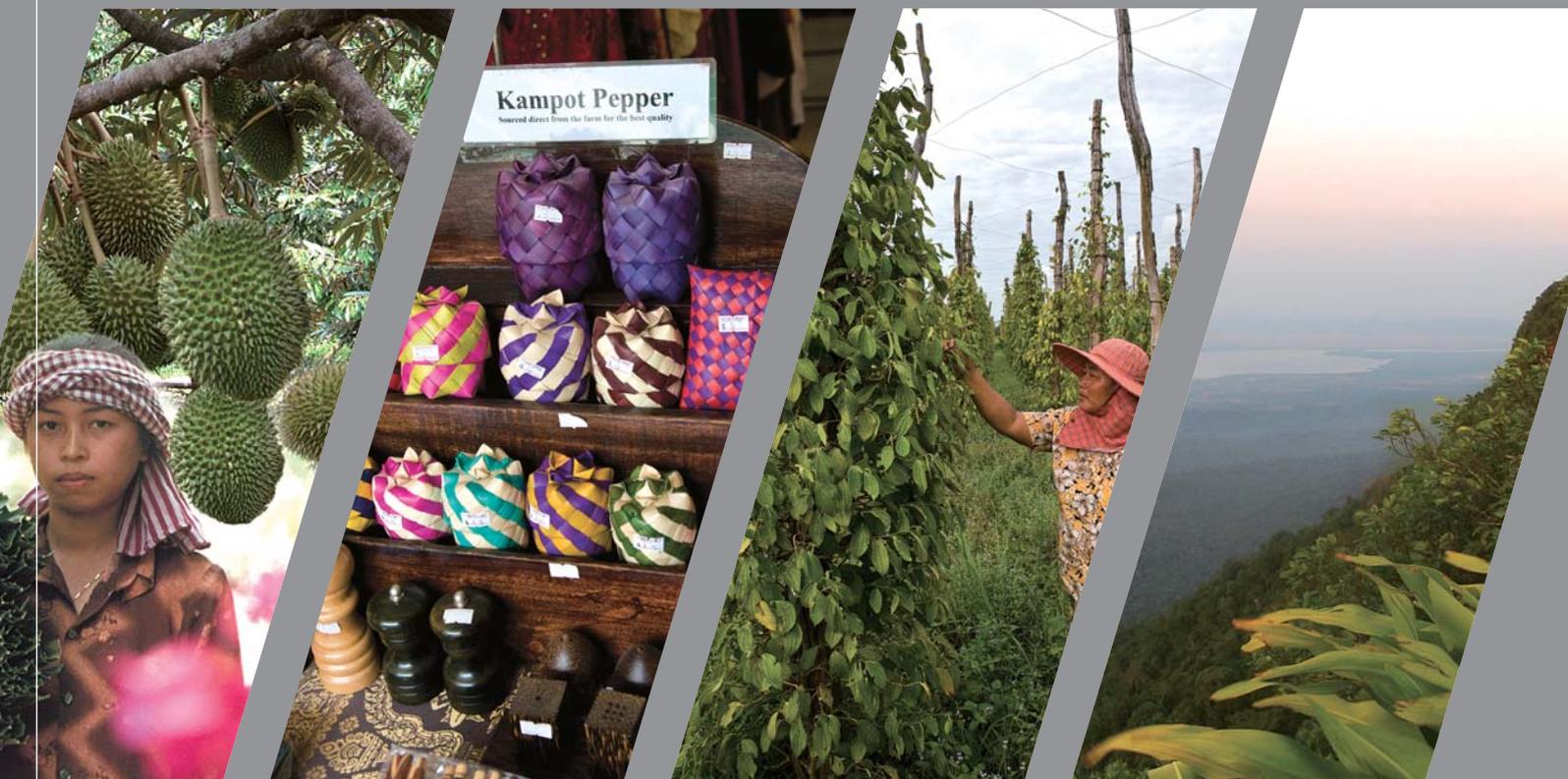


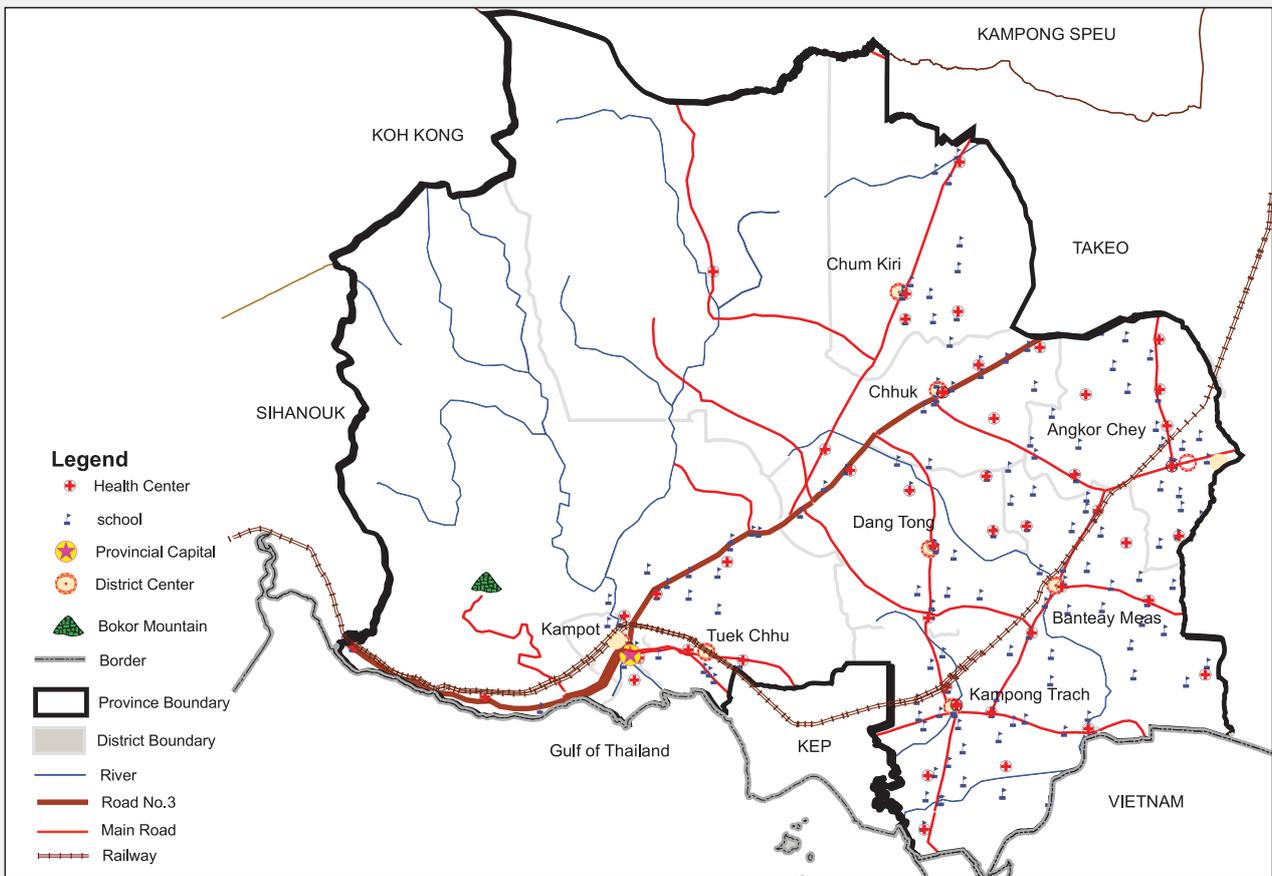
USAID
FROM THE AMERICAN PEOPLE



KAMPOT

Province of Natural Beauty





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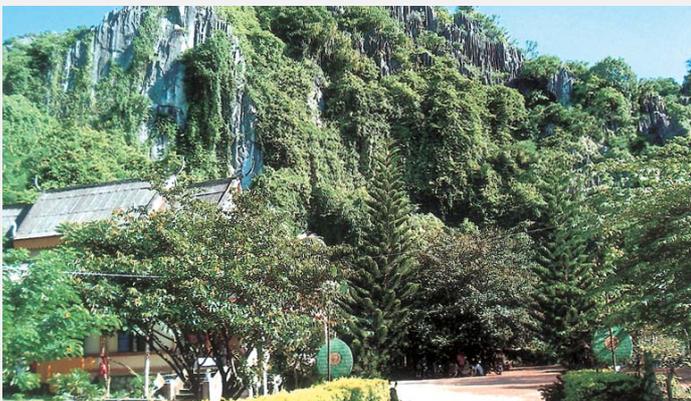
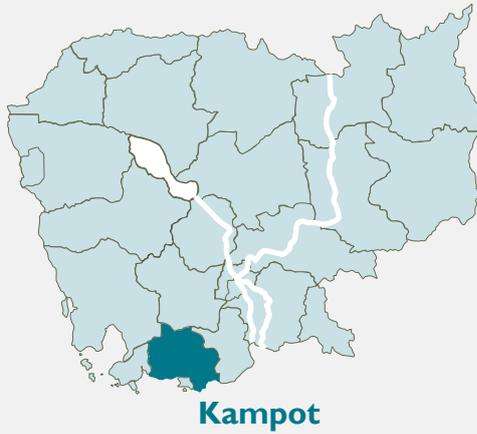
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This Investment Profile was produced by Emerging Markets Consulting (EMC) for the USAID Cambodia MSME project implemented by DAI.



Greetings from His Excellency the Governor

January 2010

Kampot is blessed with plains in the east suitable for agriculture; mountains, lush forests in the west with abundant wildlife; and the southern coast with natural resources, fisheries, beautiful scenery and large salt farms.

We are close to Vietnam, Sihanoukville port and Phnom Penh - hence Kampot is an ideal location for businesses looking to serve both domestic and export markets.

The natural beauty of our province is attracting increasing numbers of visitors, both foreign and local, and we are very positive about the growth of our tourism industry.

To continue growing our economic base and strengthening our reputation as a strong location for investment, the Kampot provincial government works tirelessly to strengthen the business environment. As a result, the IFC and Asia Foundation judged us to have one of the best business environments in Cambodia.

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.

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

Sincerely,

H.E. Khoy Khun Huor
Governor, Province of Kampot



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 freedom¹.
- Equal treatment of all investors.
- Ranked ahead of ahead of Philippines, China and Vietnam for protecting investors².
- 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 regional competitors, Cambodia enjoys competitive wage rates and high labor productivity, making it an attractive destination for labour-intensive industry.

Over recent years, Cambodia’s labor force has grown by over 50%, more than double the rate in any other ASEAN country³. 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	US\$/hr, inc. social charges
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 Kampot?

Kampot has a greater proportion of people with disposable income than most other provinces, a reflection of our economic strengths such as:

1. Prime Location

Coastal Kampot is ideally situated close to Phnom Penh as well as the deep-sea port of Sihanoukville and also borders Vietnam. Kampot is linked to these locations by excellent transport infrastructure.

The province forms part of the Northern Coastal Greater Mekong Sub-region Economic Corridor, which stretches for 893km from Bangkok to Mau Nam Can in Vietnam, via Kampot.



Road Network

Kampot town is only 148km and under 3 hours drive from Phnom Penh along National Road #3.

The province is served by a total of four national roads, running for over 226km (over 5% of Cambodia's total).

The road to Sihanoukville is part of the ASEAN highway system. A number of large transports use this road (for example, to the local cement factory).

The road to Bokor mountain is being upgraded, which will be a large boost for tourism.

Road conditions have significantly improved in recent years and local businesses report reductions in transport times and costs of up to 50%.

Trade with Vietnam is supported by 2 border points (1 international and 1 regional). National Road #31 connects the province to the Vietnam border at Ton Hon and Prek Chak, which is only around 1 hour from Kampot town.

The Royal Government of Cambodia is currently upgrading National Road #3 with a \$3 million loan from the Republic of Korea. Other important roads such as those to the Vietnam border and key local economic links are also being improved.

Rail

The Royal Government of Cambodia has begun work to upgrade the 109km railway line from Phnom Penh to Sihanoukville, which runs through Kampot. This will further improve transportation and trade.

Water

Kampot town sits on the Kampot river, which flows from the mountains in the province's west to the nearby coast. Ideal for travel and transport, the river has long been a key element of the town's identity and is also used for transportation.

Three private companies have been licensed by the government to deepen the river and tributary so larger boats can transport containers and bulk cargo through to Sihanoukville Port.

In addition, a new large private port to be developed and managed by Kampot Port Co. is being constructed, together with a special economic zone (see below), to encourage investment and trade. This is in addition to the existing domestic port in Kampong Kandal on the Kampot river.

2. Outstanding Tourism Potential

Kampot has become an increasingly popular destination for foreign and local tourists. There are a large number of attractions for foreign and local visitors alike.

The riverside town is adorned with charming French-era architecture with the prominent Kamchay Mountains as a scenic backdrop. The riverside itself is currently being redeveloped.

“... one of the most popular provinces in Cambodia, thanks to an alluring combination of abandoned colonial towns, abundant natural attractions and easy access around the region. ... A relaxed riverside town with a stunning setting and the base to explore caves and pagodas beyond.”

- Lonely Planet, Cambodia, 2007.

The province also has 80km of coastline in the Gulf of Thailand.

The province of Kep is fully enclosed by Kampot. This popular seaside town is less than 45 minutes from Kampot town and is another drawcard for the region.

Bokor National Park comprises 1,581 km² of protected land,



most of its primary forest that is particularly rich in flora and provides a home to animals such as the tiger, Indian elephant, leopard, Asiatic black bear, Malayan sun bear, pileated gibbon, pig-tailed macaque, small Asian mongoose and species of deer. Over 300 species of bird also live here.

In addition to the rainforest itself, the park's main attractions are Popokvil Falls (two tiers of 14m and 18m, that flow all year and are great for swimming). Cycling and trekking are increasingly popular activities for foreign tourists visiting Kampot. The hill station of Bokor is currently being redeveloped and will include a new modern hotel and casino.

The Tek Chhou rapids is an accessible 8km from the town and is a popular place for locals, with food stalls and swimming spots.

The limestone landscape around Kampot is littered with caves. Some of the larger caves are easily explored, such as Phnom Chhnork, 10km from town, which houses a 7th century temple inside the main chamber. The White Elephant Cave and 100 Rice Fields Cave at Phnom Sorsia are 14km from town and include interesting stalactite formations.

Near the Vietnamese border are some fabulous cave-temples such as Kampong Trach Mountain and the Angkor Borei region, the 5th-century birthplace of the ancient Cambodian civilization.

3. Young, educated, inexpensive labor force

Our workforce is young, enthusiastic and educated. With over 40% of our 611,000 people under the age of 18, it will continue to grow.

We have over 150,000 students attending our 298 primary schools and 79 secondary and post-secondary schools. At 26.5% of the total population, Kampot has one of the highest school enrollment rates in the country.

Educational Institution	Number
Primary schools	298
Secondary schools	79
Private schools	1
Universities	3
Teacher training colleges	2
Language training colleges	4

Three universities operate in the province, plus two teacher training colleges, and four language training centres. Local skills have improved, particularly in the area of tourism, with English language being a particular focus.

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. Kampot is no exception to this. The government plans to continue increasing education spending.

Given our strong educational system, it is not surprising that Kampot's labor force is relatively developed with 29% employed in the service sectors – one of the highest in Cambodia outside of Phnom Penh.

Unskilled labor in Kampot costs around \$40 to \$70 per month (plus food and accommodation in some cases). More skilled and experienced labor can be hired for as little as \$100 per month.

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.

4. Supportive Business Environment

Kampot's business environment is one of Cambodia's best. The province has recently been awarded Cambodia's Number 2 provincial ranking for its pro-business environment.

Our ranking was awarded through the 2009 IFC-Asia Foundation Provincial Business Environment Scorecard (PBES)⁴. 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 Kampot's business environment has the lowest tax administration burden in Cambodia. Kampot also ranks well in terms of crime prevention, informal charges, and participation.

The local Department of Tourism is particularly supportive of businesses in that industry and understands its importance to the local economy.

In Kampot we do all we can to provide a secure yet dynamic environment for your business. We will continue to improve our business environment to try to secure the #1 ranking.

5. Special Economic Zone with large sea-port

The province is home to the Kampot Special Economic Zone (SEZ). Located in Koh Toch commune of Kampot district, this 1,000 hectare development offers incredible business potential for Kampot. The SEZ is located on the coast not far from Kampot town, and will include a very large international-standard port with the potential to compete with Sihanoukville.

As a licensed SEZ, it also 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
- Cheaper electricity and water

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



6. Reliable Electricity Supply

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

The province's major current source of electricity is imports from Vietnam as well as private diesel-based generators. A new line from Vietnam supplies the east of the province and the town.

Network coverage is being expanded with the construction of medium voltage transmission lines from the provincial town to supply the surrounding region within 40km, supported by a loan from the World Bank.

In addition, from 2011 Kampot will benefit greatly from a new hydro-electric plant being built at Kamchay Mountain in the province. This 193 MW plant will supply Kampot and surrounding regions, including Phnom Penh.

Electricity in Kampot town currently costs 1,100 to 2,000 riel per kWh (US\$0.27 to \$0.49 per kWh). In areas close to the Vietnam border, such as Kampong Trach district, electricity costs 650 riel per kWh.

7. Developed Financial Services Sector

Our province has three bank branches, as well as a large number of offices of 10 microfinance institutions. ALCEDA bank opened a new office in Kampot in June 2009, employing 133 people, reflecting "the strength and economic development in Cambodia, especially in Kampot and Kep provinces"⁵. Kampot accounts for 5% of MFI lending in Cambodia.

8. High-Value Real Estate Available

Kampot is a small and forested province, but inexpensive land is available. A number of land concessions have been made to private investors, including in areas such as biotech agriculture. More concessions are available.

Good land close to main roads and irrigated areas costs around \$10,000 per hectare (\$1/m²), while cheaper land is available for \$1,500 to \$10,000 per hectare. In Kampot town, land costs around \$25 to \$500 per m².

9. Untapped Natural Resources

While highly focused on ensuring sustainable use of the country's natural resources, Kampot offers significant mining potential. A number of valuable minerals exist in the region, including gold, iron ore, phosphate, limestone and graphite. In addition, there are thousands of hectares of state economic concession land available to investors.

Key Provincial Industries

Agriculture

Rice is the major agricultural output for the province. Around 130,000 hectares are dedicated to paddy, with strong average yields of 2.6t/ha in wet season and 3.3t/ha in dry season.

Fruits are also important crops in Kampot. In particular durian (around 96,200 trees), mango (593,000 trees) and coconut (877,000 trees).

The province is famous for pepper. Kampot pepper is prized internationally and has been designated with Geographical Indicator status, helping to brand the product and our province. Pepper plantations in Kampot yield on average around 2.5t/ha.

Vegetables are grown on around 2,500 hectares and are supplied to Phnom Penh. Other crops include corn, sweet potato and peanuts. In 2007-08, Kampot produced over 15,000 tonnes of sugarcane.

Sea salt is a major product for Kampot, with 3,500 hectares devoted to production, averaging around 20t/ha. Kampot can supply Cambodia's total salt requirements.

Fishing and seaweed cultivation are also important to the province's economy. The annual marine fish catch is around 5,170 tonnes – sold both fresh and for processing. Around 1 million litres of fish sauce are produced each year. The annual river fish catch is about 1 tonne and there are also about 2,700 aquaculture ponds in the province.

Kampot accounts for over 10% of Cambodia's total poultry stock.

Industry and Services

Our success at supporting an active and vibrant business sector is making Kampot a leading destination for enterprises in the country. Today, we are proud to have over 1,100 private enterprises operating in Kampot, including:

5. H.E. Khoy Khun Huor, Governor of Kampot province, June 24, 2009.



Activity	Number of enterprises
Restaurants/ food stalls	322
Repair shops	72
Professional services	30
Other services	76
Cement factories	2
Handicrafts	9
Furniture	5
Brick factories	6
Other construction materials	11
Wholesale	12
Grocery retail	220
Other retail	257
Horticulture/greenhouses	20
Animal husbandry	4
Garments and footwear	3

Sources: Asia Foundation & IFC, Listing of Business Establishments in Cambodia's Provincial Towns and Selected Urban Areas, March 2009 and Provincial Department of Industry, Mines and Energy.

Six cement factories have been approved in Kampot, of which one is active and produces over 2 million tonnes per year.

Kampot also has suppliers of animal feed, agricultural machinery and fertiliser, brick manufacturers, fish sauce producers, furniture makers and other small industrial operations.

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.** Some recent private irrigation developments are expected to raise local agricultural output. Cheap land, good infrastructure and close markets present opportunities in fruits and other crops.
- **Tourism,** particularly eco- and agro-tourism. In addition to the redeveloped Bokor Mountain, most tourism sites have further development potential. Tourist numbers are growing and local officials think the natural beauty of the province will attract more tourists. This will result in investment opportunities in tourism and hospitality-related areas.
- **Light manufacturing.** Inexpensive labor, sound infrastructure, proximity to Vietnam and supportive business environment make Kampot and good location for labor-intensive manufacturing. The new Special Economic Zone will also provide opportunities for investment.

There are good opportunities in the districts adjacent to Vietnam, particularly as roads and electricity supply continue to improve.

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 Kampot'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 Kampot'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
Improving Understanding and Management of Rice Pathogens	ACIAR	Rice
Strengthening trade-related abilities through promotion of the Protected Geographical Indications and the Protected Designations of Origin	AFD	Pepper, Silk, Palm Sugar
Cambodia Agricultural Value Chain Program (CAVAC)	AusAID	Rice, Fruits & Vegetables
Cambodia Australia Agricultural Extension Project Phase II	AusAID	Agriculture
Agriculture Marketing Information Service (AMIS) Project	CIDA	Fruits & Vegetables
Rural Development Programme Kampot & Kampong Thom	GTZ	Organic rice & cashew nuts

Want to learn more?

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

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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

Kampot at a glance	
Population:	611,435
Proportion working in Agriculture:	60%
Provincial poverty ranking:	7/24
Land area:	4,695 km ²
Population density: % of National Average:	130/km ² 173%
Number of Districts/Town:	8 (1 Town)
Number of Communes/Sangkat:	92 (5 Sangkats)

Kampot's soils
Type: Cultural hydromorphics in the east, red-yellow podzols in the centre, acid lithosols in the west. Brown hydromorphics in regions around the town and along the coast.
Fertility level: low 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	flat 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 (per 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

KAMPOT PROVINCE

INVESTMENT PROFILE

