

# KRATIE PROVINCE

## INVESTMENT PROFILE

OCTOBER 2008



# KRATIE

*The Gateway to Cambodia's North-East*



**USAID**  
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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

Kratie Province is the gateway to Cambodia's beautiful north-east. Serving as a port of debarkation from Phnom Penh and from Laos, Kratie opens the door to the region's natural wonders – the magnificent Mekong River, prehistoric mountains ranges, spectacular waterfalls, forests and jungle, abundant wildlife and many fascinating ethnic minority hill tribes.

Famous for its cultural heritage and natural resources, Kratie is also home to the Irrawaddy dolphins. These rare mammals are a significant drawcard for the province.

Like our nation, Kratie is experiencing rapid and sustained economic growth. While our position as the gateway to the natural wonders of Cambodia is certainly valid, it is not all that we offer. Our business infrastructure is excellent. New roads have reduced travel times and encouraged new businesses. We share a border with Vietnam, allowing for exciting trade opportunities, as well as giving us an additional source of electricity.

To continue to grow our economic base and strengthen our reputation as a favoured location for investment, the Kratie provincial government has worked to strengthen the business environment.

We will not, however, rest. 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 will do our best to make it easy and inexpensive for you to register your business and get established and we will work energetically to provide a stable and predictable business environment.

I want to thank USAID for their assistance in developing this investment profile and appreciate their continued commitment to promoting private sector development in our province.

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

Sincerely,

H.E Kham Phoeun

Governor, Province of Kratie



## 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.<sup>1</sup>
- 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.<sup>2</sup> And with a very young population (half are under 20), this labor force growth will continue.

### Wages in the garment industry<sup>3</sup>

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

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. The government plans to continue increasing education spending.

### 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.

1. Heritage Foundation, *Index of Economic Freedom, 2008*. <http://www.heritage.org/index/>

2. ILO, ‘Labour and Social Trends in ASEAN 2007 - Integration, Challenges and Opportunities’, 2007.

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

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

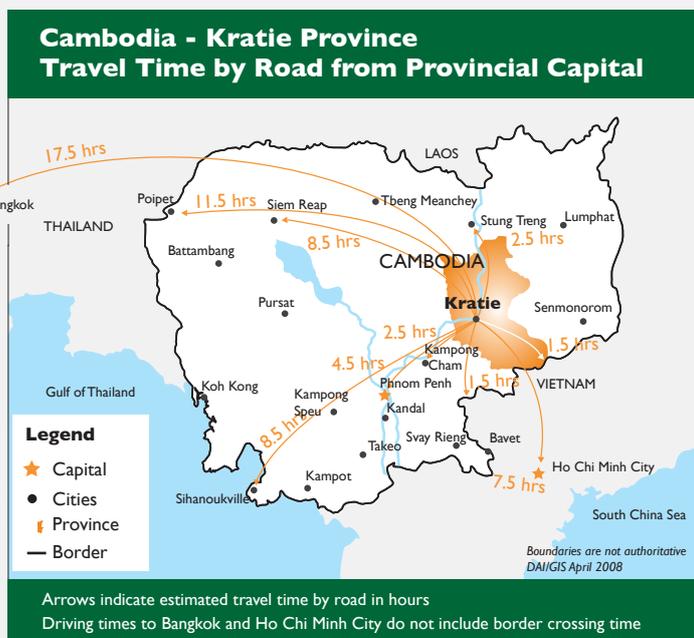


## Why Kratie?

### 1. Location – close to both Phnom Penh and Vietnam

Kratie is just a 4 hour drive from Phnom Penh, the country's largest market, and only 1.5 hours from Vietnam.

The close proximity and shared border with Vietnam provides efficient access to a large market for the province's agricultural production. Trade across the border, in both directions, is active and growing.



The province has excellent transport infrastructure, serving a number of areas of Cambodia via different transport modes.

### Road

Kratie is served by four national roads, running for 300km, which serve to cover the province and take consumers and businesses to all corners of the country.

Our roads are in excellent condition and allow fast access from Phnom Penh and Vietnam to Kratie, and onward to Stung Treng and Monduliri. New businesses are springing up in Kratie as a result.

The newly expanded and re-surfaced National Road #73 reduces the driving distance from Phnom Penh by 80km - dramatically reducing travel times.

In addition, renovation on National Road #7 was completed in April 2008. It runs from Kratie to Kampong Cham. Traffic volumes on the road have increased by over 350% since 1997. This road is part of the core ASEAN road network, and connects land-locked Laos to the port of Sihanoukville. It will long serve to link Kratie businesses with their core markets.

### River

Kratie is situated along the Mekong River, which flows from Laos through north-eastern Cambodia and into Vietnam. Kratie's port is 220km upstream from Phnom Penh. Ideal for travel and bulk product transportation, the river has long been a key element of the province's identity and transportation network.

### Railway

The Royal Government of Cambodia will build a railway line from Kandal, through the Snoul district in Kratie, to Loc Nihn in Vietnam. This will further improve transportation and trade between Kratie and Vietnam.

### 2. Gateway to the north-east - Cambodia's next 'economic pole'

Located on the Mekong River, Kratie is the gateway to Cambodia's beautiful north-east region, an area of mountains, forests, waterfalls, lakes, wildlife parks and minority hill tribes.

This area of Cambodia borders Vietnam and Laos. The region has a population of nearly 600,000; most living close to major waterways.

The Royal Government of Cambodia has designated this region as "Cambodia's fourth economic pole" (after Phnom Penh, Siem Reap and Sihanoukville) because of its vast potential of natural resources and eco-tourism<sup>4</sup>.

Given its unique geographic position, Kratie is the business and tourist hub for the north-east region of Cambodia, and for travel to and from Laos.

Kratie is also a supplier of inputs to agricultural production and other industries to the other north-east provinces of Stung Treng, Monduliri and Rattanakiri.

### 3. Thriving Tourism

Kratie's natural attractions make it the major eco-tourism destination in Cambodia.

<sup>4</sup> Speech by H.E. Samdech Hun Sun, Prime Minister of Cambodia, 29 April 2008, as reported by *The Mekong Times*, Issue 57, 30 April 2008.



First among these are the rare Irrawaddy Dolphins. These endangered fresh-water mammals draw over 11,000 tourists every year to Kratie, who spend over \$3 million.

The Mekong Discovery Trail, a sustainable pro-poor tourist project, aims to significantly increase tourist numbers to the area. Kratie is the starting point for this 200-kilometre eco-tourism strip along the river all the way to Laos. The development of this trail has been aided with funding from SNV and the United Nations World Tourism Organisation. They conclude that 250,000 tourists could be visiting Kratie annually within ten years.

The Mekong River travels for 140km through Kratie, providing stunning sunsets and a scenic journey by boat north to Stung Treng or south to Kampong Cham.

There are some large areas of forests such as the Phnom Pram Poan mountain range and Phnom Prech, which are sanctuaries for diverse wildlife. Eisey Patamak Mountain offers magnificent views all the way to Laos and Vietnam.

In addition to natural attractions, the region offers unique cultural experiences. In the mountains, tourists enjoy treks to ethnic minority hill tribes. There are 7 such tribes in Kratie province, and another 4 in adjacent provinces. Visitors see traditional ways of life and the making of intricate handicrafts.

The former Royal Capital, Sampheak Borak, is located within the province and home to grand old French architecture. In addition, Kratie has Vihear Sarsar Mouy Rouy Pagoda (One Hundred-Column Pagoda) built in the 16th century. This pagoda is related to a Khmer legend Krapeur Nen Thun (Venerable Monk Thun, the Crocodile). Kratie has several other temples built as long ago as the 8th century.

Customs and traditions, diverse festivals and rites and everyday life activities provide a window into the cultural heritage of the province.

***“Kratie has potential. But there needs to be a lot more investment ... before it becomes a significant destination. What I do like about the place is the charm and friendliness of the people and the feeling that you’re part of an authentic Khmer experience.”***

- Luzi Matzig, Group CEO, Asian Trails.

## 4. Diverse Electricity Supply

Kratie is supplied with electricity from a number of sources, including a plant in Kratie town and four independent power producers in other districts.

In addition to locally generated power, Kratie’s Snoul district

receives electricity supply from Vietnam.

New sources of supply are coming as we work to build the capacity to support our growing economic base - work will soon begin on a transmission line from Stung Treng to Kratie. To be completed in 2010, this will increase and improve Kratie’s power supply.

Furthermore, there is the incredible potential of the Sambor hydro-electric scheme. This could have a capacity of up to 3,300MW, which would make it one of the largest electricity generators in South-East Asia. In addition, further hydro potential exists at smaller sites such as Prek Chlong, Prek Te and Prek Chimong.

## 5. Untapped Natural Resources

While highly focused on ensuring sustainable use of the country’s natural resources, Kratie offers significant mining potential. A number of valuable minerals exist in the region, including iron ore, marble, coal, bauxite, lead, copper, zinc, granite and gold.

## Key Provincial Industries

The region has a strong and growing agricultural sector; producing maize, cassava, sesame, sweet potato, sugarcane, soya beans, mung beans, black pepper, sugar cane and cashew nuts. A significant proportion of our agricultural output is exported to Vietnam.

Tobacco is one of the major outputs of Kratie, accounting for around 18% of Cambodia’s crop. One of Cambodia’s leading multi-national firms, British American Tobacco, is active in Kratie and works closely with local farmers to secure key tobacco leaf inputs into its international supply chain. A total of 1,120 hectares of land is dedicated to tobacco in Kratie.

Kratie is also a significant rubber producer, much of it exported to Vietnam. Thirteen companies have invested in rubber plantations. One Vietnamese producer aims to increase its rubber cultivation in Kratie this year from 200 hectares to as much as 1,500 hectares.

Local cassava output is expected to double in 2008-09. Given our proximity to Vietnam and efficient international border crossing, many of these crops are exported to Vietnam at global prices.

Around 250 hectares of mung bean have been planted, and 2,300 hectares of cashews.

Five companies have invested in teak tree plantations, and a new sawmill is planned.



A total of 18 agricultural companies are registered in the province:

Company	Activity	Size (ha)
Green Island Ag. Devel.	Maysak plantation and processing	9,583
Global Ag. Devel.	Maysak plantation and processing	9,800
Asia World Ag. Devel.	Maysak plantation and processing	10,000
Plantation Ag. Devel.	Kvalena Processing	9,214
Great Asset Ag. Devel.	Kvalena Processing	8,985
Great Wonder Ag. Devel.	Kvalena Processing	9,231
Phurieng Kratie Tieaphivatcaout Chouc	Rubber plantation	915
Heng Heng Sambath	Rubber plantation	833
Cambodia Tong Min Group	Rubber and Kasha plantation	7,465
Bravest Bridging Trading	Rubber and Kasha plantation	8,525
Phurieng Kratie Phivatcaout Chout	Rubber plantation	6,525
Cambodia Union Biotech	Rubber, Kasha and eucalyptus	998
Union Agricultural Development	Rubber, Kasha and eucalyptus	997
Dong Nai Kratie Aphivath	Rubber plantation	2,502
Dong Phu Kratie Aphivath	Rubber plantation	2,349
Dau Tu Saigon Binhphouc	Rubber plantation and processing	6,436
Civ Development Agro Industry	Rubber and cassava plantation and processing	769
Hai Yong Agro-Industry Investment Co.	Rubber and cassava plantation and processing	701

In addition to our crops and plantations, Kratie has an active livestock industry, with significant poultry, swine and cattle.

As a key player in Cambodia's primary value chains, we supply many of the inputs necessary for the growing livestock industries of Stung Treng and Mondulhiri. Our businesses also produce threshing and harvesting machines for our own farmers and those in nearby provinces.

Kratie is home to a number of marble producers, and one marble factory in the province further processes their output.

In addition to agriculture, Kratie produces handicrafts for the local tourist market and for export to other provinces.

Kratie has many brick and tile manufacturers. There are 15 in Kratie district, 6 in Preah Prosap and 3 in Chlon.

Many small business operate in our province, with over 320 registered at our provincial Department of Commerce. In addition, there are thousands of micro enterprises. These are involved in:

- Rice milling;
- Furniture production;
- Handicrafts;
- Machinery repair;
- Food and beverage production;
- Wholesaling and retailing;
- Hospitality; and
- Other services.

## Business Opportunities

The Government of Kratie province is a keen supporter of new businesses. For example, to help build our agriculture sector, we have worked closely with cassava and maize producers.

We see significant opportunity for businesses to take advantage of our competitive strengths through further investment in:

- **Mining**, to take advantage of our vast natural resources. A number of marble producers are active in the province and there is scope for more. Potential investors have been conducting studies of our iron, gold and zinc deposits;
- **Hydro-electricity generation**. Potential sites include Sambor, Kampi, Prek Chlong, Prek Te and Prek Chimong;
- **Agriculture**. The province is keen to promote the production of rice, maize, cassava, most vegetables, black pepper, cashews and rubber. There is also further opportunities in tobacco growing;
- **Brick and tile manufacturing**;
- **Agribusiness**, particularly in processing our significant production of maize, vegetables, and sesame; Much of our agriculture is exported to Vietnam unprocessed;
- **Eco-tourism**. With tourist numbers expected to increase ten-fold over coming years, eco-tourism and related hospitality services present attractive investment opportunities.



## Ongoing Developments

Although we are proud of our accomplishments, we will 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 under way include:

- The Royal Government of Cambodia's Diagnostic Trade Integration Strategy. Under this program, many of Kratie's products receive additional support. Products identified under this strategy include cashew nuts, cassava, soy beans, rubber, silk and silk handicrafts, and livestock. 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 Kratie's private sector development in key industries:

Project	DP	Sector
Development of family rubber plantations	AFD	Rubber
Improving the quality of Cambodian rubber and setting up quality certification aimed at international markets	AFD	Rubber
Cambodia Australia Agricultural Extension Project Phase II	AusAID	Agriculture
Tourism Project	IFC	Tourism
Mekong Discovery Trail	SNV	Tourism
Tourism VCA	SNV	Tourism
Micro, Small and Medium Enterprise (MSME) Project	USAID	Livestock, fish agro-processing, bricks

## Want to learn more?

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

[www.kratie.gov.kh](http://www.kratie.gov.kh)

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[www.cambodiainvestment.gov.kh](http://www.cambodiainvestment.gov.kh)

[www.investincambodia.com](http://www.investincambodia.com)

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

National Institute of Statistics:  
[www.nis.gov.kh](http://www.nis.gov.kh)

### National Ministries

Ministry of Commerce:  
[www.moc.gov.kh](http://www.moc.gov.kh)

Ministry of Economy & Finance:  
[www.mef.gov.kh](http://www.mef.gov.kh)

Ministry of Industry, Mines & Energy:  
[www.mine.gov.kh](http://www.mine.gov.kh)

Ministry of Labor and Vocational training:  
[www.mlv.gov.kh](http://www.mlv.gov.kh)

Ministry of Land management, Urban Planning & Construction:  
[www.mlmpc.gov.kh](http://www.mlmpc.gov.kh)

Ministry of Posts & Telecommunication:  
[www.mptc.gov.kh](http://www.mptc.gov.kh)

Ministry of Public Works & Transport:  
[www.mpwt.gov.kh](http://www.mpwt.gov.kh)

Ministry of Tourism:  
[www.mot.gov.kh](http://www.mot.gov.kh)

Ministry of Agriculture, Forestry and Fishery:  
[www.maff.gov.kh](http://www.maff.gov.kh)

### Other

Garment Manufacturers Association of Cambodia:  
[www.gmac-cambodia.org](http://www.gmac-cambodia.org)

The Government-Private Sector Forum:  
[www.cambodia-gpsf.org](http://www.cambodia-gpsf.org)

Phnom Penh Chamber of Commerce:  
[www.ppcc.org.kh](http://www.ppcc.org.kh)

Phnom Penh Small and Medium Industry Association:  
[www.smecambodia.org](http://www.smecambodia.org)

## Kratie at a glance

Population:	290,000
Aged 15-64:	54.3%
Proportion working in Agriculture:	70%
Provincial poverty ranking:	14/24
Land area:	11,094 km <sup>2</sup>
Population density: (% of National Average)	33%
Number of Districts:	5
Number of Communes:	46

## Kratie's soils

Type: Variety of Acid Lithosols, Plinthite Podzols, Grey Hydromorphics, and Red-yellow podzols. Also Alluvial Lithosols close to the Mekong River.

Fertility level: Varied, from Low to High. Along Mekong River is Medium.  
Source: www.cambodiaatlas.com

## 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 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-\$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	kWh/month	Tariff (riel/kWh)
	<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

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## INVESTMENT PROFILE

