

SIEM REAP PROVINCE

INVESTMENT PROFILE

JANUARY 2010

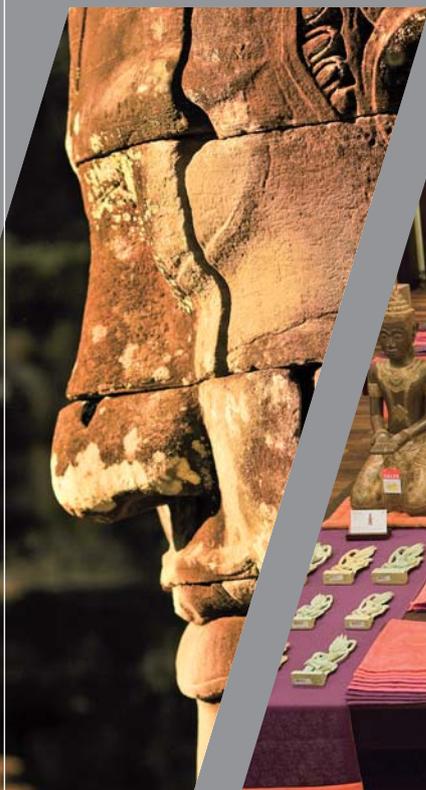


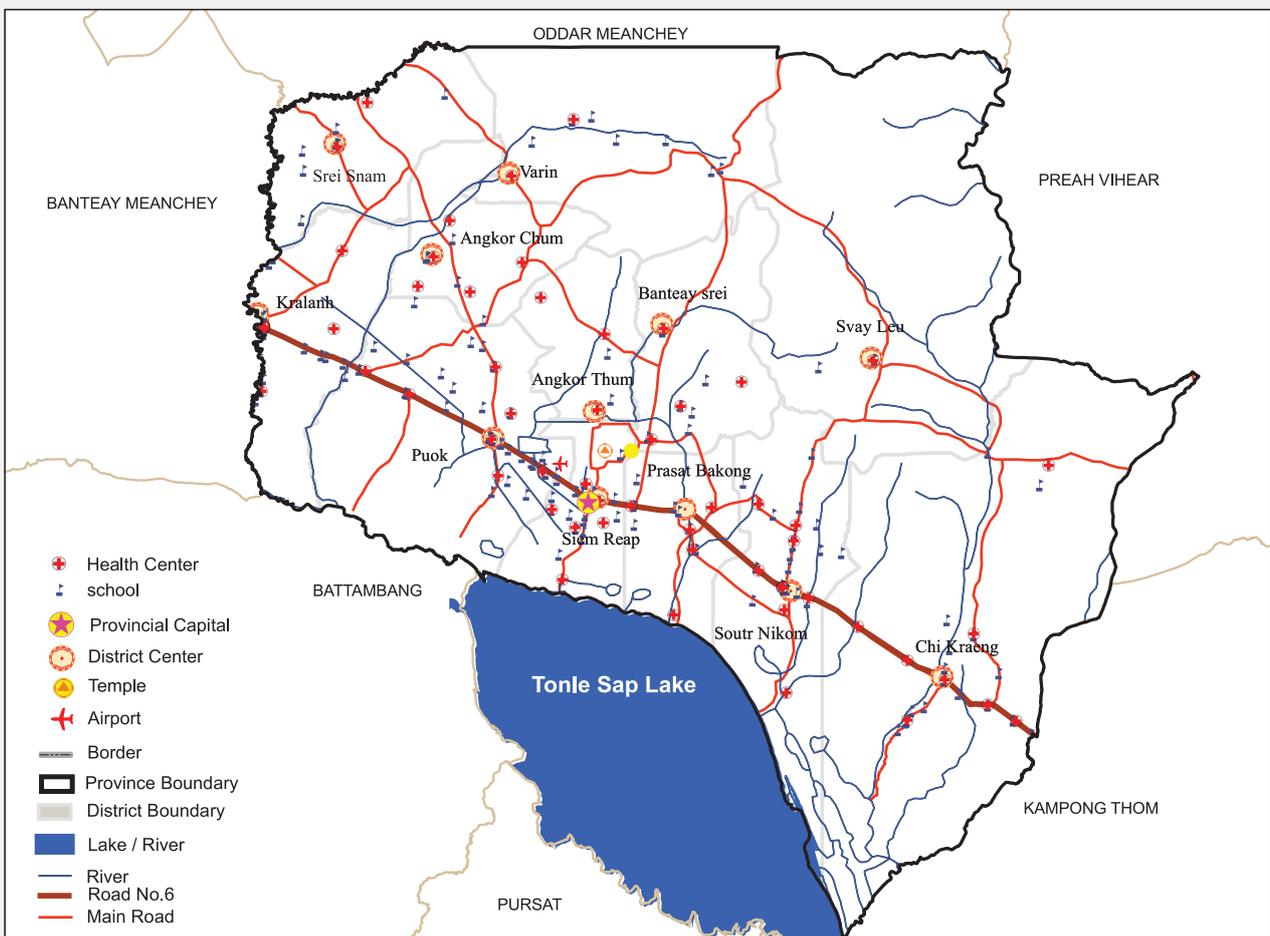
USAID
FROM THE AMERICAN PEOPLE



SIEM REAP

World Class Business Potential





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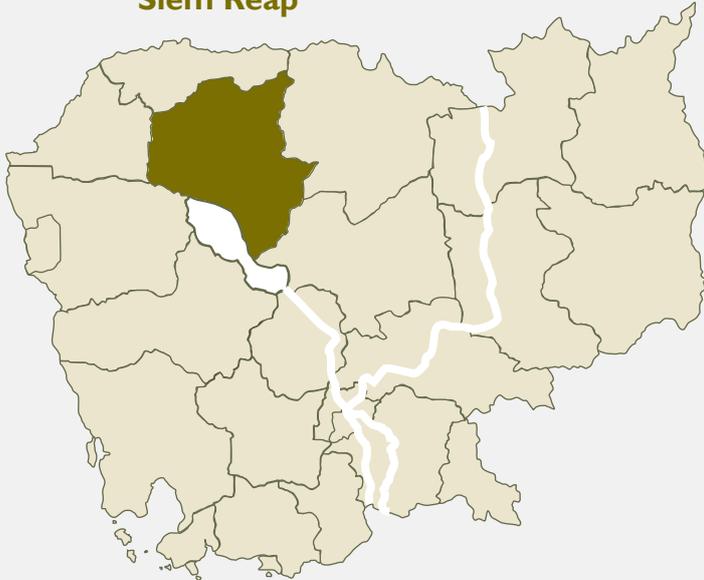
Siem Reap Investment Profile

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Siem Reap



Greetings from His Excellency the Governor



January 2010

Dear honorable local and international guests and investors, Siem Reap, located in the northwest of Cambodia about 314 km from Phnom Penh, is situated along National Road #6. Covering over 10,299 km², the province is divided into 11 districts and one central town including 88 communes and 875 villages. The population density of this province is 83.9 people per km² and the total population is 891,466 with a 4% annual birthrate.

Siem Reap was a powerful empire and a wonderful city with a long history and strong culture in Asia. Most of this heritage remains and this has made Siem Reap an important cultural destination for tourists from all over the world.

Obviously, the Angkor area is full of many diverse cultural and historical attractions that draw around 2 million local and international tourists each year, in particular to see the awesome architecture and picturesque sculpture of the many ancient temples. With its beautiful pattern of hundreds of Apsara figures, the precious Angkor Wat temple is a World Heritage site for all humankind. Additionally, tourists can climb Bakheng Mountain to see beautiful sunrises and sunsets, to swim at the West Baray

and at the Koulan waterfall, to sightsee by boat with spectacular views of the Tonle Sap Lake where many kinds of water birds and other animals live. Moreover, a trip to Siem Reap is a great opportunity for all tourists to have a good understanding of Khmer culture such as art, traditional music and dance, literature, language and Khmer society through food, lifestyle and the attitude of Cambodian people.

All of these attractions boost tourism to this powerful province, thus Siem Reap is known as Cambodia's second economic pole. In this sense, the strategies and diplomatic policy of the Royal Government of Cambodia, through the clear and insightful vision of the Prime Minister Hun Sen of the Kingdom of Cambodia, have brought complete peace to the country to achieve physical and emotional security, national development, and poverty reduction for all Cambodian people. The implementation of this policy in the cities and all provinces is the leading factor for our effective development. At the same time, Siem Reap province has been significantly developing in all fields by being committed to achieving good security and safety, and reinforcing the constitutional state for daily living, the businesses and trading of ordinary people, local and international investors, as well for national and international visitors. Furthermore, Siem Reap's authorities have been trying to beautify the provincial town to make it a cultural and natural-historic tourist city, through rehabilitating and constructing infrastructure such as ring roads, the sewage and irrigation systems, rivers, and pavements; planting trees and flowers along the main streets and establishing gardens; improving traffic management, public lighting and clean water provision; and cleaning public streets. We also practice a 'green belt city strategy' to guarantee chemical-free vegetable supply to markets, hotels, guesthouses, and other restaurants.

The board of governors, all authorities and all people of the province warmly welcome local and overseas visitors as well as investors to Siem Reap. I truly believe that this beautiful land of Siem Reap has the potential to ensure your visit and your investment will be extremely fruitful.

To this end, we wish you the four blessings from Buddha: longevity, status, health and power forever and success in all business.

Sincerely,

H.E. Sou Phirin
Governor, Province of Siem Reap



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 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 regional competitors, Cambodia enjoys competitive wage rates and good labor productivity, 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	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.



Five reasons to invest in Siem Reap

1. World-class attraction

The focus of Cambodia's tourism sector is culture and nature. Siem Reap has become an increasingly popular destination, with over two million visitors each year. The province has many tourist sites that attract local and international tourists, especially the Angkor heritage park which highlights the history, culture, customs and tradition of Cambodia, as well as the diversity of beautiful natural scenery.

Tourism further boosts the development of all sectors of our economy, including our infrastructure. We are proud to have hundreds of hotels (from low cost to 5-star luxury), guesthouses, restaurants, bars and more, providing great service at inexpensive prices.

"Siem Reap is the gateway to Cambodia's spiritual and cultural heart beat."

"The heart of the Khmer empire, temples simply don't come any bigger or better than this."

- Lonely Planet, Cambodia, 2007.

In addition to the temples, there are a diverse range of attractions and activities for visitors to Siem Reap making it a multifaceted destination for younger backpackers, package tourists and 5-star travellers, including:

- Museums;
- Spas;
- Three international standard golf courses, with a fourth under construction;
- Exquisite handicrafts;
- A silk farm;
- Shadow puppets and apsara dancing;
- Elephant rides;
- Hot air balloon or helicopter rides;
- Butterfly garden;
- Mountains, waterfalls and lakes;
- Chong Kneas floating village and numerous other cultural villages;
- Flooded forest of Kampong Phhluk; and
- Prek Toal Bird Sanctuary and Biosphere.

Additionally, boat travel between Siem Reap and Battambang (150km) is popular with many foreign tourists and is "probably the most scenic river trip in the country".

"... charming town with rural qualities. Old French shop-houses, shady tree-lined boulevards and a gentle winding river."

... the perfect place to relax for several days and many visitors end up staying a week, thanks to a good range of facilities, friendly and fun-loving locals, and the world's most magnificent temples."

- Lonely Planet, Cambodia, 2007.

2. Quality infrastructure

To make Siem Reap a great tourist city, the local authorities, institutions, and related NGOs together have focussed on improving our infrastructure such as roads, the airport, Chong Khneah port, bridges, electricity supply, clean water supply, public security and safety, safety, and local scenery to welcome and encourage visitors to our city and all parts of our province.

All industries – not just tourism – capitalise on and benefit from this investment in infrastructure.

Inexpensive and Reliable Electricity

Siem Reap is well-served with inexpensive and reliable electricity. This already ample power supply is expected to increase over the next few years to match the province's growth.

Siem Reap's location close to Thailand provides us with a secure and inexpensive electricity supply. In addition, Siem Reap has two large generation plants: a 10 MW plant was donated by Japan in 2004, and another from Thailand which began operation in 2006.

Electricity in Siem Reap town currently costs 820 reil per kWh (around US\$0.20/kWh) for the first 20,000 kWh consumed each month, with lower prices for consumption of amounts greater than this, culminating at 700 reil for quantities over 80,000 kWh.

Extensive Modern Road Network

The province has excellent transport infrastructure and is a trade and transportation hub, sitting on the key ASEAN Highway #1, the overland route between Thailand and Phnom Penh and onward to Vietnam.



Cambodia - Siem Reap Province Travel Time by Road from Provincial Capital



Upgrading of National Road #6 to Sisophon and National Road #5 from there to the Thai border at Poipet is now complete. As a result, Siem Reap city is now less than 2.5 hours drive from Thailand. Since this work was completed, local officials report a significant increase in tourists from Thailand.

National Road #6 also runs from Siem Reap to Phnom Penh, five hour's drive away. After 70km of this road was rehabilitated, significant increases in traffic were observed and the ADB reported reduced average vehicle operating costs. Local businesses confirm that transport times and costs have fallen considerably.

In total, the province is served by five national roads, running for 336km (over 8% of Cambodia's total). As a result, we have more kilometres of national road per square kilometre of province area (3.8 km per 100km²) than most provinces.

International Airport

Siem Reap's international airport is by far the busiest airport in Cambodia, with over 760,000 arrivals in 2007 by direct flight (nearly 60% of all arrivals to Cambodia by air). More than 10,000 of these arrivals are for business and other non-tourist reasons.

3. Cambodia's second largest market – 200,000 residents plus two million visitors

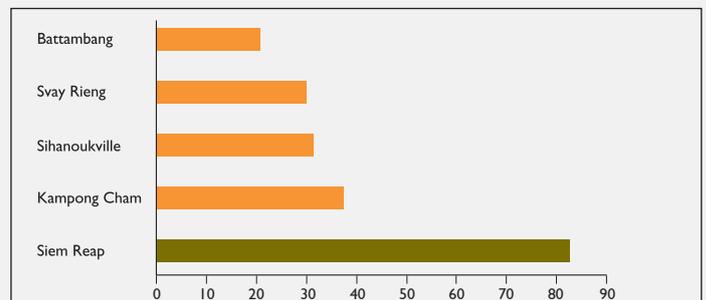
Siem Reap town is Cambodia's second largest city, with a domestic population of over 200,000 plus over two million visitors each year - in 2008, 1.2 million locals and 1.1 million foreigners visited Siem Reap.

The town has more than 11,000 rooms in its hotels and guest-houses, with more being built to meet growing demand. New

shopping centers have been built, and two investors are planning a large satellite city nearby.

An indicator of economic activity in the city is the volume of electricity consumption, which is significantly higher than any other province outside Phnom Penh.

Electricity Consumption, Selected provinces, 2007, GWh



Source: Electricite Du Cambodge.

The city bustles with a large and diverse service sector that supports not only the tourist industry but also trade with Thailand and the surrounding agricultural industries.

Twelve commercial banks serve Siem Reap with a total of 19 branches, more than any other province outside Phnom Penh. Maybank recently opened its first provincial branch in Siem Reap. More people hold deposits with microfinance institutions in Siem Reap than any other province except Phnom Penh.

As a sign of the town's growth and potential as a local market, Japanese car giant Toyota has announced that it will open a showroom in Siem Reap. Foreign investors continue to invest.

4. Improving Business Environment

We are keen to provide the best business environment in Cambodia. Reflecting our efforts, we were recently found to have improved in 9 out of 10 categories measured⁴. We will continue to make improvements to attract further investment.

“[Siem Reap] invested significant resources to create more efficient and transparent regulations.”

- IFC & TAF, The Provincial Business Environment Scorecard in Cambodia, 2009.

In particular, Siem Reap ranks well in areas of property rights, transparency, tax administration & burden, and participation.

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

Siem Reap is one of Cambodia's most populous provinces. Our workforce is young, enthusiastic and educated. With over 40% of our 896,000 people under the age of 18, this workforce will continue to grow.

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



We have 227,000 students attending our primary and secondary schools.

Six universities operate in the province. Artisans d'Angkor has a famous handicrafts training center.

In addition, the significant investment in training and customer service conducted by the province's hospitality businesses has provided an excellent source of highly trained and educated candidates that understand international standard service and commitments.

Unskilled labor in Siem Reap costs around \$40 to \$50 per month (plus food and accommodation in some cases). In addition to an abundant local workforce, Siem Reap provides an attractive location to attract expatriate staff – living next to Angkor Wat with all of the amenities and attractions that support it provides an excellent platform for attracting top talent.

Major Economic Activity

Agriculture

Agriculture is very important to Siem Reap. Rice is the most important crop and Siem Reap produces 413,147 tons of paddy rice, accounting for nearly 6% of Cambodia's total. Siem Reap province has around 195,000 hectares of rice cultivation each year. Besides rice, around 6,940 hectares are dedicated to other crops such as cassava, sweet potato, soy bean, mung bean and sugar cane. Fruits such as mango and jackfruit are grown widely.

Fishing is an important part of the province's economy. Around 25,000 tons of fish are caught yearly. Fish products like fresh fish, dry fish, and our famous prohok (fish-paste) are supplied locally and are also exported, especially to Thailand.

Local crocodile farms also serve export markets.

Industry and Services

Our size and supporting infrastructure has made Siem Reap a vital destination for enterprises in the country. Our tourism sector has supported the growth of a strong and diverse services and industry sector. Today, we are proud to have over 3,300 private enterprises operating in the province, including:

Activity	Number of enterprises
Hotels	116
Guesthouses	222
Handicrafts (inc. metal)	69
Noodle manufacturing	5
Drinking water	32
Other food processing	6
Restaurants/food stalls	852
Repair shops	397
Professional services (including health)	57
Other services	323
Wood processing	2
Ceramic hardware	8
Furniture manufacturing	22
Other manufacturing	102
Construction	7
Construction materials	38
Grocery retail	405
Other retail	1080
Greenhouses/horticulture	14
Animal husbandry	3

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

In addition, we have many rice mills, brick, tile and paving stone manufacturers, ice factories, sauce producers, and property developers. One large brick manufacturer in Angkor Thom district can produce 12,000 bricks per day. There are plans to build a new tile factory.



Business Opportunities

There are a wide variety of business opportunities in Siem Reap. We see significant opportunity for businesses to take advantage of our competitive strengths through further investment in:

- **Agriculture.** We have abundant land, farm labor, and supportive infrastructure. There are particularly good opportunities in fruit and vegetable growing to support the large tourist market, with local supply currently limited. Some firms are already investing to take advantage of this. Local officials also see opportunities in commercial livestock raising.
- **Agri-business.** We have significant scope to add value to our diverse agricultural output. In particular, opportunities exist in rice milling as well as fruit and vegetable processing.
- **Tourism.** Local officials are very keen to encourage tourists to stay longer in Siem Reap. To this end, we will assist in the broadening of our province’s attractiveness. For example, we hope to make more use of the Tonle Sap Lake, including as a resort for tourists. There are opportunities for entertainment facilities for tourists, such as an amusement park.

There are also opportunities in eco-tourism, particularly in districts such as Banteay Srei. Some companies are already providing rural home stays and ox cart trips.

- **Light manufacturing,** supported by inexpensive labor, sound infrastructure, proximity to Thailand and a supportive business environment.

There are good opportunities in the districts closer to Thailand, 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. The provincial government of Siem Reap clearly recognises the importance of service, hospitality, security and a clean city. We are working to further strengthen our city’s liveability and business environment, including ongoing road works, improvements in street lighting, and cleaning up the river.

In addition, a water treatment plant, anti-flooding works and new town water supply are either underway or being explored with the assistance of Korean and Japanese investors and donors. Local officials believe there are more opportunities in clean water supply.

Construction has begun of an international standard convention hall. The government also hopes to improve the port on Tonle Sap Lake.

A number of development partners are aiding Siem Reap’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, garment sector, and tourism
Improving Understanding and Management of Rice Pathogens	ACIAR	Rice
Cambodia Australia Agricultural Extension Project Phase II	AusAID	Agriculture
Agriculture Marketing Information Service (AMIS) Project	CIDA	Fruits & Vegetables
Economic and Social Relaunch of Northwest Provinces (ECO-SORN)	EU	Agriculture, livestock, fish, silk, vegetables
Regional Economic Rural Development - Green Belt Project	GTZ	Fruits & vegetables, handicrafts
Tourism Project	IFC	Tourism
Cambodia Agricultural Development Facility	NZAID	Agribusiness
Northwest Irrigation Sector Project	AFD/ADB	Irrigation

Want to learn more?

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

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The Council for the Development of Cambodia
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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 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

Siem Reap at a glance	
Population:	896, 443
Proportion working in Agriculture:	73%
Provincial poverty ranking:	22/24
Land area:	10,299 km ²
Population density: % of National Average:	87 persons/km ² 116%
Number of Districts/Town:	1 town and 11 districts
Number of Communes/Sangkat:	13 Sangkat and 87 communes

Siem Reap's soils
Type: Lucustrine alluvial soils near the Tonle Sap lake, cultural hydro-morphics further inland, with areas of plinthite podzols and red-yellow podzols. Some regions of alluvial lithosols and acid lithosols and high-fertility grey hydromorphics.
Fertility level: High in areas close to the Tonle Sap lake and in the east. Medium further from the lake, and low in the centre and north.

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

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