

KAMPONG SPEU PROVINCE

INVESTMENT PROFILE

OCTOBER 2008



KAMPONG SPEU

Build your business in Cambodia's growth corridor



USAID
FROM THE AMERICAN PEOPLE

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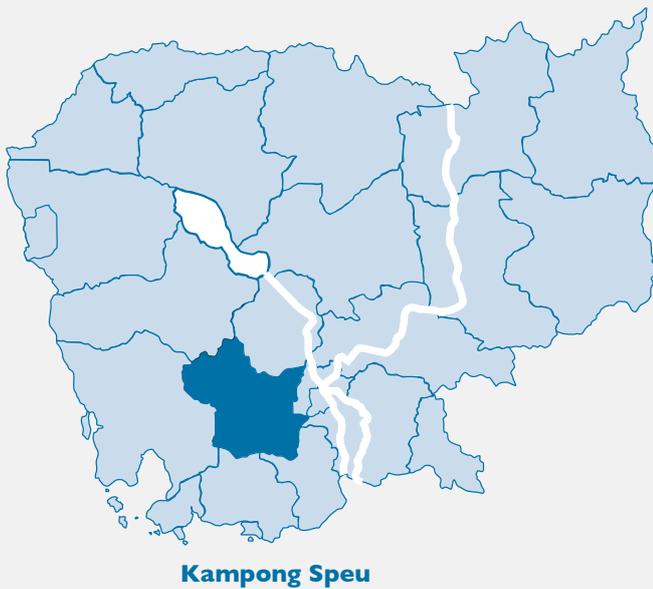
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Kampong Speu

Greetings from His Excellency the Governor

Kampong Speu is famous for its palm sugar and wine. But our province offers far more than just agriculture. Today, we enjoy a robust light manufacturing industry and the development of a number of highly prized domestic tourism locations – from the ancient Khmer capital of Udong to the resorts of Kirirom.

Kampong Speu is nestled between the capital, Phnom Penh, and Cambodia's major port of Sihanoukville. Sitting between both and housing the National Road #4 that connects them, our province is an ideal place to set up business.

We have a young, energetic and hard-working labour force. As a result, an increasing number of light manufacturing businesses have established themselves within the province.

To continue growing our economic base and strengthening our reputation as a favoured location for investment, the Kampong Speu provincial government has worked tirelessly to strengthen the local business environment.

We are not stopping there, however. We will continue to make improvements in our province to attract additional new investment as well as 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 do our best to make it easy and inexpensive for you to register your business and get established, and we 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. Kang Heang

Governor, Province of Kampong Speu



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 Business Environment

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

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.

Wages in the garment industry³

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

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.

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

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

WHY KAMPONG SPEU ?



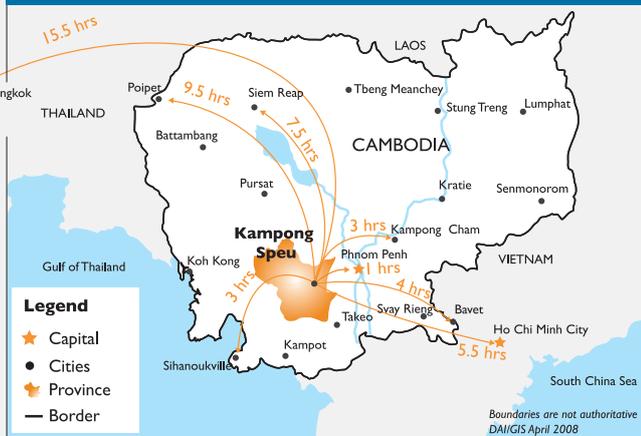
Why Kampong Speu?

I. Excellent Location

Kampong Speu is located in the main transport corridor between Phnom Penh, the country's capital, and Sihanoukville, Cambodia's only deep sea port. With a high-quality national road linking the two, Kampong Speu is perfectly placed to provide access to quality inputs and to export and domestic markets.

Kampong Speu capital is just an hour from Phnom Penh, 3 hours from Sihanoukville and only 5.5 hours from Ho Chi Minh City. Phnom Penh's airport is only a 40-45 minute drive from Kampong Speu town.

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



Arrows indicate estimated travel time by road in hours
Driving times to Bangkok and Ho Chi Minh City do not include border crossing time

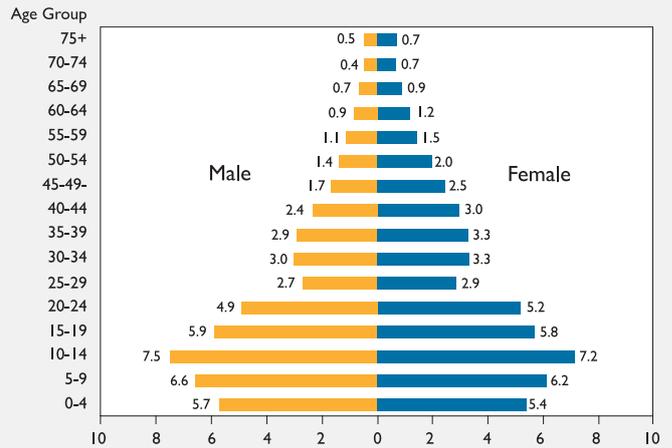
The province has excellent transport infrastructure. Kampong Speu is served by 5 high-quality national roads in addition to the key National Road #4 that runs through its heart. National Road #5 and National Road #51 link Kampong Speu to both Vietnam and Thailand. Two bridges being constructed across the Mekong River will improve travel times to Kampong Cham (by-passing Phnom Penh) and Vietnam. Kampong Speu therefore provides easy access to Phnom Penh, Sihanoukville, Thailand and Vietnam.

2. Experienced Industrial Workforce

Kampong Speu is home to a significant manufacturing and industrial base. As a result, our people have experience working in these sectors. The majority of Kampong Speu's labor force is engaged in agriculture, although 18% is engaged in industry, the highest proportion in Cambodia after Kandal.

Yet our labor force is young (half the population is under 20), and

Favorable demographics⁴



will therefore continue to grow.

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

3. Sound Financial Services Sector

With a burgeoning business sector and a growing middle class, the financial services sector in the province is well developed. There are 10 bank branches in Kampong Speu.

We also have 15 microfinance offices, with nearly 60,000 borrowers. At 7% of the local population, this is greater than the national average.

Our businesses are provided the capital they need to make productive investments, whether micro-enterprises established to serve the needs of larger organizations or large facilities that require significant investment capital.

4. Lifestyle

Kampong Speu attracts business people hungry for both economic prosperity and a high quality of life. Our province has multiple domestic tourism attractions, easy access to key markets and other national treasures and is just a quick ride into either the vibrant national capital or world-renowned beach community of Sihanoukville. Kampong Speu is the province of choice for productive business people seeking the most out of life.

⁴ National Institute of Statistics, Cambodia Inter-Censal Population Survey 2004.

KEY PROVINCIAL INDUSTRIES



5. Ample, High-Value Real Estate

Kampong Speu is a large province with abundant land for both agricultural production and industry.

To utilize this land for productive and sustainable development, we support and are active in working with companies to secure appropriate land for their investments. In particular, land is available for agro industry.

To further increase the quality of this land, we have worked hard to improve the province's irrigation systems. South Korea is building a reservoir and India and Pakistan have conducted studies for more. 3 basins are being constructed in the mountainous area of the province to store water for dry season supply.

6. Diverse Electricity Supply

Kampong Speu is supplied with electricity from a number of sources, including 21 local independent power producers.

In particular, hydro-electric generation from 3 plants at Kiriom is an important source for Kampong Speu. Three further hydro sites have been identified in the province (all around 20MW each) as future sources of supply for our growing economic base. Two new plants are expected to be built over the period 2009 to 2013. There are also plans to import electricity from Vietnam, via Takeo.

In addition, the Rural Electrification and Transmission Project, supported by a World Bank \$40m loan, will upgrade power lines from Phnom Penh to Kampong Speu - we are dedicated to ensuring that our province's businesses have the power they need to operate efficiently and cost-effectively.

Electricity supplied by the national provider, Electricite du Cambodge costs 720 reil per kWh in Kampong Speu. Factories using private supply pay around 1,000 to 1,500 reil per kWh. The province plans to supply electricity from its new sources at 500 to 600 reil per kWh.

Key Provincial Industries

Our success at supporting an active and vibrant business sector has made Kampong Speu a leading destination for enterprises in Cambodia.

Agriculture

Kampong Speu's cassava crop has increased substantially in recent years. This growth is expected to continue with the opening of a bio-ethanol plant in Kandal which will source cassava from Kampong Speu. The MH Bio-Energy Group says it has planted cassava on 8,000 hectares in Kampong Speu, where it employs 10,000 people.

Kampong Speu has the largest palm tree plantations in Cambodia. Palm sugar and palm wine are important products, and there is potential for further output. Cambodia's largest palm wine producer, Confirel, sources much of its sweet palm juice in Kampong Speu. Confirel hopes to export 30 tonnes of palm sugar in 2008, up from 20 tonnes in 2007.

Palm trees are also inputs into other products such as handicrafts. The provincial government is interested in finding new and innovative uses for its palm tree assets.

The province produces mangoes, watermelons and a number of vegetable crops.

Kampong Speu has an active aquaculture industry. The Ocean King Company runs a 20 hectare fish farm in the province. It also supplies fish fry to other local fish farmers. The company says it plans to build a fish-food factory in Phnom Penh and to export 1,000 tonnes of fish fillets.

The province is home to a number of agricultural enterprises, such as those involved in cassava and cashew production.

Agricultural Investments Approved in Kampong Speu

Name	Activity	Number of employees
Dara Sea Agriculture Investment	Agriculture	150
MH Bio-Energy Group	Cassava	10,000
You He Fa	Agro product	145
HMT Green Colour Development	Agro product	93
Khem Rin Co.	Agro product	83
Kirirom Agro Development Co.	Agro product	135
Ocean King (Cambodia) Co.	Fish and shrimp	314

In addition to these approved investments, the Provincial Department of Industry, Mine and Energy stated that an additional sugar manufacturer is poised to enter the province with a 10,000 hectare concession to grow sugarcane.



Industry

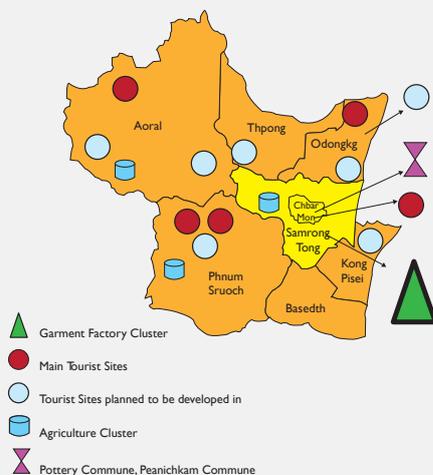
Kampong Speu is home to 16 factories, around 10 of them producing garments, with more under construction. Total factory employment in the province is now around 38,000. The province believes there is potential for 20,000 more.

Activity	Number of enterprises	Number of employees
Cassava, cashew and eucalyptus enterprises	16	12000
Garments and footwear	15	13,000
Wood products	10	na
Cement factory	1	100
Quarries	19	na
Handicrafts	3000	na

This growth in the local garment industry, according to government officials in the province, is attributed to:

1. The existing infrastructure which supports the current garment sector cluster in Samrong Tong;
2. The proximity to key markets; and
3. The existence of National Road #4 through the province which lowers transportation costs to the Port of Sihanoukville for exports.

Industry Clusters in Kampong Speu



Many small businesses operate in our province, with over 400 registered at our Provincial Department of Commerce. In addition, there are thousands of micro enterprises. These are involved in:

- Rice milling;
- Power generation;
- Beverage and food production;
- Furniture production;
- Handicrafts;
- Machinery repair;
- Wholesaling and retailing;
- Hospitality; and
- Health services.

For example, around 160 families in Borset district, 57km south of the provincial town, are active in producing Kroma.

The province has around 20 quarry sites, with the potential for many more. Nineteen companies currently operate quarries, and a further 27 have been licensed but are not yet operational. The province has 14 applications for licenses not yet approved. There are an additional 33 sand producers.

The province is also rich in laterite. These provide important imports for the local construction industry. Kampong Speu is also home to 1 cement factory.

The province has some mining potential, with lead, copper and zinc at Samraong and Khnong Ay, tin and tungsten at Khnong Ay, silver at Samrong and limestone at Phnom Chas. One iron mine and one silver mine are currently being considered.

The province has 10 timber product enterprises, producing furniture and other goods.

While we are dedicated to sustainable use of natural resources, we are actively working to build environmentally friendly businesses which use our abundant natural gifts.

Tourism

Kampong Speu offers tourists wonderful natural resources and cultural experiences. The province has many resorts, hot springs, mountains (including Cambodia's highest) and waterfalls. Kirirom National Park is one of the most famous nature resorts. It is in a mountain range 117km from Phnom Penh, offering pine forests and a popular waterfall.

The former capital of the Kingdom, Udong, is an important historical site within the province.

The provincial Department of Culture in Kampong Speu has formulated an aggressive plan to develop several natural and cultural tourism sites in the province:



Name	Description
Khek Pong Temple	Historical site. An ancient temple located in the north of Phnum Sruoch district.
Phnom Preash	Natural tourist site. Mountain located in the south-east of Thpong district.
Phnom Chas	Natural tourist site. Mountain located in the west of Aoral district.
Te Teuk Pous	Natural site. Hot water spring located in the east of Aoral district.
Ta Prom Temple	Historical site. Ancient temple located in the north-west of Odongk district.
Sarapeu Yout Pond	Historical site. Pond located in the south-west of Udong district.
Chourn Nat Pond	Historical site. Pond located in the north-west of Kong Pisei district.

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:

- **Handicrafts and silk production**, serving tourists to the province, as well as export markets.
- **Agriculture**. Potential in rice, fruits and other crops, and also in animal raising, particularly in Phnom Srouch district around Kirirom National Park.
- **Agri-business**, particularly food processing. We see significant scope to add value to our agricultural output, particularly in cassava and rice. Also, our abundance of palm trees gives rise to opportunities in **palm sugar and wine**.
- With a large number of **cattle and swine**, there is also significant opportunities in livestock processing. For example, Cambodia imports 300 million tonnes of bacon per year. With a large swine population and a location close to Phnom Penh, this presents a significant opportunity for investment in Kampong Speu.
- **Light manufacturing**, including garments. Abundant inexpensive labor, infrastructure and supportive business environment.
- **Mining and quarries**. The province has very high potential in mining and in providing stone and sand to Cambodia's vibrant construction industry.

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 province.

Kampong Speu's provincial economic policies mirror closely those of the Royal Government of Cambodia. Central to both approaches is a systematic strengthening of the private sector through: (1) a more attentive and efficient business enabling environment, (2) increased FDI and (3) supporting the country's SMEs. In addition to the tourism support outlined above, the Kampong Speu provincial government will focus on the following activities:

- Continued efforts to attract garment manufacturers to the province to take advantage of existing infrastructure developed by its garment clusters and access to key markets/export points.
- Attracting new investment in agriculture through improved irrigation and new investment to increase production.
- Increased skill training and infrastructure development in key areas.
- Assist businesses in finding export markets for their produce.

A number of development partners are aiding Kampong Speu's private sector development in key areas:

Project	DP	Sector
Cambodia Australia Agricultural Extension Project Phase II	AusAID	Agriculture
The Study on Comprehensive Agricultural Development of Prek Thnot River Basin	JICA	Rice
SLPP Smallholder Livestock Production Project	EC	Livestock
Agriculture Sector Development Program	ADB	Agriculture
Cambodia Micro, Small and Medium Enterprise (MSME) Project	USAID	Livestock, aquaculture, agro-processing, and clay tiles

Want to learn more?

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

Van Sokha

Secretary General of Kampong Speu Hall, and
Secretary of Provincial Investment Committee
(855) 012 843 974

www.cambodiainvestment.gov.kh

www.investincambodia.com

The Council for the Development of Cambodia
- Cambodian Investment Board
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

Phnom Penh Chamber of Commerce:
www.ppcc.org.kh

Phnom Penh Small and Medium Industry Association:
www.smecambodia.org

Kampong Speu at a glance

Population:	762,500
Aged 15-64:	56%
Proportion employed in Agriculture:	65%
Provincial poverty ranking:	23/24
Land area:	7,017 km ²
Population density: (% of National Average)	137%
Number of Districts:	8
Number of Communes:	87

Kampong Speu's soils

Type: Mostly Red-yellow Podzols and Cultural Hydromorphics. Also some Alluvial Lithosols, Acid Lithosols, Planosols and Grey Hydromorphics

Fertility level: Variable across the province, from Low to High.

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-\$100
Other area	\$4-\$30
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	60

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INVESTMENT PROFILE

