

SVAY RIENG PROVINCE

INVESTMENT PROFILE

OCTOBER 2008



SVAY RIENG

12 million people at your doorstep



USAID
FROM THE AMERICAN PEOPLE

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Svay Rieng Investment Profile

Greetings from the Governor _____ p2

National Strengths _____ p3

Open Business Environment
 Inexpensive Workforce
 Strategic Regional Location

Why Svay Rieng? _____ p4

1. Vietnam on your doorstep
2. Pro-Business Environment
3. Leading Special Economic Zones
4. Tourism potential
5. Educated Labor Force
6. Competitive and Reliable Electricity

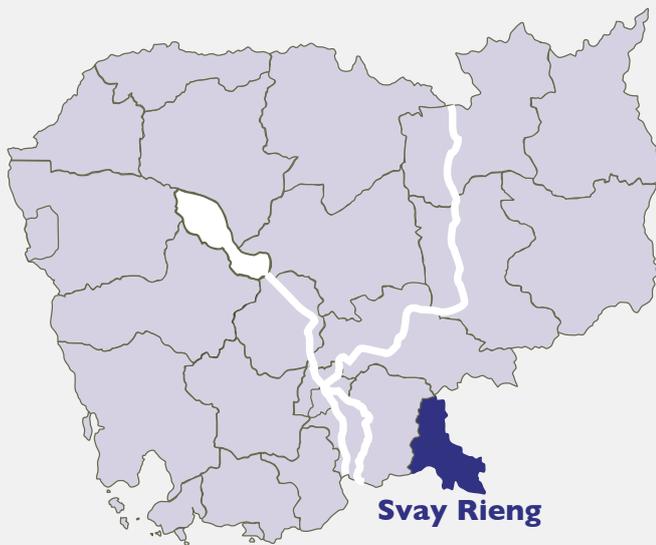
Business Opportunities _____ p7

Ongoing Developments _____ p7

Want to learn more? _____ p8

Statistics _____ p9

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Greetings from His Excellency the Governor

Located on Cambodia's south-eastern border with Vietnam, Svay Rieng Province is only 60km and 1 hour's drive from Ho Chi Minh City, and 125km from Phnom Penh. Our population of over half a million is densely populated, with 10,000 people working in factories, industrial zones, hotels, and other enterprises.

A number of businesses have chosen to establish operations in the province to take advantage of the excellent opportunities we provide and the close proximity to one of Asia's most prolific and emerging markets.

We are excited about the potential to broaden and deepen our industry base as we build the infrastructure necessary to capitalize on our strategic location. As such, we openly welcome new investors, both local and foreign. We make it easy for you to register your business and get established. Entry costs in Svay Rieng are among the lowest in Cambodia, and our provincial authorities will do all they can to assist you in starting your business.¹

We have also established Special Economic Zones, providing one-stop shops for all administrative approvals, excellent transport infrastructure, and cheap and reliable electricity supply.

Take these new developments, the strengths of our natural resources and our young, educated, energetic, and hard-working labor force and Svay Rieng is poised for significant growth — come and be part of this exciting time.

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

Sincerely,

H.E. Cheam Am

Governor, Province of Svay Rieng

¹ Svay Rieng was ranked first out of ten Cambodian provinces for proactivity of provincial authorities and second for entry costs. We were ranked second for overall business environment.



National Strengths

Over the last decade, Cambodia has emerged as a vibrant and robust Asian economic player mirroring and surpassing its neighbors in economic growth. Cambodia has nurtured and developed many of the underlying attributes necessary for successful business development and profitability.

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.²
- 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.³ And with a very young population (half are under 20), this labor force growth will continue.

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

3. ILO, *Labour and Social Trends in ASEAN 2007 - Integration, Challenges and Opportunities*, 2007.

Wages in the garment industry⁴

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.

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

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

WHY SVAY RIENG?



Why Svay Rieng?

1. Vietnam on your doorstep

Svay Rieng is on the primary trade route between Ho Chi Minh City and Phnom Penh. The province borders Vietnam and is just a 1 hour drive from Ho Chi Minh City (1.5 hours from Svay Rieng town). It is also only 2.5 hours from Phnom Penh.⁵ We are therefore only a brief drive to two of Asia's most dynamic markets, home to over 12 million consumers and 350,000 businesses.

The close proximity and shared border with Vietnam provides efficient access to a large market for the province's output. To further strengthen this strategic advantage for our province's businesses, we have established two international checkpoints in Svay Rieng, and a third is planned. Trade across the border, in both directions, is very active.

Cambodia - Svay Rieng Province Travel Time by Road from Provincial Capital



The province has excellent transport infrastructure as well, providing easy access to both local and export markets.

Svay Rieng is served by two national roads, running for 127km. The province has twice as many kilometres of national road per square kilometre of area (4.3km) than the national average. Our roads are smooth, fast and well-maintained.

5. This driving time to Phnom Penh will fall once a new bridge is constructed at Neak Loeung.

National Road #1 runs through the province from Phnom Penh to Ho Chi Minh City. With recognition as part of the ASEAN road network that is important in the region's economic integration, we are sure to provide increased throughput and development within our corridor.

2. Pro-Business Environment

Svay Rieng's business environment is one of Cambodia's best. We have established an investment sub-committee and secretariat to facilitate private sector investment.

Svay Rieng has recently been awarded Cambodia's #2 provincial ranking for its pro-business environment. In Svay Rieng we do all we can to provide a secure yet dynamic environment for your business.

Our ranking was awarded through the 2006 IFC-Asia Foundation Provincial Business Environment Scorecard.⁶ The scorecard measures economic governance and regulatory policy as it relates to supporting an active and vibrant business environment.

In particular, the evaluation found that Svay Rieng has:

Cambodia's Most Proactive Provincial Authorities

Svay Rieng was ranked first on the proactivity of its provincial authorities towards supporting our province's businesses and improving the business environment. In this sense, we have Cambodia's highest level of provincial dynamism.

Our officials' attitude toward private business is positive. We work within central laws to create a profitable business environment. We show creativity and thoughtfulness in solving new business problems.

Selected provincial proactivity indicator	Firms
Provincial government is creative and clever about solving firm's problems	76%
Provincial government good at working within central laws	83%

6. The IFC-TAF 2006 Provincial Business Environment Scorecard (PBES) in Cambodia surveyed 500 businesses in ten provinces: Phnom Penh, Siem Reap, Kampot, Battambang, Kampong Cham, Kandal, Banteay Meanchey, Svay Rieng, Kampong Chhnang, and Sihanoukville.

WHY SVAY RIENG?



Low Entry Costs

Svay Rieng has built a business registration system that is one of the most efficient in the country – represented by low license fees, limited requirements for special licenses and permits and fast overall registration time. We do all we can to make sure that starting your enterprise in our province is hassle free and efficient.

Entry Cost indicator	Days*	Fee, \$*
Provincial Registration Certificate	20	10
Provincial Operating License	9	8
Patent Tax Certificate	10	10

* Median

Best Crime Prevention

Our province ranked first in the nation on crime prevention for businesses. The proportion of companies that experience loss due to crime, and the value of any loss, is the lowest in Cambodia.

Crime prevention indicator	
Firms that did not experience a robbery (%)	93
Losses of firms that did experience a robbery (median \$)	50

We take great pride in having established an environment that supports the needs and interests of our businesses and look forward to welcoming more progressive and innovative businesses to our province.

3. Leading Special Economic Zones

The Bavet area of Svay Rieng, with its strategic location at the Vietnam border, has been recognised by the Royal Government of Cambodia as a priority area for investment in industrial processing. This has led to the establishment of Special Economic Zones (SEZs). These SEZs are further enhancing our province's reputation as a provider of a superior business environment.

One SEZ is operational, while two more have been approved. Investors in these SEZs already employ over 6,000 people, producing and exporting shoes, textiles, bicycles, cushions and hardware.

Eight companies have officially moved into Manhattan SEZ, five of which have started manufacturing. Taiwan's Kingmaker Footwear, one of the largest footwear manufacturers in the world, is a major investor and producer in the Manhattan SEZ. Within 3 years it expects to ramp up annual production at Manhattan to 3 million pairs, employing 5,000 workers.

An hour from Ho Chi Minh City, these SEZs provide:

- On-site, one-stop SEZ Administration Office for all paperwork and streamlined approvals
- Tax holidays of between 3 and 9 years
- Full import duty exemption
- No export taxes
- Containers crossing the border are not subject to another Customs inspection
- World-class infrastructure

Manhattan SEZ is only 65km from Ho Chi Minh City airport, and 80km from the harbor, offering low-cost access to land, sea and air transport.

Manhattan SEZ business costs	Price
Industrial land (99 year lease)	\$25-30/m ²
Factory rental	\$2.50/m ² /month
Electricity	\$0.1262/kWh
Water supply	\$0.15/t
Sewerage and waste water treatment	\$0.25/t
Infrastructure maintenance fee	\$0.04/m ² /month

4. Tourism potential

Every month 30,000 tourists enter Svay Rieng from Vietnam. As Cambodia continues to build its tourism sector, the number of travellers from Vietnam entering our province is expected to increase significantly.

Svay Rieng is positioning itself as the gateway to Cambodia from Vietnam. Malaysian company CVI Resort plans to invest \$100m to build a five-star hotel, golf course, trade centre and entertainment zone in Svay Rieng, on the border with Vietnam. In addition, local authorities have recently set aside 10 hectares of prime real estate to develop a tourism site to encourage tourists to linger longer in Svay Rieng before continuing their journey to Phnom Penh. The site is only 7km from Svay Rieng town, is on a river and includes an historic temple – a perfect place to spend a few days before travelling to the capital.

To further encourage regional tourism, 7 casinos in Bavat are also proving popular with our Vietnamese tourists.

Also, customs and traditions, diverse festivals and rites are some of the cultural heritages that are available to tourists in the province.

We are keen to encourage further investment in our local tourism and hospitality industry.

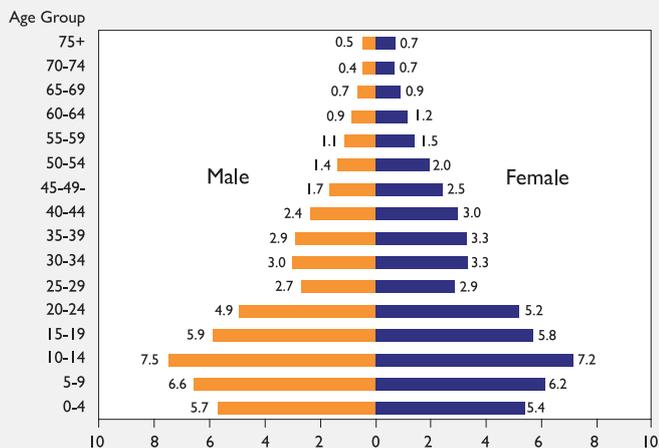
KEY PROVINCIAL INDUSTRIES



5. Educated Labor Force

Our province of 550,000 people is densely populated. Partly as a result, our people are more literate and better educated than many provinces in Cambodia. Our workforce is young, enthusiastic and educated.

Favorable demographics⁷



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

Svay Rieng University, the province's first, opened in January 2006. The university currently has over 1,800 students, many on scholarships but over 500 are full-fee paying.

Svay Rieng's labor force is relatively developed with 23% employed in the industry and service sectors.

An indicator of the attractiveness of Svay Rieng is the high level of inward migration. It is one of the few provinces in Cambodia with positive net inward inter-provincial migration.

We take pride in having leading human resources to support our businesses and believe this is one of our key competitive advantages - let our people help grow your enterprise.

6. Competitive and Reliable Electricity

Svay Rieng is supplied with electricity from a number of sources, including 14 independent power producers. In Svay Rieng town, 97% of families are supplied with electricity, consuming an

average of 31 kWh each per month. Importantly, 4 districts in the province are connected to the Vietnamese grid, a source of cheap, and more importantly, reliable power for your business. Electricity imported from Vietnam costs 650 riel/kWh.

Imports from Vietnam are expected to increase over the next one to two years, and two more districts will begin receiving Vietnamese electricity in 2009.

Key Provincial Industries

Our success at supporting an active and vibrant business sector has made Svay Rieng a leading destination for enterprises in the country, including:

Activity	Number of enterprises	Number of employees
Textiles, garments and footwear	7	5,000
Paint factory	1	40
Cassava processing	1	na
Bicycle manufacturing	2	1,512
Hardware	1	91
Construction	7	na
Trading	42	na
Other Services	10	na

The output of many of these businesses is exported to nearby Vietnam.

Our industrial base is developing. Seven garment factories are operational in the province, four in the Special Economic Zone at Bavat and three elsewhere in the province. In early 2008, Kova Paint Group opened its first Cambodian paint factory in Svay Rieng. The factory is a joint venture between Vietnamese and Singaporean investors.

Many small businesses operate in our province, with nearly 750 registered at our provincial Department of Commerce. In addition, around 3,000 micro enterprises in Svay Rieng are involved in activities such as:

- Rice milling;
- Machinery and motorbike repair;
- Wholesaling and retailing;
- Pharmacies; and
- Food service and other hospitality.

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



Business Opportunities

Our province provides a myriad of opportunities for new businesses, as evidenced by the types of companies already operating here, from agricultural and agri-business to light manufacturing. We see significant opportunity for businesses to take advantage of our competitive strengths through further investment in:

- **Agriculture.** Land concessions are available for investors in a number of agricultural products, including rubber. A number of companies from Kuwait are currently evaluating opportunities in cassava, rice and sugarcane plantations.
- **Food processing.** Our province has plentiful primary agricultural inputs, combined with solid infrastructure to enable processing (for domestic and export markets). In particular, we have significant poultry and swine populations, and therefore see potential in meat processing.⁸
- **Light manufacturing,** including garments and footwear. We have abundant inexpensive labor; the required infrastructure and a supportive business environment.
- **Tourism and hospitality.** As discussed above, tourist arrivals from Vietnam will continue growing. We seek investors who will help us capture more of this growth.

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 under way include:

- Continuing to develop the Bavet area as an industrial processing zone.⁹
- Continuing development of solutions to address water issues important for increasing agricultural yield. The Asian Development Bank is funding a major irrigation project along the border with Vietnam.
- Further developing transport and communications infrastructure.

In addition, investors benefit from the Royal Government of Cambodia's Diagnostic Trade Integration Strategy. Under this program, many of the products thriving in Svay Rieng receive additional support from government agencies and international development agencies. Products identified under this growth and support strategy include rubber, livestock, garments, footwear, light manufacturing and tourism. Assistance provided to firms operating in these key sectors include trade facilitation and investment promotion, legal reforms, and the building of management capacity and local expertise.

A number of development partners are also aiding Svay Rieng's private sector development in key areas:

Project	DP	Sector
Cambodia Australia Agricultural Extension Project Phase II	AusAID	Agriculture
Agriculture Quality Improvement Project	AusAID	Rice, Fruits & Vegetables
Cambodia Micro, Small and Medium Enterprise (MSME) Program	USAID	Livestock, aquaculture, agro-processing and clay tile
Small holder Market Development	CIDA / CIGAR	Fruits & Vegetables

8. For example, Cambodia imports 300 tonnes of bacon each year. There is scope for local production to replace these imports.

9. The National Assembly has approved a policy to develop Bavet as a city of Svay Rieng.

Want to learn more?

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

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Deputy Chief of Cabinet
Province of Svay Rieng
+855 (0)12 949 408
+855 (0)16 915 506

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

Special Economic Zones
<http://www.cambodiasez.gov.kh/index.htm>

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

Svay Rieng at a glance

Population:	550,795
Aged 15-64:	58%
Proportion employed in Agriculture:	76%
Provincial poverty ranking:	13/24
Land area:	2,966 km ²
Population density: (% of National Average)	234%
Number of Districts:	7
Number of Communes:	80

Svay Rieng's soils

Type: Mostly alumisols, some alluvial lithosols and cultural hydromorphics

Fertility level: medium

Cambodia Tax Rates

Profit tax	normal	20%
	incentive rate	0% or 9%
Minimum tax		1% of turn-over
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	
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-\$1,000
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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