

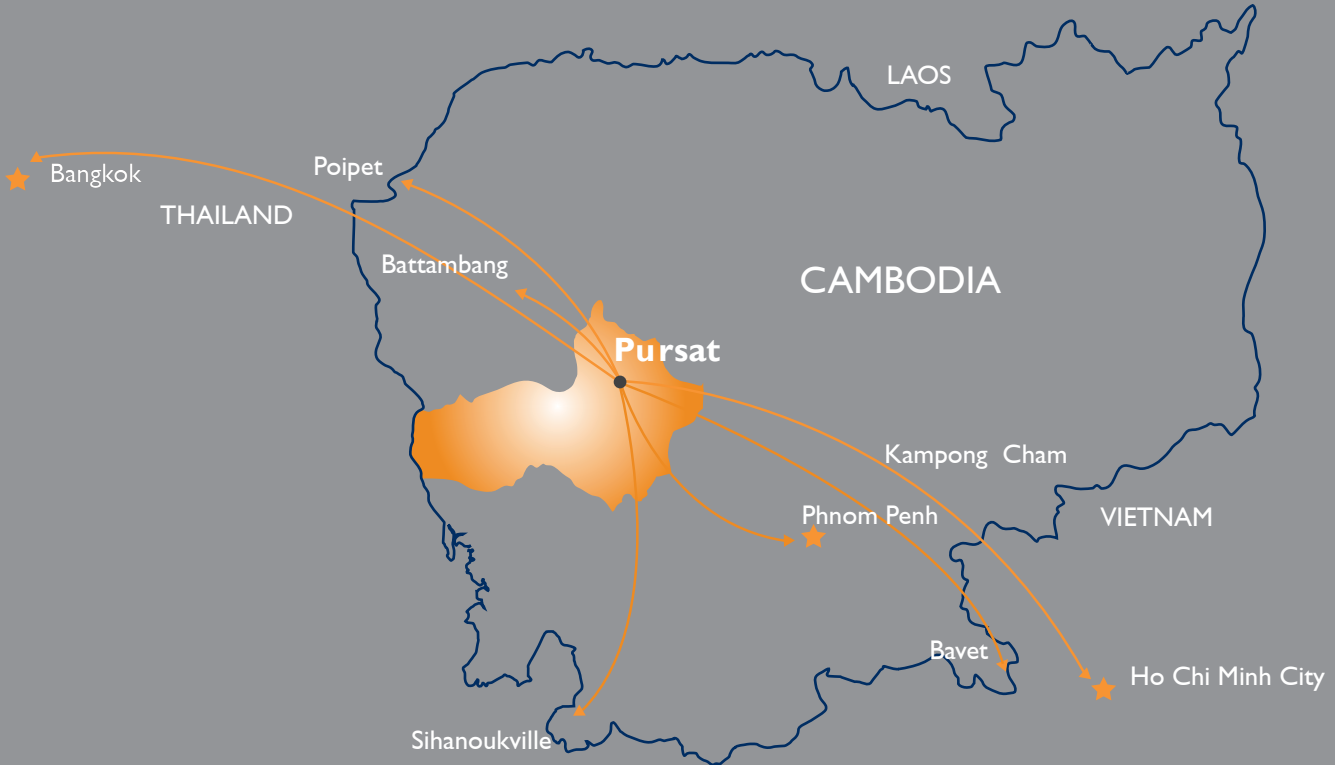
# PURSAT PROVINCE INVESTMENT PROFILE



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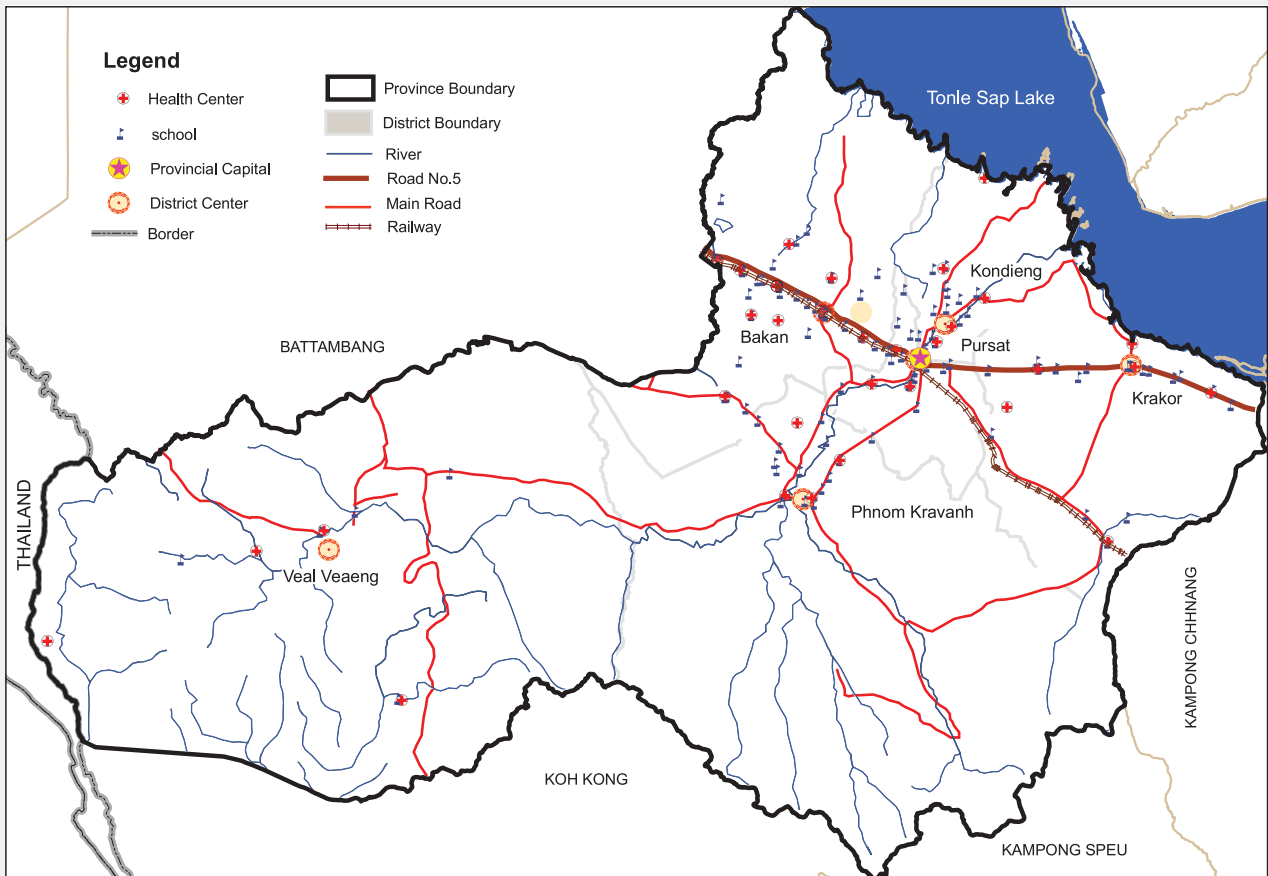
JANUARY 2010



# PURSAT

*Be part of our Growth!*





**DISCLAIMER**

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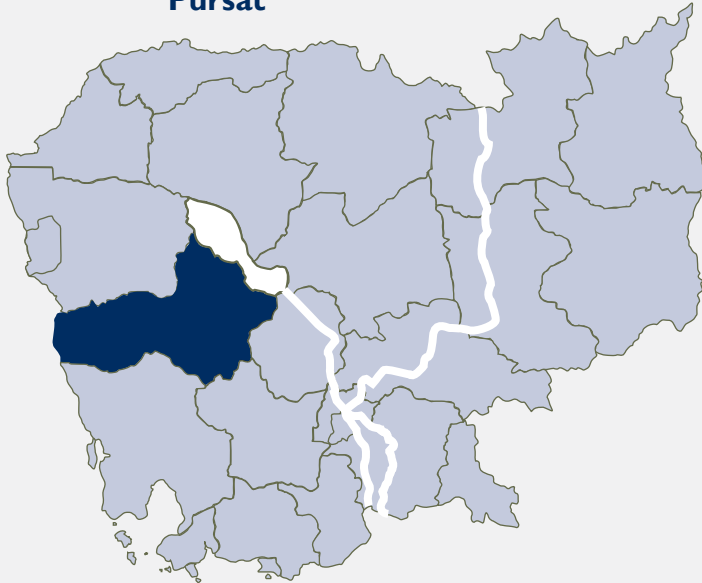
## Pursat Investment Profile

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## Pursat



## Greetings from Our Provincial Leaders

January 2010

Pursat province, located along National Road #5, borders Battambang province and the Tonle Sap lake to the north, Koh Kong and Kampong Speu provinces to the south, Thailand to the west, and Kampong Chhnang to the east. The province covers 12,692 km<sup>2</sup> and has a population of 426,758 people.

Our local authorities – the elected provincial Council with a 5-year mandate, and the board of governors nominated by the Royal Government of Cambodia with a 4-year mandate – hold a shared vision of a bright future for Pursat.

Pursat has an abundance of natural resources both above and below ground, such as forests, sand, marble, fresh water fish, and a number of minerals.

The major sectors that support Pursat's economy are: rice products for export; many kinds of fruit, especially Krouch Pursat (Pursat oranges), with their wonderful taste that is famous throughout Cambodia; magnificent cultural tourism sites that attract around 300,000 tourists annually; significant hydro-electric power producing 170 GWh for export to other provinces, evidence of our province's future potential; ancient and unique marble sculptures, which are the signature of the people of Pursat.

The above sectors will continue to contribute to our remarkable growth in trade, highlighting the huge potential of Pursat province - a province with a great history of bravery, strength and intelligence as exemplified by our legendary warrior, Nhek Ta Khleang Moeung.

We warmly welcome all investors and businessmen who are interested in the many opportunities in a variety of sectors in the golden land of Pursat.

Sincerely,

H.E. Chhay Sareth  
Chairman of Provincial  
Council

H.E. Khoy Sokha  
Governor, Province  
of Pursat





## 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 (except on land).
- Ranked ahead of other countries in the region for economic freedom.<sup>1</sup>
- Equal treatment of all investors.
- Ranked ahead of other countries in region for protecting investors.<sup>2</sup>
- 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 favorable 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.<sup>3</sup> 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
<b>Cambodia</b>	<b>0.33</b>

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.



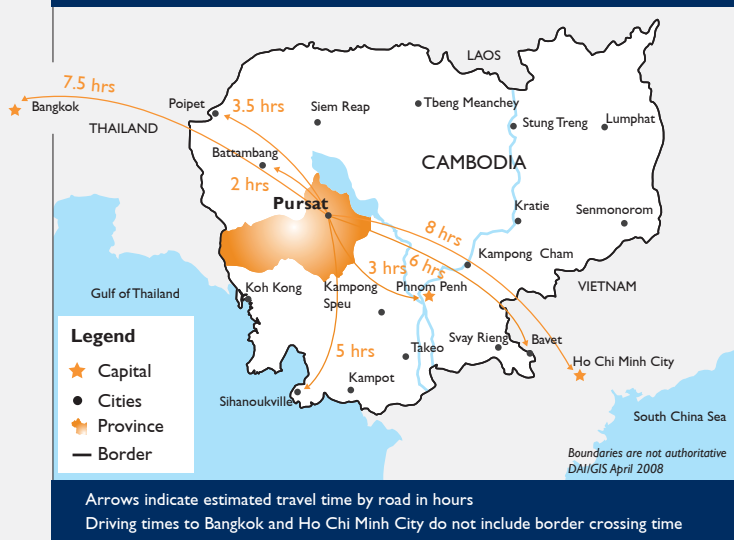
## Eight reasons to invest in Pursat

### 1. Location – the ideal base for domestic and export trade

Pursat, Cambodia's fourth-largest province, is well-located and provides the ideal base for commercial operations: it sits between the two largest cities in Cambodia (Phnom Penh and Battambang), and is bordered by the Tonle Sap lake and Thailand.

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

#### Cambodia - Pursat Province Travel Time by Road from Provincial Capital



### Road Network

Pursat capital is only 3 hours drive from both Phnom Penh and Thailand. National Road #5, links Phnom Penh to Thailand via Pursat. This road forms part of the important ASEAN Highway #1, linking Bangkok with Ho Chi Minh City and is a key infrastructure project – both domestically and regionally; providing the backbone for expanded cross-border trade.

Road conditions throughout the province have significantly improved in recent years. After 130km of National Road #5 was rehabilitated, the Asian Development Bank reported a 247% increase in traffic, with a 35% reduction in average vehicle operating costs.

In addition, National Road #57, which runs to the Thai border at Pailin, and National Road #55 to the Thai border at Trat province in Thailand are both currently being upgraded.

**“The road between Phnom Penh and Battambang is in super shape and this has put Pursat back on the map.”**

- Lonely Planet, Cambodia, 2007.

### Rail

The Royal Government of Cambodia has begun work to upgrade the railway line from Phnom Penh, via Pursat, to Poipet on the Thai border. This will further improve transportation and trade between Pursat and Thailand, as well as Phnom Penh.

### River

Pursat town sits on the Pursat river, which flows from the Cardamom mountains to the Tonle Sap Lake. Ideal for travel and transport, the river has long been a key element of the town's identity and is also used for transportation. Ten percent of the province's area is the Tonle Sap Lake itself. It is possible to travel by boat to Siem Reap, Kampong Thom and Phnom Penh.

### 2. Labor Force – young, educated, inexpensive

Our workforce is young, enthusiastic and educated. With nearly half of our 427,000 people under the age of 18, this workforce will continue to grow.

We have 1,000,000 students attending our primary and secondary schools. Three large training centres and two universities make Pursat's labor particularly well-trained. Vocational skills in areas such as carpentry, mechanics, computing and weaving are taught.

Spending on primary education as a share of GDP has increased significantly in Cambodia in recent years, and is now on par with Thailand. Pursat is no exception to this. The government plans to continue increasing education spending.

Unskilled labor in Pursat costs upwards of \$50 month (plus food and accommodation in some cases). Slightly more skilled and experienced labor starts at \$100 per month – less than some of our neighboring provinces.

We take pride in having leading human resources to support our businesses and believe that our strong yet inexpensive workforce is one of our strongest competitive advantages – let our people help grow your enterprise.

### 3. Supportive Local Government

Pursat was recently ranked as having among the lowest informal charges, provincial tax and administrative burdens in Cambodia. We also ranked well in terms of entry costs and property rights. We aim to make it easy for you to operate your business in Pursat.

Our ranking was awarded through the 2009 IFC-Asia Foundation *Provincial Business Environment Scorecard*.<sup>4</sup> The scorecard measures economic governance and regulatory policy as it relates to supporting an active and vibrant business environment.

We will work to continue to improve our business environment to encourage investment and the economic development of our province.

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





#### 4. Reliable Electricity Supply

Pursat is well-served with reliable electricity, and supply is expected to increase over the next few years. According to local businesses, blackouts are rare.

Pursat has significant hydro-electric potential. A number of foreign investors are conducting research in numerous locations in the province that have strong hydro potential. In particular, a site at Stung Mer Teuk could have a capacity of 210MW. One 170MW plant is already under construction at Stung Ah Tay. From 2010, 210MW of new generating capacity should be operational in Pursat.

Electricity in Pursat town currently costs 1,300 riel per kWh (around US\$0.32/kWh).

#### 5. High-Value Real Estate Available

Pursat is Cambodia's 4th largest province. Although much of the province is mountainous, significant good value land is available, particularly for agriculture.

Pursat's soil is among the most fertile in Cambodia. Fertility is particularly high in regions around Pursat town, near the Tonle Sap Lake and along the Pursat river.

Land is available for as little as \$300 per hectare.

Land concessions are available for investors. A number of land concessions have already been made for crops such as cassava and rubber.

#### 6. Developed Financial Services Sector

Three bank branches call Pursat province home, plus a number of district offices and service posts. Excluding Phnom Penh, Pursat has more branches per 100,000 people (0.76) than the average province.

In addition, microfinance institutions are very active in Pursat. We account for 4% of Cambodia's total MFI lending despite having only 3% of the population. Around 17% of Pursat's adult population have an MFI loan and nearly 10% have deposit accounts.

#### 7. Tourism

Pursat has an abundance of natural and cultural attractions, as well as vast wildlife – both for domestic and international tourists.

The province receives around 300,000 tourists per year, the vast majority of these being from other parts of Cambodia. Currently around 1,000 foreign tourists visit Pursat and local officials plan to work to increase this considerably.

The floating village at Kampong Luong is a major tourist attraction for foreigners and Cambodians. The town's population lives permanently on the Tonle Sap Lake, with floating schools, restaurants, medical clinics and everything you expect to find in a town. There are also many native birds to view at the lake. Kampong Luong is 39km to 44km (depending on the lake's water level) east of Pursat town.

The monument to Neak Ta Khleang Moeang is a major historical site and is located at Snam Preah Commune, Ba Kan District, a short drive from Pursat town. The site is a sacred place attracting Cambodians both locally and those from other provinces to pray and worship.

The province is home to a number of wildlife reserves, including Luaing Trach, in Svay Sa Commune, Krakor district. There is a resort serving visitors to this scenic spot.

Tourists can also visit the lush forests at nearby Chuor Phnom Kravanh. Also popular is the famous, year-round, waterfall at Chrorak Lar Eak, 30 km from town.

Recognizing the cultural and tourism importance of these sites, the local government's Department of Tourism works closely with the Ministry of the Environment to preserve these national assets.

#### 8. Untapped Natural Resources

While highly focused on ensuring sustainable use of the province's natural resources, Pursat offers significant mining potential. A number of valuable minerals exist in the region, including iron ore, lead, marble and phosphate.

### Major Economic Activity

#### Agriculture

As discussed above, Pursat has a strong agricultural sector, based on its good soil and water supply.

The province accounts for over four percent of Cambodia's rice crop. Wet season yields average over 2.5 tonnes per hectare, but many farms achieve well above this.

In the dry season two large dams irrigate over 7,000 hectares, in addition to 17 other smaller irrigation systems.

The province also produces significant amounts of sugar palm, sweet potato, sesame, beans, mixed vegetables, corn and cassava. Given its close proximity, cassava grown in Pursat is exported to Thailand – marking the potential for other crops to follow suit.

Furthermore, Pursat is famous for its sweet oranges.

We also grow sandalwood trees, especially in Phnom Krovanh district.

Fishing is very important to the province, particularly on the Tonle Sap Lake. Raising livestock is also a significant activity. In particular, Pursat has many farms raising chickens, ducks, cattle, buffalo and pigs.

The province's agricultural output is expected to grow dramatically over the coming years – building upon the strong foundation that currently exists due to the quality of its soil and access to large local and international markets. A number of new companies have registered with the local authorities with plans to grow cassava and rubber, among other crops. These companies each have investments of \$1 to \$2 million on land of 800 to 1,000 hectares. Another group has plans to construct four new large rice mills in the province.



## Industry and Services

Pursat is home to a large number of brick manufacturers, suppliers of agricultural machinery, and handicrafts producers. We are particularly famous for our marble sculptures.

We also have three ice factories, three drinking water companies and one soft drink producer.

In total we have over 1,000 private enterprises operating in the province, including:

Activity	Number of enterprises
Restaurants/food stalls	329
Repair shops	128
Professional services (including health)	19
Other services	71
Food processing	23
Ceramic hardware	18
Brick manufacturing	124
Furniture manufacturing	2
Handicrafts	24
Other manufacturing	17
Construction materials	7
Wholesale	7
Grocery retail	113
Other retail	273
Greenhouses/horticulture	9

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

## Business Opportunities

Our province has all of the key elements for rapid and profitable commercial expansion – from an ideal location for commercial trade, abundant natural resources and a large but inexpensive workforce. Given these characteristics, both local officials and the Pursat Chamber of Commerce are excited by the province's potential. While only now beginning to capitalize on opportunities readily available in the province, we see significant opportunity for businesses to take advantage of our competitive strengths through further investment in:

**Agriculture and Agri-business**, particularly food processing, cassava and rubber. We see significant scope to add value to our large and diverse agricultural output. Jatropha is grown in the province with potential for processing, including into biofuel. As a large grower of rice, there is significant scope for investment in rice milling and storage capacity.

**Light manufacturing**, including garments. We have inexpensive labor, sound infrastructure, and a supportive business environment. There is also scope for further investment in brick manufacturing with local producers unable to keep up with exploding national demand.

**Tourism**. We see strong potential to grow our tourism infrastructure and services – particularly for the growing domestic tourism market. For example, investing in new boats for tours to the floating village.

**Mining**. A number of foreign investors are researching the potential of aluminium and bauxite, among other minerals.





## Ongoing Developments

Although we are proud of our accomplishments, we continue to strengthen and improve our investment attractiveness. We remain active in building our business infrastructure and attracting leading business enterprises to our home. Some of the key developments underway include:

- The Royal Government of Cambodia’s Diagnostic Trade Integration Strategy. Under this program, many of Pursat’s products receive additional support. Products identified under this strategy include garments, footwear, light manufacturing, transport and tourism. Assistance includes trade facilitation and investment promotion, legal reforms, and the building of management capacity and local expertise.
- A number of development partners are aiding Pursat’s private sector development in key industries:

Project	DP	Sector
Micro, Small and Medium Enterprise Program (USAID Cambodia MSME)	USAID	Clay tiles, aquaculture, swine, water & sanitation, honey, resin, garments, and tourism
Cambodia Australia Agricultural Extension Project Phase II	AusAID	Agriculture
Smallholder Livestock Production Project	EU	Livestock
Private Sector Promotion	GTZ	Cashews, organic rice, silk, ICT
Northwest Irrigation Sector Project	AFD / ADB	Cashews, organic rice, silk, ICT

## Want to learn more?

For more information on opportunities and development in

Pursat, please contact:

Cabinet of Pursat province  
Phone: (855) 52 951 442  
Pursat Chamber of Commerce  
Phone: (855) 52 951 995

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

The Council for the Development of Cambodia  
Cambodian Investment Board  
Tel: (855) 23 981 154

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

Phnom Penh Chamber of Commerce

[www.ppcc.org.kh](http://www.ppcc.org.kh)



Pursat at a glance	
Population:	426,758
Proportion working in Agriculture:	85%
Provincial poverty ranking:	13/24
Land area:	12,692 km <sup>2</sup>
Population density: % of National Average:	33.6 persons/km <sup>2</sup> 45%
Number of Districts/Town:	1 town and 5 districts
Number of Communes/Sangkat:	42 Communes and 7 Sangkat

Pursat's soils	
Type: lacustrine alluvial soils in regions closer to Tonle Sap lake, brown alluvials along Pursat river, grey hydromorphics around town, red-yellow podzols and acid lithosols elsewhere.	
Fertility level: High around Pursat town and in regions adjacent to Tonle Sap lake. Medium along Pursat river. Low in the mountainous west.	

Cambodia Tax Rates		
Profit tax	nomal	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

# PURSAT PROVINCE

## INVESTMENT PROFILE

