

# PREY VENG PROVINCE

## INVESTMENT PROFILE

OCTOBER 2008



# PREY VENG

*Cambodia's Untapped Business Locale*



**USAID**  
FROM THE AMERICAN PEOPLE

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### Greetings from His Excellency the Governor

Prey Veng is ideally located between Phnom Penh and Ho Chi Minh City. National Road #1, one of Cambodia's busiest highways, runs through the province and provides an efficient link to key regional markets for our businesses.

The province is also located on the east bank of the Mekong River, which provides the life blood of our agriculture as well as a transport route.

Prey Veng Province is one of the largest rice producing regions in Cambodia. We also have significant fish, poultry and swine, as well as other crops. However, our province is not just agricultural. Our location has already led some investors to propose Prey Veng as the site for a new garment factory.

Our province is mid-sized but heavily populated. Prey Veng's one million people are young, energetic, and hard-working.

To continue growing our economic base, the Prey Veng 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 look forward to working with new investors to help expand their businesses and grow our dynamic province.

Sincerely,

*H.E. Ung Samy*  
Governor, Province of Prey Veng





## National Strengths

Over the last decade, Cambodia has emerged as a vibrant and robust regional player with many of the underlying attributes necessary for successful business development and growth.

### Open for Business

- Low corporate taxes – 20% tax on corporate profits (5 years carry forward of losses).
- No foreign ownership restrictions. Cambodia allows joint ventures or 100% foreign-owned companies to operate, with full rights to import and export almost all types of products.
- Equal treatment of all investors.
- Ranked ahead of China, India, Vietnam and Indonesia for economic freedom.<sup>1</sup>
- No price controls on any products or services.
- No foreign exchange controls or restrictions on convertibility.
- No restriction on capital repatriation.
- WTO and ASEAN membership.
- No quantitative trade restrictions; falling tariff barriers. Cambodia has duty-free and quota access to major world markets (such as the United States, European Union, Japan and many ASEAN members).
- Provincial governments have authority to approve investments under US\$2 million to fast-track business development start-up.

**“Cambodia is fully open for business and the Royal Government of Cambodia will try its best to guarantee a favourable environment and the success of every enterprise in Cambodia.”**

- H.E. Samdech Hun Sen, Prime Minister of Cambodia

### Inexpensive Workforce

Compared to many regional competitors, Cambodia enjoys relatively low wage rates, making it an attractive destination for labour-intensive industry.

Over recent years, Cambodia’s labor force has grown by over 50%, more than double the rate in any other ASEAN country.<sup>2</sup> And with a very young population (half are under 20), this labor force growth will continue.

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

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

## 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.

<sup>1</sup> Heritage Foundation, Index of Economic Freedom, 2008.

<http://www.heritage.org/index/>

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

<sup>3</sup> Note: a) coastal areas; b) non-coastal

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

# WHY PREY VENG ?



## Why Prey Veng?

### 1. Excellent Location and Roads

Prey Veng is located in the main trade and transport corridor between Phnom Penh, Cambodia’s capital, and Ho Chi Minh City, Vietnam. With a high-quality national highway linking these two cities, Prey Veng provides seamless access to both domestic and export markets.

The province has excellent transport infrastructure. Prey Veng is served by 6 high-quality national roads. As a result, the province has more kilometres of national road (159km) for its size than the national average.

Prey Veng’s capital city is served by National Highway 11, “as good as any road in the country”,<sup>4</sup> which links Kampong Cham and Neak Loeung.

Prey Veng capital is 2.5 hours from Phnom Penh, and only 3 hours from Ho Chi Minh City.

The new National Road #8 (under construction) to the Vietnamese border is expected to result in increased trade and business opportunities.

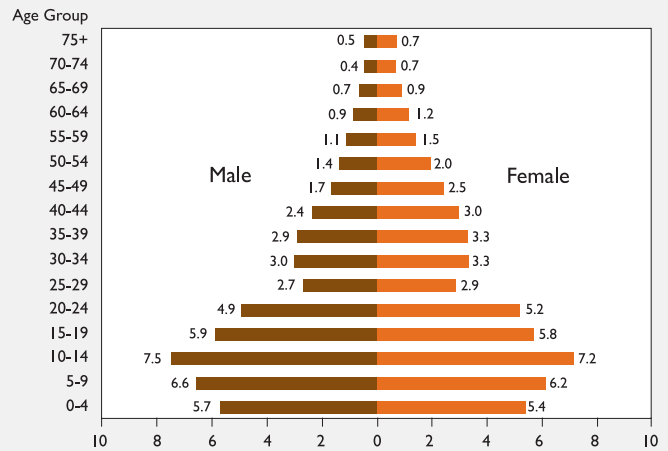
### 2. Labor Force – large, young, inexpensive

Our population of over 1 million makes us one of the most populous provinces in the country. With over half of the population under the age of 25, our workforce is young, enthusiastic and educated.

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. Prey Veng is no exception to this. The government plans to continue increasing education spending.

Prey Veng is also home to leading universities and academic institutions, among them MVU which has played an integral role in educating the country’s new business leaders.

### Favorable demographics<sup>5</sup>



### 3. Sound Financial Services Sector

With a growing middle class, the financial services sector in the province is well developed. There are 12 bank branches in Prey Veng.

For our smaller businesses, four microfinance institutions with a total of 24 offices in the province serve nearly 75,000 borrowers. At 7% of the population, this is greater than the national average. Our businesses are provided the capital they need to make productive investments.

4. Lonely Planet 2007.

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

## KEY PROVINCIAL INDUSTRIES



### 4. Ample, High-Value Real Estate at Low Prices

Prey Veng is a mid-sized province with abundant land for investors. We support and are active in working with companies to secure appropriate land for their investments. Industrial land is available for as little as \$0.50 per m<sup>2</sup>. For agriculture, our soils are highly fertile.

### 5. Competitive Utilities

#### Electricity

Prey Veng is supplied with electricity from a number of sources, including 4 generation units in the provincial capital and 10 independent power producers in a variety of other districts. Also, the province has access to electricity imported from Vietnam. The government has negotiated increased capacity from Vietnam. Work is underway to deliver electricity from Vietnam to Neak Loeung. It is planned to then extend this to Prey Veng town.

The Prey Veng government is actively seeking new investment in continuing to improve the province's electricity supply and sees this as its first priority – we will do what it takes to support your needs in this area.

#### Water

Prey Veng is well-supplied with freshwater from major rivers, plus sub-surface water.

There are many surface water sources, including the Mekong and its tributaries. One-third of the province is Mekong flood-plain. Sedimentation in annual flood areas improves soil quality.

Groundwater is easy and inexpensive to access (there are around 11,000 engine-powered irrigation pumps in the province).

## Key Provincial Industries

#### Agriculture

Agriculture dominates Prey Veng's economy, with 250,000 hectares under cultivation. Much of this is dedicated to rice. Prey Veng annually produces around 10% of Cambodia's rice crop, exporting much of it to other provinces. In 2007 wet season, Prey Veng produced around 250,000 tonnes of rice. The province also has significant mung bean, sugarcane and sesame cultivation.

There are 53 large rice mills in the province, plus 2,698 small rice mills.

Cassava production has increased dramatically with plantations now covering 3,000 hectares (up from 1,000).

Production of dry season rice (22% of the cropped area in Prey Veng) is expected to rise. The Royal Government of Cambodia intends investing a loan from the Government of Qatar in irrigation systems in Prey Veng, with the intention that part of the output will be sold to Qatar. This and other improvements in local irrigation systems will allow two harvest per year and will significantly increase yields.

In addition, Japanese and Korean investors are studying rice production opportunities in Prey Veng. They are examining ways to raise yields to 3 tonnes per hectare.

Palm trees are an important local asset, with very large plantations. The palm sugar and other products from Prey Veng's palm trees are of higher quality than that in other provinces.

In addition to paddy and crops, we have significant livestock – we account for approximately 10% of Cambodia's poultry and swine. Their numbers grew significantly from 2003 to 2007 and there is now nearly 2 million head of poultry and over 400,000 head of swine. We also have freshwater fish from rivers and some aquaculture with one fingerling station as part of the Department of Fisheries.

Our significant agricultural and livestock production is not a coincidence. We have the infrastructure, policies and natural resources critical to successful production in this vital economic sector. The provincial authorities are committed to improving Prey Veng's agriculture through a number of measures, including:

- Improved technical skills;
- Better post-harvest technology;
- New crop varieties to increase yields;
- Increased processing capacity; and
- Market information provision.

#### Industry

While our core economy is still agriculture-based, our work to attract new industry is taking hold. Our industry now includes craft workshops, brick and tile manufacturing, and the production of gravel and sand. The province has a number of quarries, serving the country's booming construction sector and also the Vietnamese market.

New businesses are also being proposed, including a new Chinese garment factory, 15km from Prey Veng town. Chinese investors are also studying the construction of a rice mill in the province.

We are famous for silk weaving, and raw silk is also produced within the province. There are over 4,000 small handicraft producers in Prey Veng, employing more than 7,000 workers.





In support of our, and the country's, agriculture sector, our province's businesses are also engaged in the manufacture of agricultural machinery, trucks and threshing machines.

Many small business operate in our province, with nearly 400 registered at our provincial office. In addition, there are thousands of micro enterprises involved in numerous activities, including:

| Activity                       | Number of enterprises |
|--------------------------------|-----------------------|
| Food, drink, tobacco retailing | 2,905                 |
| Weaving, knitting, tailoring   | 1,090                 |
| Iron ore processing            | 55                    |
| Non iron ore metal processing  | 39                    |
| Chemicals                      | 2                     |
| Total                          | 4091                  |

### Business Opportunities

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

- **Cassava, soybean, and maize production.** The provincial government in seeking investment partners to establish processing factories for these crops – one factory is planned to process cassava. The government also sees the opportunity to invest in rice milling, particularly given Prey Veng's large rice crop.
- With a large number of **poultry 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 Prey Veng.
- Potential **niche agricultural markets** include green leafy vegetables, ginger, gourd and organic rice. Organic paddy rice in Prey Veng can be sold for around \$250-300 per tonne. The Cambodian Center for Study and Development in Agriculture plans to buy 2,000 tonnes of organic paddy rice in 2008, up from 1,200 tonnes.
- **Fisheries and aquaculture.** We have extensive natural water sources to expand these industries. Prey Veng also has a fingerling production and research station, which helps the local development of aquaculture.
- **Light manufacturing**, including garments. Abundant, inexpensive labor, sound infrastructure and a supportive business environment. The new National Road #8 will provide access to Vietnam, with the port at Ho Chi Minh City only 3 hours away.

- **Water sanitation.** Prey Veng is seeking US\$1.3 million investment in a water sanitation project for piped water.

### Ongoing Developments

We understand the need to strengthen the infrastructure which supports our province's businesses. We are dedicated to strengthening and improving our investment attractiveness. Some of the key developments under way include:

- With the aid of the World Bank and IFAD, we recruited, trained and supported 1,120 village livestock agents. Trained by the Department of Animal Health and Production, these independent agents provide technical assistance to farmers resulting in improved livestock productivity.
- Investors benefit from The Royal Government of Cambodia's Diagnostic Trade Integration Strategy. Under this program, many of Prey Veng's products receive additional support. Products identified under this strategy include rice, cassava, maize, fisheries, soybeans, silk, garments, light manufacturing and transport. 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 Prey Veng's private sector development in key areas:

| Project  | DP     | Sector  |
|--|--------|---|
| Improving Understanding and Management of Rice Pathogens   | ACIAR  | Rice  |
| Cambodia Australia Agricultural Extension Project Phase II | AusAID | Agriculture   |
| Agriculture Quality Improvement Project                    | AusAID | Rice, Fruits & Vegetables                               |
| Agriculture Marketing Information Service Project          | CIDA   | Fruits & Vegetables                                     |
| Micro, Small and Medium Enterprise (MSME) Program          | USAID  | Livestock, aquaculture, agro-processing, and clay tiles |



## WANT TO LEARN MORE?



### Want to learn more?

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

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

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

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

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

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

### National Ministries

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

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

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

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

Ministry of Land management, Urban Planning & Construction:  
[www.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)

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

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

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

## Prey Veng at a glance

|  |                      |
|--|----------------------|
| Population:                                    | 1,063,494            |
| Aged 15-64:                                    | 56.8%                |
| Proportion employed in Agriculture:            | 80%                  |
| Provincial poverty ranking:                    | 13/24                |
| Land area:                                     | 4,883km <sup>2</sup> |
| Population density:<br>(% of National Average) | 275%                 |
| Number of Districts:                           | 12                   |
| Number of Communes:                            | 116                  |

## Prey Veng's soils

Type: Most of the province is Alluvial Lithosols, as well as Cultural Hydriomorphics and Alumisols. Brown Alluvial soils can be found closer to the banks of the Mekong River.

Fertility level: high  
Source: www.cambodiaatlas.com

## Cambodia Tax Rates

|                                |                |                |
|--------------------------------|----------------|----------------|
| Profit tax                     | normal         | 20%            |
|                                | incentive rate | 0% or 9%       |
| Minimum tax                    |                | 1% of turnover |
| Withholding tax                |                | 15%            |
| Income from property rental    |                | 10%            |
| Payment to non-residents       |                | 14%            |
| Tax on salary (riel per month) |                |                |
| 0-500,000                      |                | 0%             |
| 500,001-1,250,000              |                | 5%             |
| 1,250,001-8,500,000            |                | 10%            |
| 8,500,001-12,500,000           |                | 15%            |
| 12,500,001 +                   |                | 20%            |
| Non-residents                  | flat rate      | 20%            |
| Fringe benefits tax            |                | 20%            |
| Value added tax                |                | 10%            |
|                                | exports        |                |
| 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 |
|-----------------------|-----------|

| 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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