

# Cambodia Pack

May 2015

Economic Intelligence Center, Siam Commercial Bank

## Cambodia: Key points

1. Cambodia growth has been consistently over 6% since 2010
2. Key growth drivers are export replacement and tourism
3. Purchasing power in Cambodia is expected to double in a decade with population structure conducive for growth

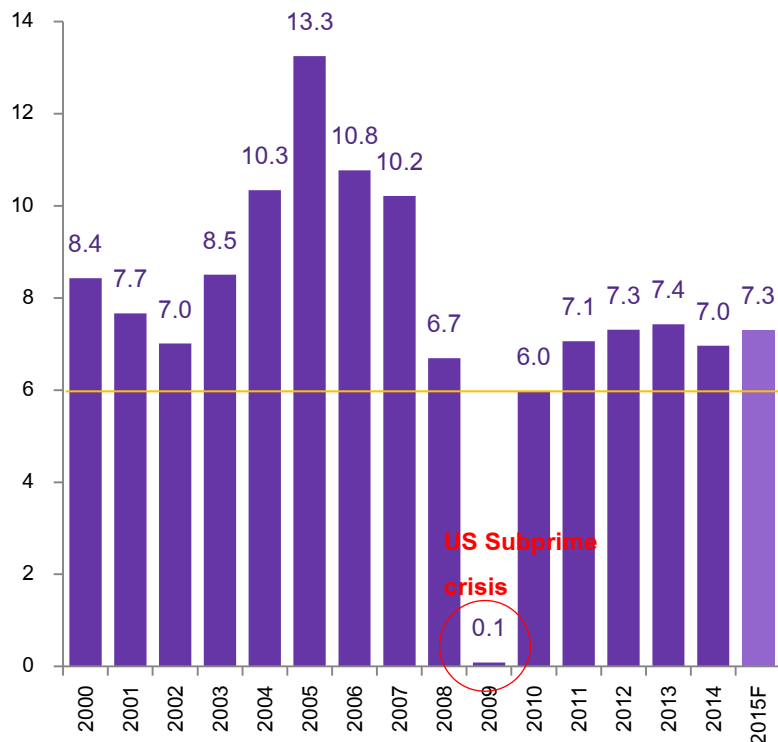
# Agenda

- 
- **Country at a glance**
  - **Investment environment**
  - **Getting started**
  - **Tips for doing business in Cambodia**
-

# Cambodia's growth has been consistently over 6% since the turn of the century as the economy diversifies away from agriculture

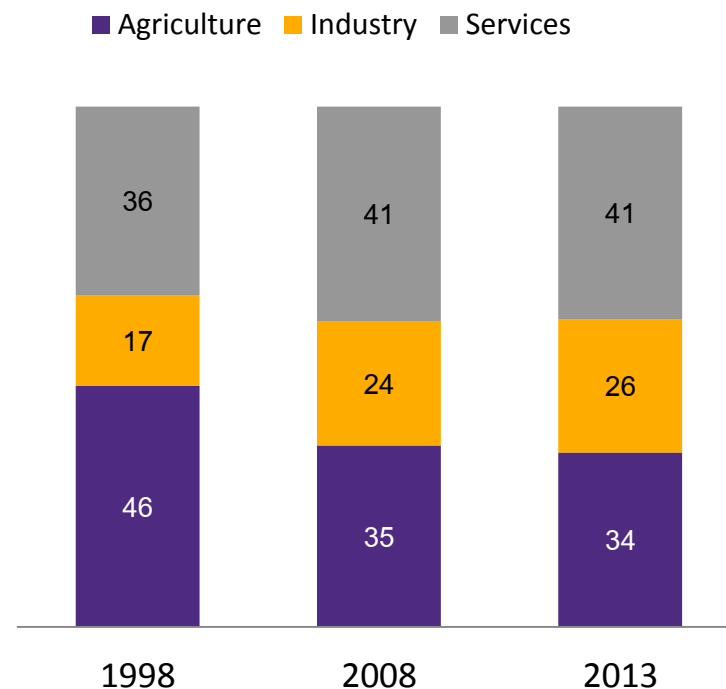
## Cambodia GDP Growth

Unit: %YOY



## Share of GDP by economic sector

Unit: %



Tourism revenue

5.3%

15.4%

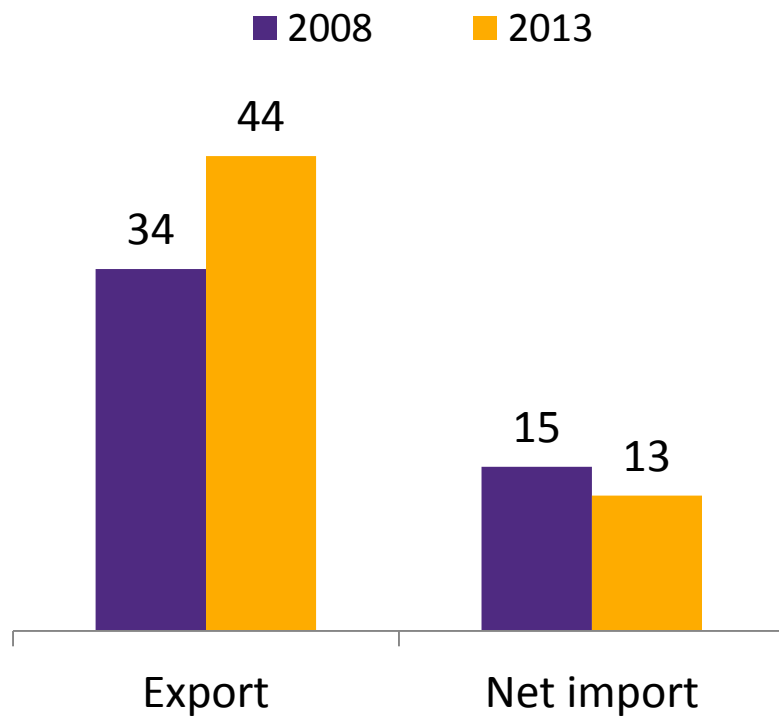
16.7%

Source: EIC analysis based on data from CEIC

# Export production has become increasingly important in lieu of import substitution, while tourism revenue has helped finance the trade deficit

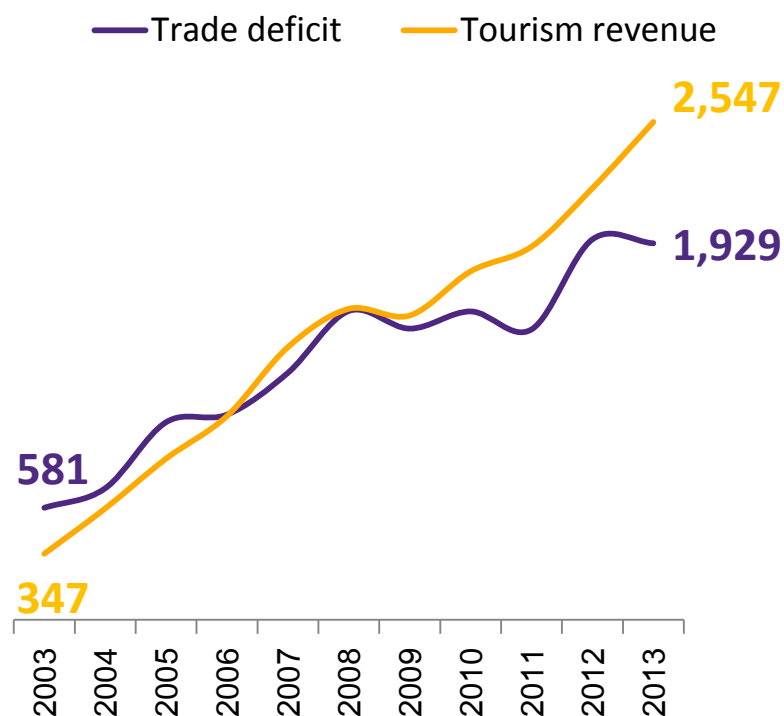
## Export and Net import

Unit: %GDP



## Trade deficit and tourism revenue

Unit: USD millions

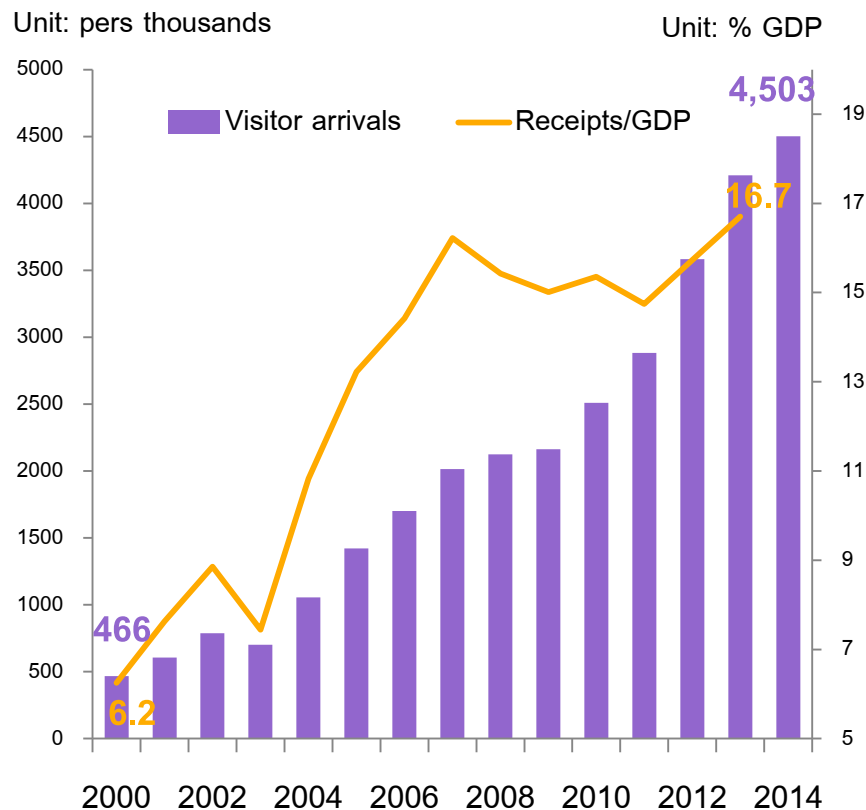


Source: EIC analysis based on data from CEIC and the Government of Cambodia



# The number of foreign tourists has increased tenfold since 2000

## Visitor arrivals and tourism receipts



## Top foreign tourists by country of residence (2014)

Rank	Country	Number	% total
1	Vietnam	905,801	20%
2	China	560,335	12%
3	Laos	460,191	10%
4	South Korea	424,424	9%
5	Thailand	279,457	6%
6	Japan	215,788	5%
7	USA	191,366	4%
8	Malaysia	144,437	3%
9	France	141,052	3%
10	Australia	134,167	3%
11	UK	133,306	3%
12	Russia	108,601	3%

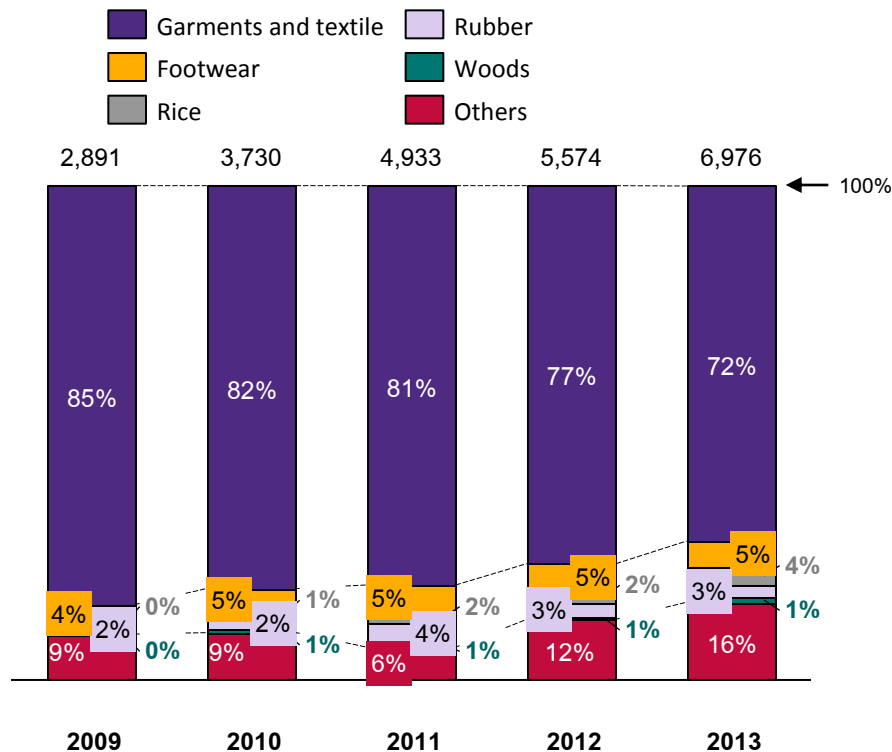
Growth  
>20 p.a.

Source: EIC analysis based on data from CEIC

# The trinity of garments, rice and tourism are key sectors that generate employment and income

## Cambodia's exports – by sector

Unit: % shares of export

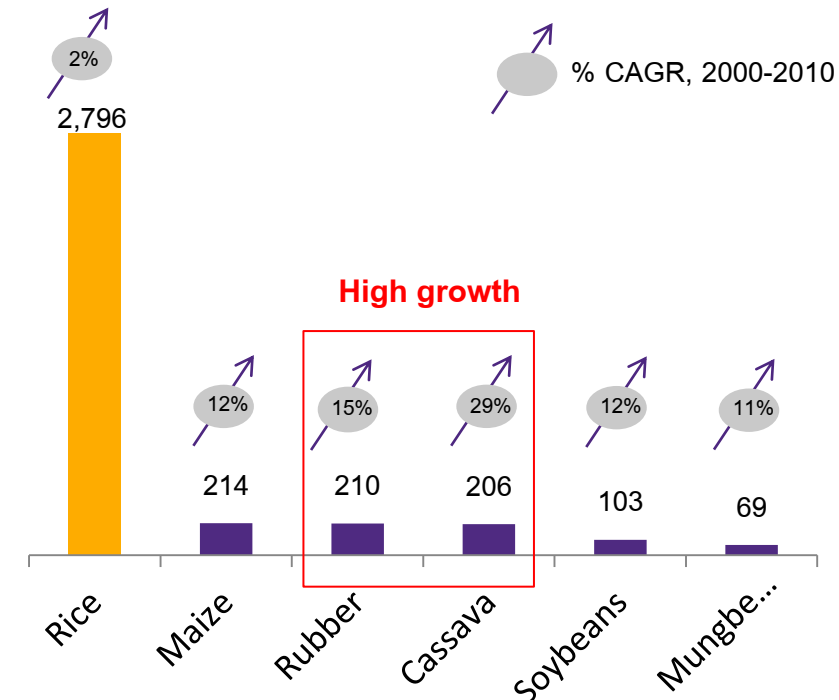


Export of garments and footwear account for more than 75% of total exports, however its share is getting smaller.

Source: EIC analysis based on data from CEIC

## Agricultural production by area of cultivation (2010)

Unit: ha thousands

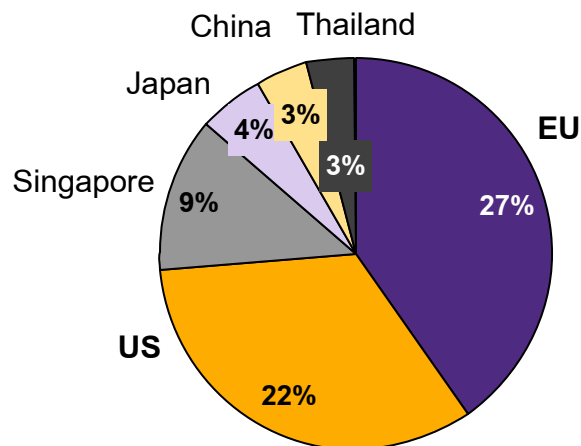


Despite its relatively small share compared to rice, cassava and rubber have enjoyed an exponential growth in the past decade.

# Cambodia is the place to go for exports to the EU

## Cambodia export by destination

Unit: % share to total export (2013)



\*EU GSP benefits under EBA (Everything But Arms): full **duty-free and quota-free** access to EU for all their export of goods, except arms and armaments, and are only given to the countries classified as least developed countries (LDCs). Currently, the ASEAN countries that received EBA benefits include: **Cambodia, Laos and Myanmar.**

## Cambodia's top exports to major markets and tax benefits

Product	Share to total export	Key markets (share)	EU GSP Privileges
Apparel and textiles	72%	US (40%) EU (36%)	Yes (EBA)*
Footwear	5%	EU (52%) Japan (14%) US (11%)	Yes (EBA)*
Bicycles	4%	EU (52%) US (5%) Canada (5%)	Yes (EBA)*
Rice	4%	EU (60%) Malaysia (17%) China (10%)	Yes (EBA)*
Rubber	3%	China (45%) Vietnam (26%) Malaysia (20%)	Yes

Source: EIC analysis based on data from CEIC



# Cambodia are given the GSP benefits of Everything But Arms (EBA) from the European Union

## Under the benefits of EBA

Full **duty-free and quota-free** access to EU for all their export of goods, except arms and armaments. Unlike other GSP arrangements, the EBA has no time-limit

To received EBA's tax privilege, the country need to be identify by the UN as **Least Developed Countries (LDC)**

However, if the country have moved up the development ladder of UN, EBA benefits are no longer applied.

**But the countries will get 3 years extension of EBA after graduated from LDC**, which will help them through the transition and mitigate possible trade flow shocks

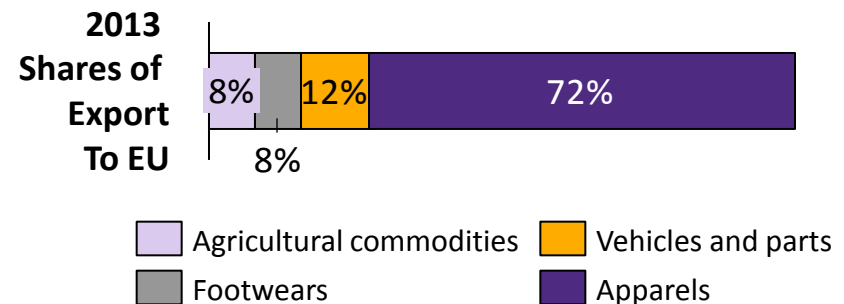
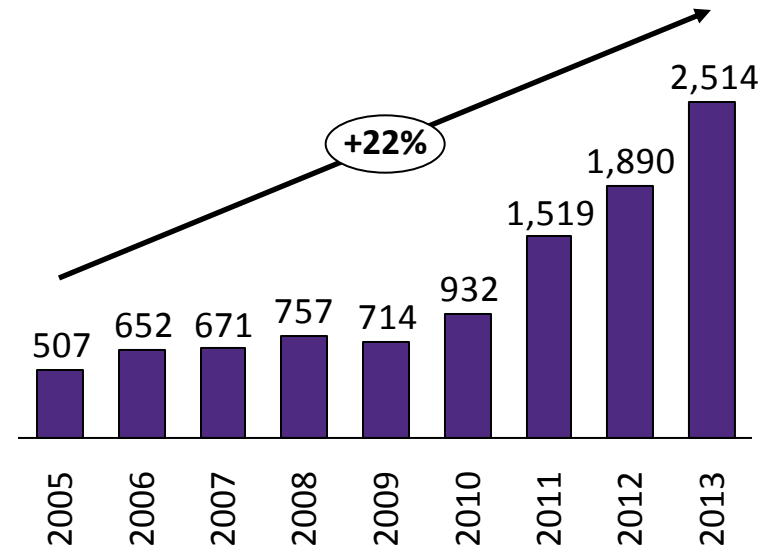
Currently, the ASEAN countries that received EBA benefits include: **Cambodia, Laos, and Myanmar**

*Note: Vietnam receive normal GSP benefits, and are in talks for FTA (12<sup>th</sup> round)*

Source: EIC analysis based on data from European Trade Commission

## Cambodia's export to EU

Unit: USD mn



# Cambodia's benefited from GSP privilege: A+ as given by the U.S.

## GSP benefits given by the U.S.

ASEAN countries that eligible for US GSP benefits are: **Cambodia (A+ for LDC benefits), Thailand, Indonesia, Philippines**; whereas, Laos, Myanmar and Vietnam are not qualified due to political circumstances.

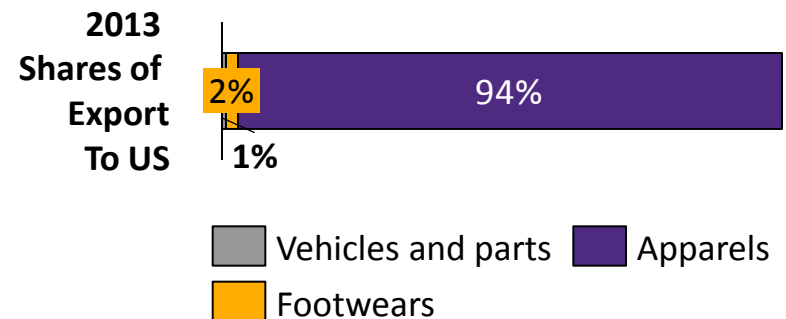
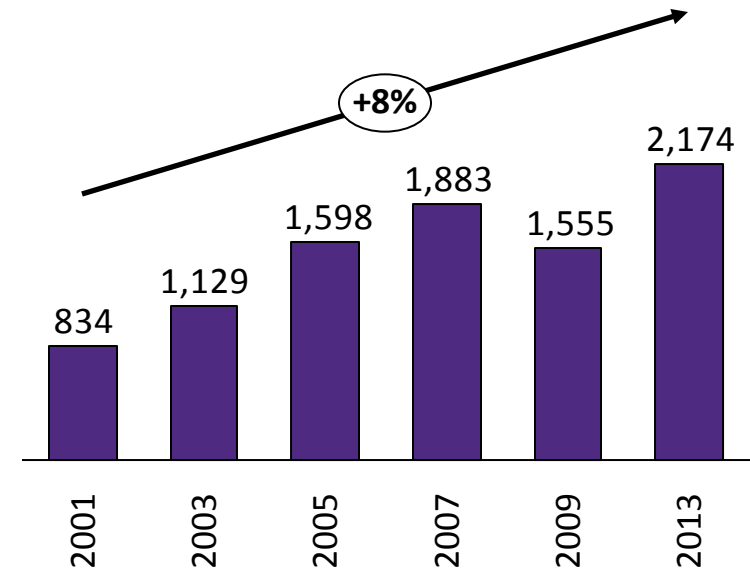
### Products eligible for GSP benefits are classified into 3 groups:

**A:** products given A are free of tax, for all countries that had GSP benefits (total of 3,400 items)

**A+ :** products given A+ are free of tax, and are only given to least developed countries (LCD) (1,400 more products than normal GSP)

**A\*:** products given A\* are free of tax, except for some countries, i.e. to protect the domestic markets.

## Cambodia's export to the US



Source: EIC analysis based on data from US Trade Commission, and US trade representatives

# Summary of GSP benefits and compare the GSP tax rate with MFN rate

## GSP tax rate vs. MFN tax rate- Cambodia major export products

	HS code		EU GSP (EBA)	MFN EU rate	US GSP	MFN US rate
Manufacturing	60	Apparel	Duty-free and quota free	8%	12.3%	12.3%
	61			12%	5.0-15.9%	5.0-15.9%
	62			12%	4.4-14%	4.4-14%
	6403	Footwear (leather)		8%	Duty-Free	Duty-Free
	6404	Footwear (textile)		16.9%	10.5%	10.5%
	8712	Bicycle		15%	Duty-Free for LCD	5.5-11%
	8544	Wire cable		3.7%	Duty-Free	3.5-5.3%
	8517	Telephone line		0%	Duty-Free	Duty-Free
Agricultural products	1006	Rice	Duty-free and quota-free	7.7%, tariff quota 15.5%	Duty-Free for LCD	0.44-1.8¢/kg
	4001	Rubber		0%	Duty-Free	Duty-Free
	1701	Sugar Cane		98 EUR /1000 kg	Duty-Free but subject to quota	1.46-3.66¢/kg

## GSP benefits given to CLMV from EU and US

Country	GSP EU	GSP US
Cambodia	/ (LDC)	/ (LDC)
Laos	/ (LDC)	X
Myanmar	/ (LDC)	X
Vietnam	/	X

## Numbers of products eligible for GSP benefits

	GSP EU	GSP US
For all developing countries	6,300 items	3,400 items
Additional only for LDCs	All products except arms and ammunition.	+1,400 items

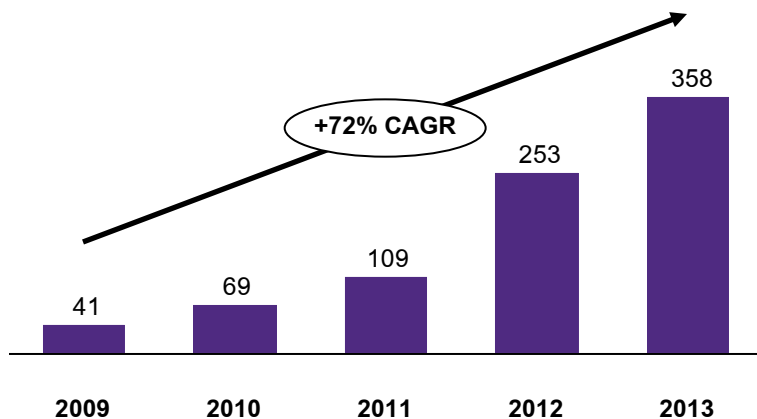
Source: EIC analysis based on data from Cambodian Investment Board, US Trade Commission, and European Commission



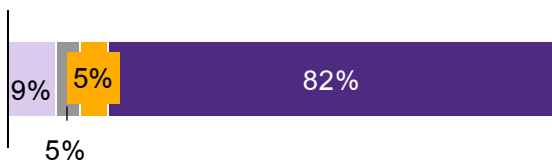
# Cambodia GSP benefits have nurtured emerging industries such as bicycle production

## Cambodia's bicycle export

Unit: USD billions



### Cambodia's bicycle export market (2013)



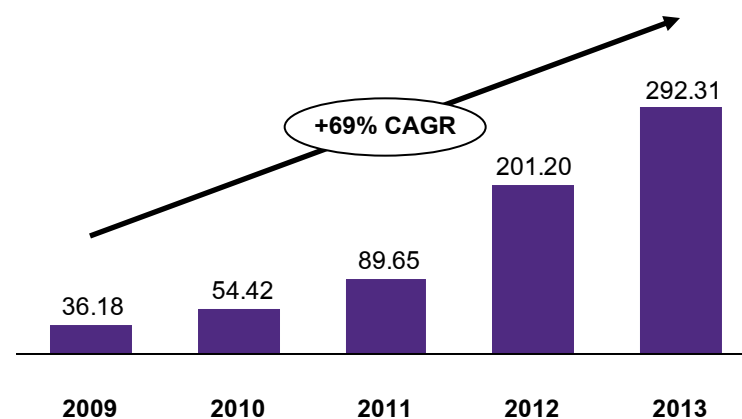
Others Canada US EU

EU Import Tariff	Thailand	Vietnam	Cambodia
Bicycle	14%	10.50%	0% EBA

Source: EIC analysis based on data from CEIC

## Value of Cambodia's bicycle export to EU

Unit: USD billions



Taiwanese bicycle's manufacturers have moved the production and assembly lines to Cambodia in order to gain benefits from low wages and EU GSP tax benefits.

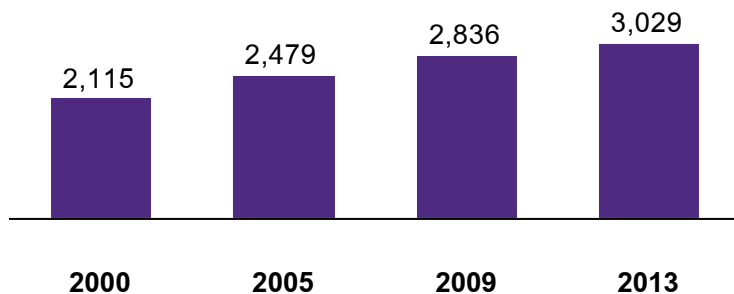
Currently there are 3 Taiwanese manufacturers operating in Cambodia, Atlantic Cycle and its subsidiary A&J, Smart Tech (Cambodia) and Worldtec Cycles (Cambodia).

**Cambodia is the third largest exporter of bicycles to the EU, after Taiwan and The Netherlands, with the shares of 10% in 2013.**

# Rice and rubber - Cambodia's top agricultural exports - will see major upgrades from foreign investment

## Cambodia's rice yield

Unit: kg/ha



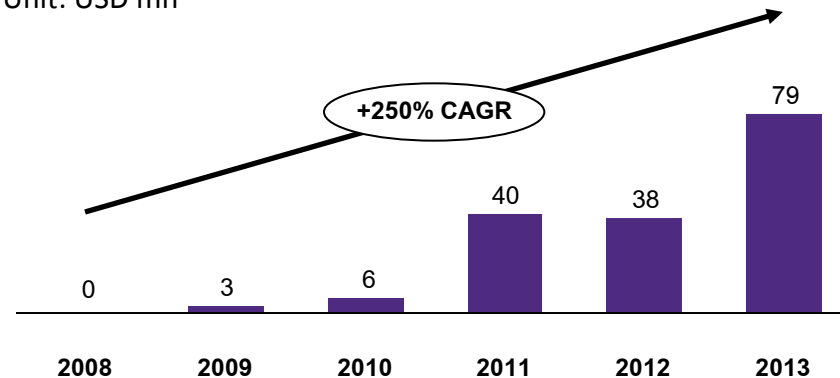
Cambodia's government has planned to build more than 10 warehouses nationwide, to stock around 1.2 million tonnes of rice paddy. The government has made a loan request to China asking for the funding to build these warehouses, which will cost around \$300 million.

EU Import Tariff	Thailand	Vietnam	Cambodia
Rice	7.70%	7.70%	0% EBA
Rubber	0%	0%	0% EBA

Source: EIC analysis based on data from Phnom Penh Post, trademap, FAO

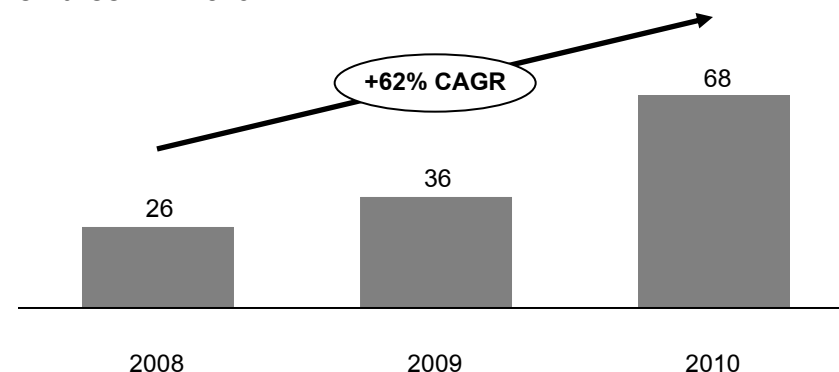
## Cambodia's export of rubber to China has increased exponentially over the last 5 years...

Unit: USD mn



## ...partly due to an increase in agricultural FDI.

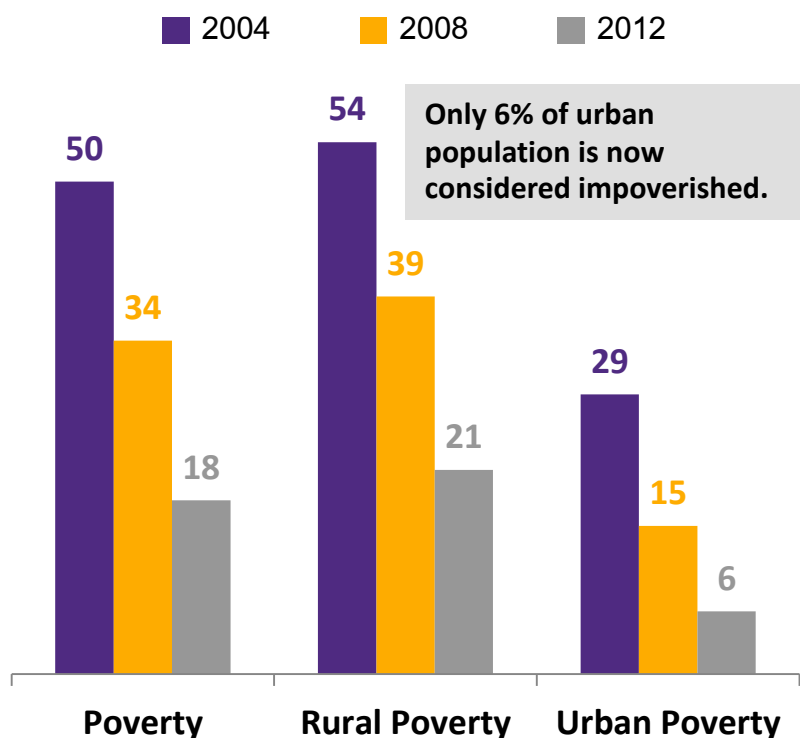
Unit: USD millions



# The Cambodian household will see its purchasing power doubled within this decade

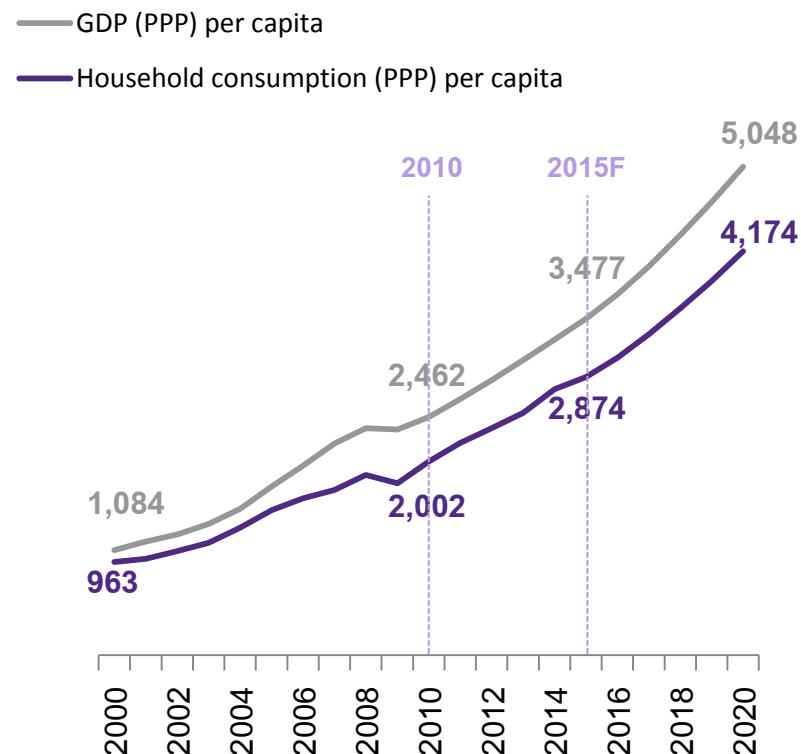
## Population below the national poverty line

Unit: % population



## Per capita GDP and household consumption growth

Unit: USD (PPP)



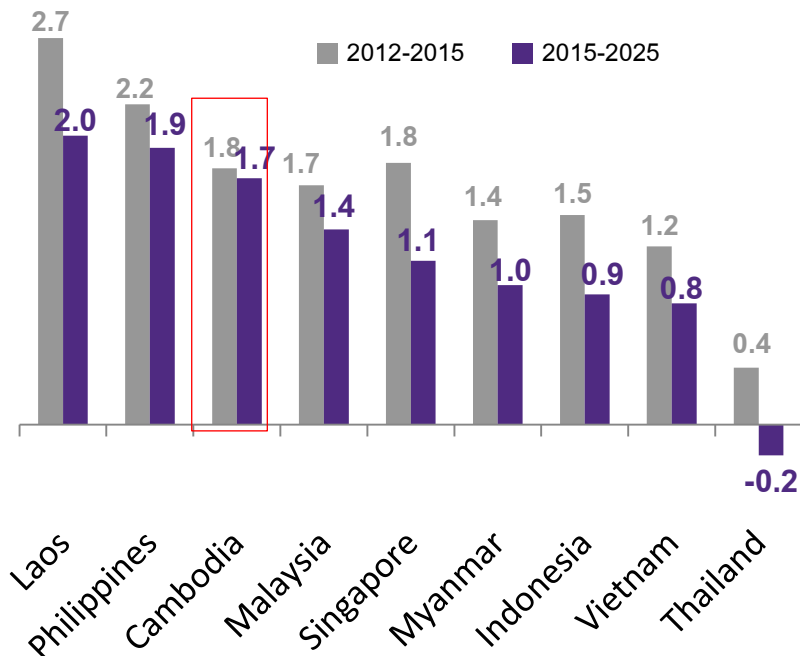
Source: EIC analysis based on data from CEIC



# Demographics serves as Cambodia's solid basis for growth

## Working-age population, average growth

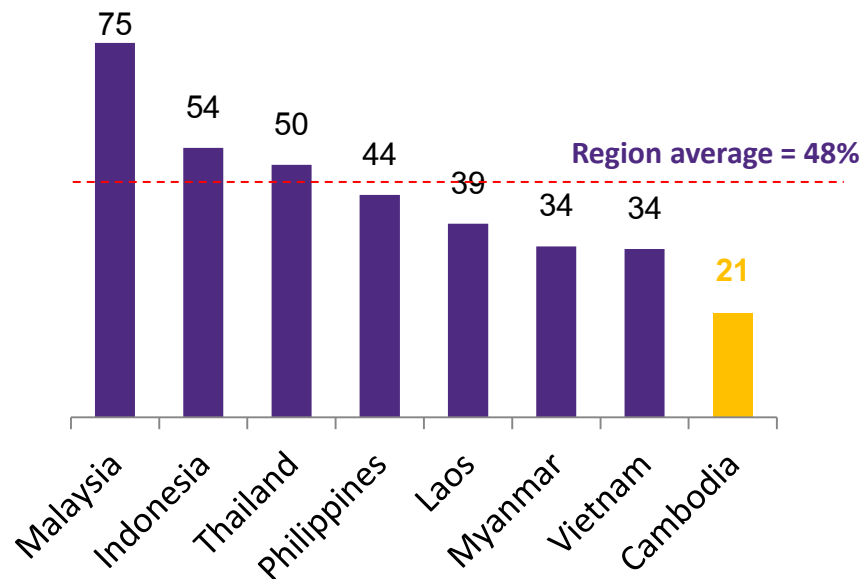
Unit: %YOY



Cambodia's demographic structure ensures its economy will not be harmed by a slowing demographic dividend in the next decade.

## Urban population (2015)

Unit: % total



There is ample room for growth as Cambodia currently has the lowest urbanization rate in ASEAN.

Source: EIC analysis based on data from UN Census Bureau and World Urbanization Prospects

# Agenda

- 
- **Country at a glance**
  - **Investment environment**
    - Infrastructure in Cambodia
    - Location for investment
    - Attractive sectors
  - **Getting started**
  - **Tips for doing business in Cambodia**
-



# Cambodia Infrastructure Competitiveness Summary

## Pros

- Air transport is the most convenient and fastest developed among all transportation means (Bangkok Airways and Thai Airways operating direct flights from Bangkok to Siem Reap and Phnom Penh 4-5 times daily)
- Strategic location of Sihanoukville offers investors all in one solution: SEZ, deep sea port, with rail and road-connected, close to Thai border
- Mobile network is well-functioned, penetration is above 100%, and 4G LTE recently launched in 2014
- Internet service is undergone huge development with over 30 providers active in market



## Cons

- Rents in prime location are quite expensive due to the faster rise in demand than supply. Secondary areas or in other big cities could be a better options.
- Rails and major roads except national highways are in poor condition, thus, local logistic is quite costly, it is recommended to locate factory nearby borders or ports
- Electricity is scarce and expensive. Laos, Vietnam, or Thailand offer better rate and more stable electricity supply for electricity-intensive industries



## Land costs in prime locations like Phnom Penh are expensive, while those in Sihanoukville are still reasonable for manufacturing locations

### Land and rental costs

Land Cost ( USD/m <sup>2</sup> )							
Location/Land Category	Commercial Land			Residential Land			Development Land
	First	Second	Third	First	Second	Third	
<b>Phnom Penh</b>	4,000-6,000	2,500-3,000	1,000-1,500	1,800-2,500	800-1,200	50-300	15-50
<b>Siem Reap</b>	1,500-2,500	800-1,000	300-500	300-500	150-200	50-100	5-20
<b>Sihanoukville</b>	800-1,200	400-600	200-300	300-500	150-200	50-100	5-20

Factory rent/purchasing cost (USD/ m <sup>2</sup> /month )			
Type of Factory	Location	Average Lease	
Ready-built Factory	Prime Areas	1.20 – 1.50	
	Other Areas	1.00 – 1.20	
Location	Size (m <sup>2</sup> )	Rental	Purchasing
National Road No. 2	2,900	1.0 – 1.5	250 – 350
Boeung Tompun St.371	5,000	1.0 – 1.25	150 – 300
Veng Sreng Road	Land size: 3,250	1.0 – 1.5	70 – 150
Road 4 and 3	Land Building: 2,750		40 – 120

Warehouse cost		
Location	Size Available	Rental Cost
Industrial zone ( Veng Sreng Road )	1,000 – 6,000 m <sup>2</sup>	1
Boeung Tom Pun area	—	1.00 – 1.25
Chamkadong area	—	1.00 – 1.25
Cham Chao	—	1.00 – 1.50
Steng Meanchey	—	1.00 – 1.50

Office space cost	
Type of office	Average Rental Cost
Prime Areas	15 – 25
Secondary Area	8 – 13

**In prime area, the annual rental growth increases by 15%-20%; the occupancy rate is well over 90%. The demand is expected to from increased attractiveness of Cambodia as a manufacturing hub**

Source: Bonna Realty Group (Cambodian Estate), Property Market Reviews 2013 V Trust Property

# Water usage fees are highest in Siem Reap; Svay Rieng and Battambang are better choices for water-intensive factories

## Cambodia Water Usage Fees & Supply

Category		Water Tariff/m³	Authority
Phnom Penh City			
Residential	From 0m³ To 07m³	550 Riel/m³	Phnom Penh Water Supply Authority (PPWSA)
	From 08m³ To 15m³	770 Rile/m³	
	From 16m³ To 50m³	1,010 Riel/m³	
	Over 51m³	1,270 Riel/m³	
Institution & Community		1,030 Riel/m³	
Business-Industrial	From 0m³ To 100m³	950 Riel/m³	
	From 101m³ To 200m³	1,150 Riel/m³	
	From 201m³ To 500m³	1,350 Riel/m³	
	Over 501m³	1,450 Riel/m³	
Siem Reap (Siem Reap)			
Residential	From 1m³ To 07 m³	1,100 Riel/m³	Siem Reap Water Supply Authority
	From 08m³ To 15 m³	1,500 Riel/m³	
	From 16m³ To 30m³	1,800 Riel/m³	
	Over 31m³	2,000 Riel/m³	
Business-Industrial	From 0m³ To 50m³	1,900 Riel/m³	
	From 51m³ To 150m³	2,400 Riel/m³	
	From 151m³ To 350m³	2,900 Riel/m³	
	From 351m³	3,400 Riel/m³	

## Cambodia Water Usage Fees & Supply

Location (Province)	Water Tariff/ m <sup>3</sup>	Authority
Battambang	1,500 Riel/m <sup>3</sup>	Battambang Water Supply
Pursat	1,600 Riel/m <sup>3</sup>	Pursat Water Supply
Kampot	1,400 Riel/m <sup>3</sup>	Kampot Water Supply
Svay Rieng	1,200 Riel/m <sup>3</sup>	Svay Rieng Water Supply
Kratie	1,400 Riel/m <sup>3</sup>	Kratie Water Supply
Steung Treng	1,500 Riel/m <sup>3</sup>	Steung Treng Water Supply
Banlong Town (Rattana Kiri)	1,500 Riel/m <sup>3</sup>	Ratanakiri Water supply
Kampong Chhnang Town (K. Chhnang)	1,600 Riel/m <sup>3</sup>	Kampong Chhnang Water Supply
Prey Veng Town (Prey Veng)	1,200 Riel/m <sup>3</sup>	Prey Veng Water Supply
Stuong Town (Kampong Thom)	1,500 Riel/m <sup>3</sup>	Stuong Water Supply
Doun Keo Town (Takeo)	1,800 Riel/m <sup>3</sup>	Private company
Chba Morn Town (Kampong Speu)	1,650 Riel/m <sup>3</sup>	Private company
Sereysophorn Town (Banteay Meanchey)	1,800 Riel/m <sup>3</sup>	Private company
Preah Vihea	1,800 Riel/m <sup>3</sup>	Private company
Sang Kat Pailin (Pailin)	2,000 Riel/m <sup>3</sup>	Private company
Khemarakpumin Town (Koh Kong)	1,800 Riel/m <sup>3</sup>	Private company

**Water usage fees are highest in Siem Reap as there is a limited amount pumped from the ground daily by the government-run authority to lessen impact on UNESCO's historical sites**

Source: CDC

# Electricity tariffs vary; rates for factories/heavy customers are 600-800 Riel/ kWh which is about 40% more expensive than in Thailand

## Cambodia Electricity Tariffs

Unit: Riel/ kWh

Phnom Penh, Kandal, Kampong Speu, Sihanoukville		
Category		Tariff (Rate)/ kWh
Residence (Phnom Penh and Kandal province)	≤ 50 kWh per month	610 Riel
	> 50 kWh per month	720 Riel
Residence of Chamon (Kampong Speu), Preah Sihanouk	For all customers	720 Riel
Customer paid by government, Embassies and Foreign Residences	For all customers	820 Riel
Residence of administration, commercial and industrial sectors	Small customers	MA + 145 Riel
	Medium customers	MA + 112 Riel
	Large customers	MA + 96 Riel
	Medium Voltage customers	MA + 80 Riel

Siem Riep	
Category	Tariff (Rate) / kWh
Small customers	820 Riel
Medium customers	800 Riel
Large customers	750 Riel
Medium Voltage customers	700 Riel
Shu Jing Electronics company	600 Riel
Licensees and Wholesale customers	600 Riel
Battambang/ Banteay Meanchey	
Category	Tariff (Rate) / kWh
Small customers	1000 Riel
Medium customers	900 Riel
Large customers	850 Riel
Medium Voltage customers	750 Riel
Licensees and Wholesale customers	600 Riel

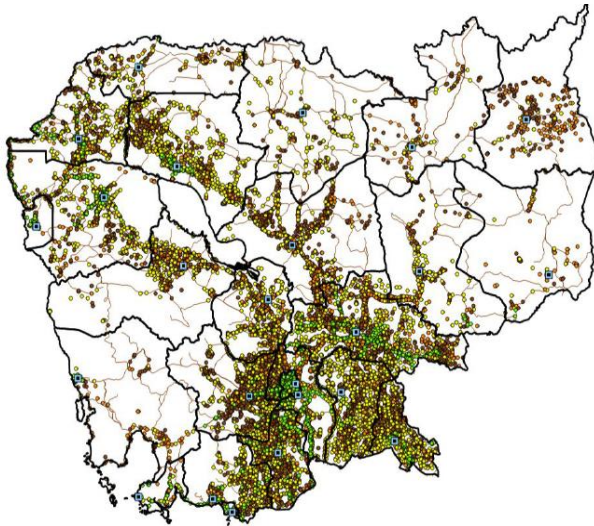
**Different rates are applied to reflect the type of users, overall usage, economies of scale, fuel transportation cost etc. The approved tariff rates cover the cost for the private commissioned companies**

Source: CDC



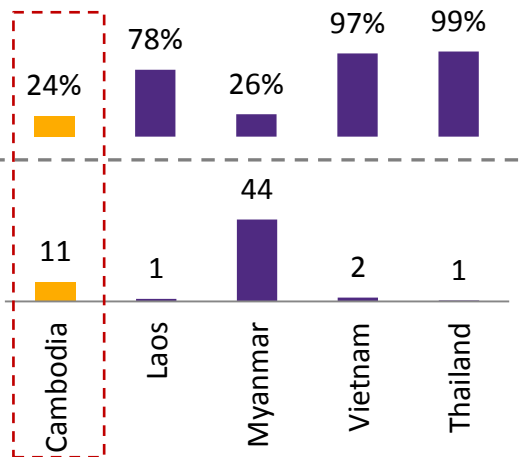
# Electricity remains scarce with more than 11 million people lacking access, the lowest among CLMV countries

## Existing transmission line system



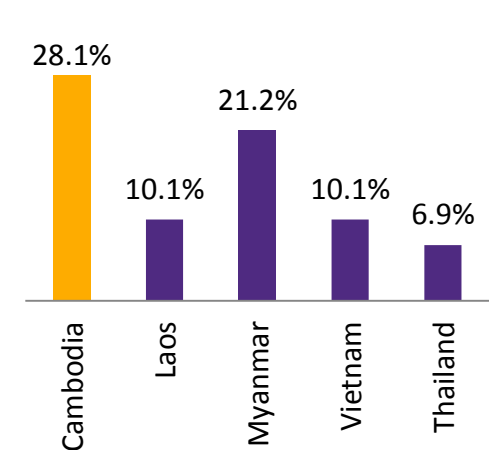
## Electrification, unelectrified persons

Unit: %, million persons



## Loss in the electricity system<sup>1</sup>

Unit: %



## Comments of the electricity system in Cambodia

The electricity supply does not meet the basic demands, where 24-hour supply of electricity is not assured and the quality of electricity is not reliable.

Currently, only 24% of Cambodian households have access to the electricity (54% of urban households and 13% of rural households). Power Development Plan for a period of 2008-2021 aims to provide electricity service to 100% of all the villages by 2020 and 70% of all the rural households by 2030.

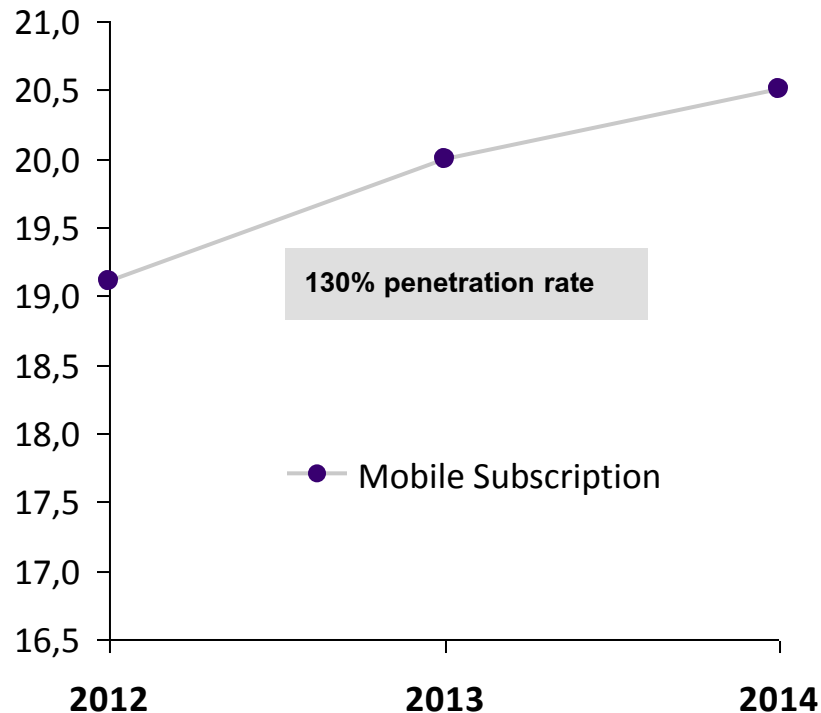
1. Loss includes both transmission and distribution loss except for Laos

Source: EIC analysis based on data from World Economic Forum, World Bank, MIME, Innovation Energie Développement

# Mobile is the easiest way to connect with Cambodians, while internet penetration is on the rise

## Cambodia Mobile Phone subscriptions

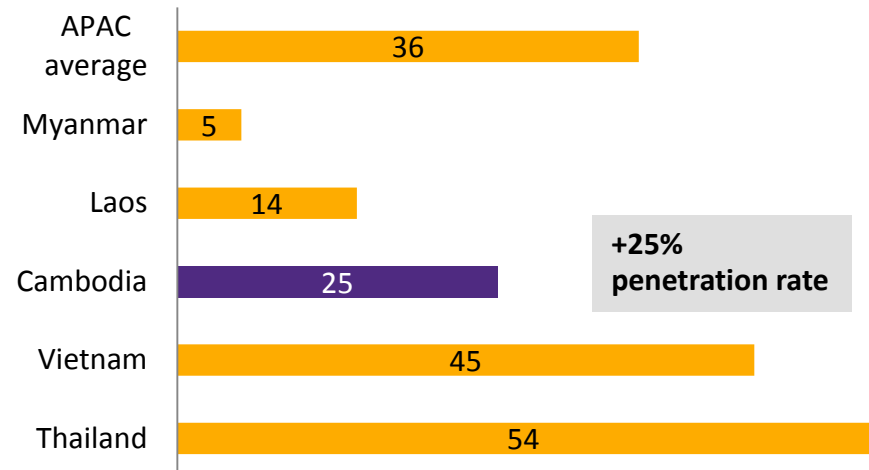
Unit: Million users



The mobile subscriptions grew 7% YoY with 4G/LTE network launched in early 2014 by Smart Axiata

## CLMVT Internet Penetration rate as of Q1'15

Unit: % Penetration



Internet penetration ranks third among CLMVT in Q1'15, and grew terrifically at 25% YoY. There are over 30 internet service providers (ISPs), top players are: Ezeecom, Smart Axiata, Mekongnet, Online, Angkornet, Citylink, WiCam

Source: Telecommunication Regulator of Cambodia, Ministry of Post and Telecommunications

## Among all the major ports, Sihanoukville is the most fully-equipped one with deep sea port facilities and SEZ area

### Cambodia Major Ports

Ports	Capacity	Facility	Infrastructure		Improve ment plan	Strategic Location
			railway	national roads		
Sihanoukville	3 Quays	warehouse storage 6000 sq.m.	Yes	Yes	Yes	Sole international deep sea port
	124.76 ha. Operational land					
Koh Kong	300-tonne capacity boats accepted	warehouse available in town for transshipment	No	No	No	Close to Thai border
Phnom Penh	2 ports with 2 berths and 3 pontoons	12 depots of 2,700 sq.m. and 5,910 tonnes storage	Yes	Yes	Yes	located in the city on Sap river
	ships of upto 1,800-2,000 tonnes	warehouse complex: 15 sheds of 70,000 tonnes, 8 sheds of 4,000 tonnes storage				
Kampot	150-tonne accepted	fairway depths of 10m along 11km port	Yes	Yes	No	4 km from the sea, most important coastal facility for domestic trade
Kampong Cham	25-30-tonne capacity	N/A	No	Yes	No	on Mekong, popular for domestic trade and minor trade with Vietnam

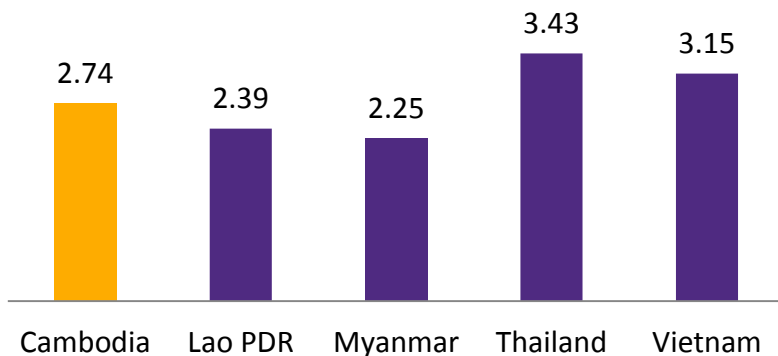
Source: JICA, Sihanoukville Autonomous Port (PAS)



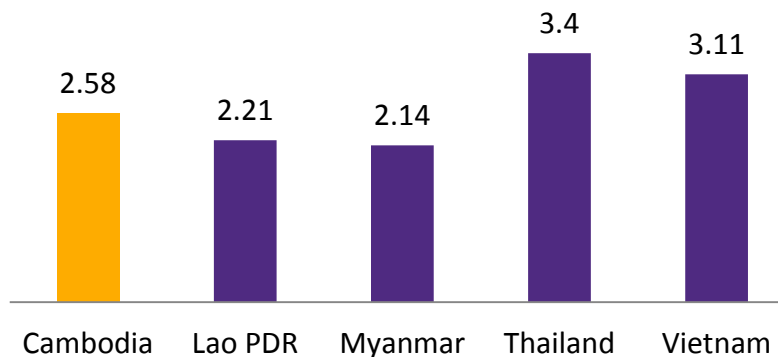
# Cambodia ranks second best among CLMV in terms of logistics performance after Vietnam

**\*\*The score is out of 5, the higher the better\*\***

## Logistics Performance Index (overall score)



## Quality of trade and transport related infrastructure



## Other logistics performance indicators



Source: EIC analysis based on data from Logistics Performance Index 2014 (World Bank)





## Though there are only 7 National Highways, they are enough to connect to the rest of the country, including GMS Economic corridor

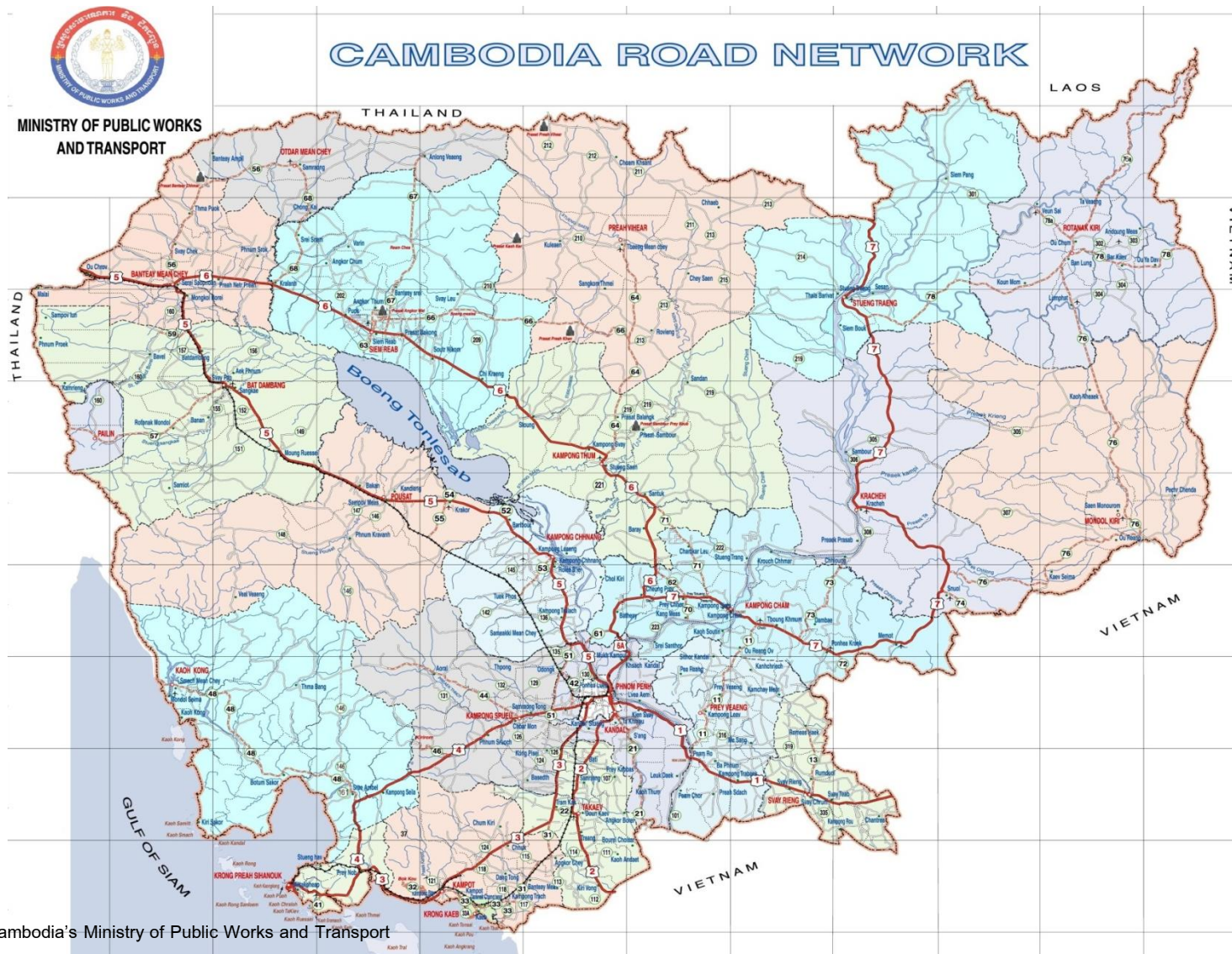
Cambodian National Highways (NH)	Distance (Km.)	Route	International Connection
NH1	167	Phnom Penh, Bavet, Svay Rieng Province on the border with Vietnam	Vietnam, Central Sub-corridor
NH2	121	Phnom Penh, Kandal, Takeo, and Na Bereng, Vietnam.	Vietnam
NH3	202	Phnom Penh and Kampot, significant refurbishment in 2008 and forms part of an international "North-South economic corridor" from Kunming in China to Bangkok in Thailand	Southern coastal sub corridor
NH4	230	Phnom Penh and Sihanoukville, Portions of NH4 have a toll road with three stations to collect fees	Inter-Corridor Link, Southern Coastal Sub-corridor
NH5	407	Phnom Penh , Kandal, Kampong Chhnang, Pursat , Battambang , Serei Saophoan in Banteay Meanchey, Poipet connecting to Sra Keaw, Thailand	Thailand, Central Sub-corridor
NH6	416	Phnom Penh with Banteay Meanchey through Siem Reap on the north shore of the Tonlé Sap	Inter-Corridor Link
NH7	509	Kampong Cham, Kratie and Stung Treng, part of Asian Highway Network, joining Route 13 to Luang Prabang, Laos	Laos, Northern sub-corridor, Inter-Corridor Link

Economic Corridors	Asian Highway	ASEAN Highway	Cambodian Road No.	Route
R1 (Central Sub-corridor)	AH1	AH1	NH1, NH5	Poi Pet -Sisophon -Phnom Penh -Svay Rieng – Bavet
R6 (Inter-Corridor Link)	AH11	AH11	NH4, NH6, NH7	Sihanoukville -Phnom Penh – Kampong Cham – Stung Treng -Trapeng Kreal
R10 (Southern Coastal Sub-corridor)		AH123	NH48, NH3, NH4, NH33	Cham Yeam -Koh Kong -Sre Ambel -Veal Rinh -Kampot -Lork
R9 (Northern Sub-corridor)			NH66, NH7, NH78	Siem Reap –Talaborvath- O pongmoan- O Yadav Boder

Source: SCB EIC analysis based on data from JICA, Sihanoukville Autonomous Port (PAS)



# Cambodia National Road Network



Source: Cambodia's Ministry of Public Works and Transport

# Railways are not the key transportation as they are in poor condition and government's improvement plan will take a decade to complete

## Current Railways

- Southern Line (SL) 264 km from Phnom Penh to Sihanoukville City
- Northern Line (NL) 336 km from Phnom Penh to Poipet on the Thai border
- The Western line (connecting to the Thai rail network) at Poipet is currently being reconstructed, scheduled to open in phases during 2015
- 

## Government's plan for 5 additional lines

- A new rail line Batdeng–Loc Ninh line linking Batdeng, in Kampong Speu, with Loc Ninh, a border town between Cambodia and Vietnam
- A new track Preah Vihear–Sihanoukville line will connect Preah Vihear with Sihanoukville, via Kampong Thom, Skun, Batdeung and Phnom Penh. According to the document, “the primary purpose of this line is to export minerals, particularly iron ore, from the mineral-rich province of Preah Vihear to the world through Sihanoukville port”
- A new 105 km stretch of line that will run from Sisophon to Siem Reap
- A 239 km long track that will connect Siem Reap with Skun through Kampong Thom
- A 273 km long line that will run from Snuol to the border with Laos, passing through Kratie province and Thalaborivat of Stung Treng province.

Source: “Chinese Firms Foresee Industrial Hub in Preah Vihear.” The Cambodia Daily. March 19, 2013. 39.Ministry of Public Works and Transport (MPWT). ADB

## Among all, Air transports are the most developed and easiest way to get to the capital supporting and expanding the rise of tourism industry

*Registered carrier departures worldwide	2005	2006	2007	2008	2009	2010	2011	2012	2013
Thailand	124,347	126,845	129,703	125,907	123,541	201,306	227,322	252,369	285,416
Vietnam	54,415	50,840	60,218	74,739	83,720	109,176	135,906	135,300	134,704
Myanmar	26,460	28,700	29,235	29,514	28,499	20,485	32,354	37,799	43,010
Laos	9,002	9,959	9,957	10,007	9,793	11,374	12,262	15,836	19,615
Cambodia	3,207	3,998	4,324	3,667	3,304	5,105	7,191	7,432	10,623

+13%

+43%

Total Passengers	2005	2006	2007	2008	2009	2010	2011	2012	2013
Siem Reap	1,038,118	1,360,388	1,732,428	1,531,820	1,255,166	1,581,309	1,826,118	2,223,029	2,663,337
Phnom Penh	1,081,745	1,322,267	1,598,424	1,691,870	1,587,986	1,673,421	1,839,892	2,077,282	2,393,680
All Airports	2,119,863	2,682,655	3,330,852	3,223,690	2,843,152	3,254,730	3,666,010	4,300,311	5,057,017

+18%

### Aviation

#### 3 International airports

- Phnom Penh
- Siem Reap
- Sihanoukville

#### 14 Domestic airports

- Banlung–Ratanakiri
- Battambang
- Kampong Cham
- Kampong Chhnang
- Kampong Thom
- Kampot
- Koh Kong
- Krakor
- Kratié
- Pailin
- Senmonorom–Mondulhiri
- Stung Treng
- Svay Rieng
- Tbeng Meanchey

- Cambodia's registered carriers increased significantly by 43% in 2013 mainly due to the rise of tourism industry.
- Currently, there are Bangkok Airways and Thai Airways operating direct flights from Bangkok to Siem Reap and Phnom Penh 4-5 times daily

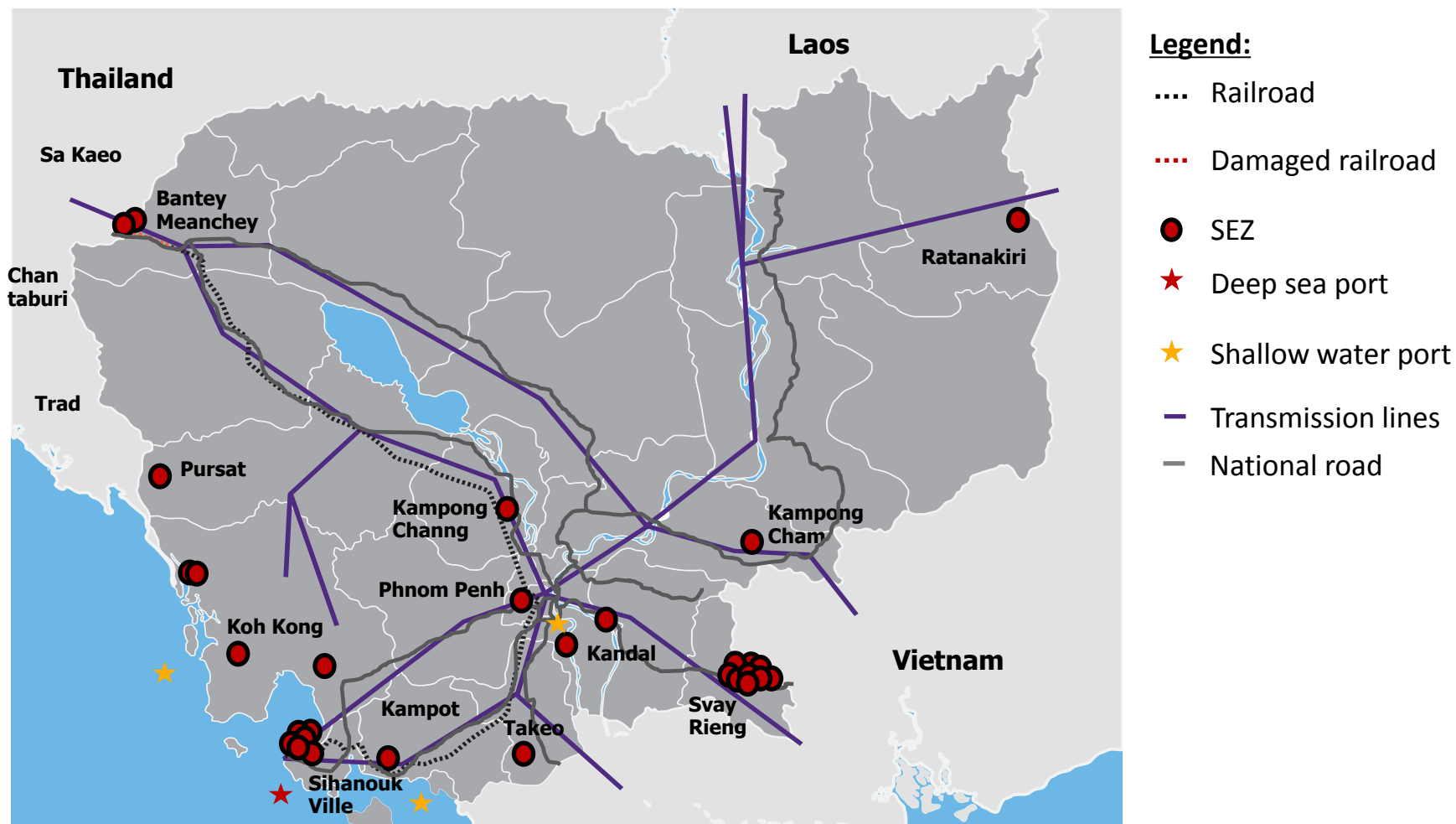
Source: "Infrastructure and Regional Integration Technical Working Group (2010), Thai Airways, Bangkok Airways



# Agenda

- 
- **Country at a glance**
  - **Investment environment**
    - Infrastructure in Cambodia
    - Location for investment
    - Attractive sectors
  - **Getting started**
  - **Tips for doing business in Cambodia**
-

## Most of Cambodia's SEZ are located near border areas with high density in Sihanouk Ville and Svay Rieng



Source: EIC analysis based on data from Open Development Cambodia and CDC

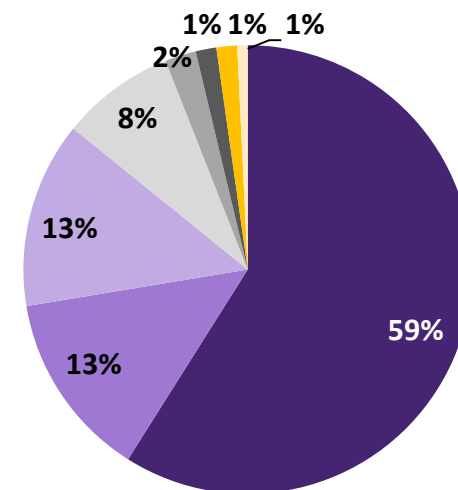
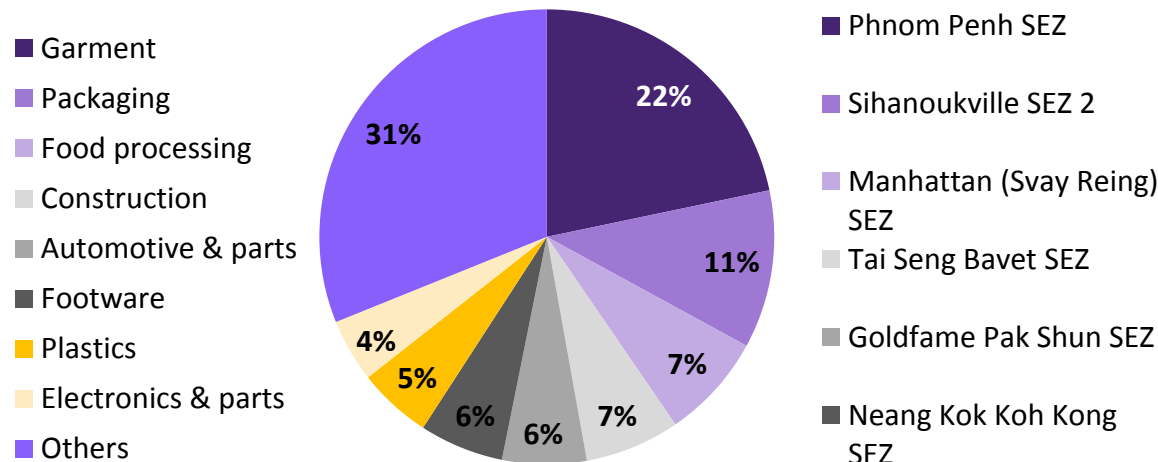


# Garment and packaging industries are most popular in Cambodia's SEZ

Phnom Penh, Sihanouk Ville, and Svay Rieng are most popular due to logistics advantage

## SEZ characteristics

Unit: % (number companies)



Total number of companies ~135

### Operations & size

- There are currently 8 operating SEZ with 20+ developing
- Size of the SEZ range from 14,000 rais in MDS Thmorda SEZ to 438 rais in Sihanouk Ville SEZ

### Infrastructure

- Required to have i.e. anti-flooding system, electricity, telecommunications, and sewage plant
- Have one-stop service office

### Others

- Utility and land prices fluctuate in a narrow range
- Still land availability in SEZ areas

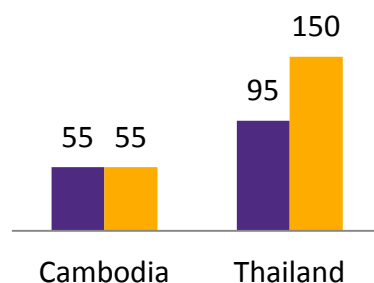
Source: EIC analysis based on data from Royal Embassy of Cambodia

# Among important industrial zones investment costs, only Cambodia's SEZ land price, labor, and water costs are cheaper than Thailand's

## SEZ or I/E land price<sup>1</sup>

Unit: USD/ sq.m.

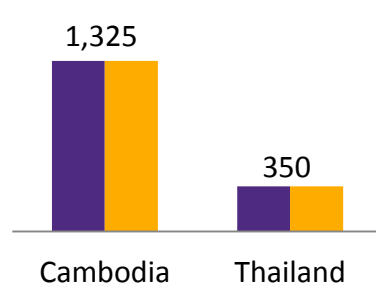
■ Near port ■ Near capital



## Starting business cost

Unit: USD

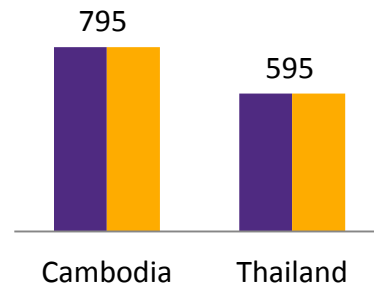
■ Near port ■ Near capital



## Exporting cost

Unit: USD/ container

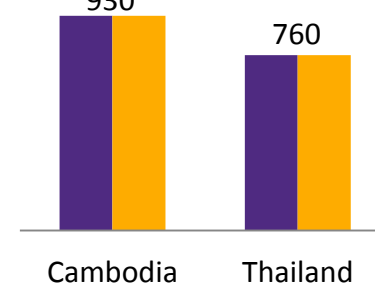
■ Near port ■ Near capital



## Importing cost

Unit: USD/ container

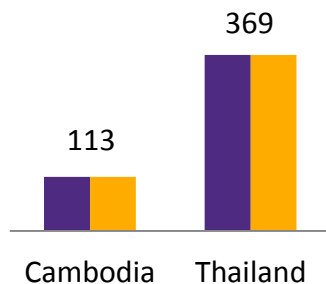
■ Near port ■ Near capital



## Labor (manufacture worker)

Unit: USD/ month

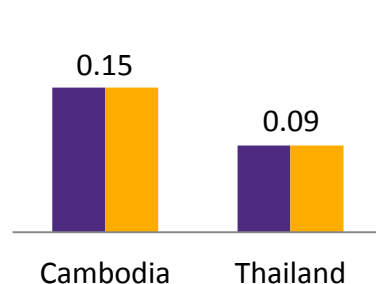
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## Electricity cost

Unit: USD/ unit

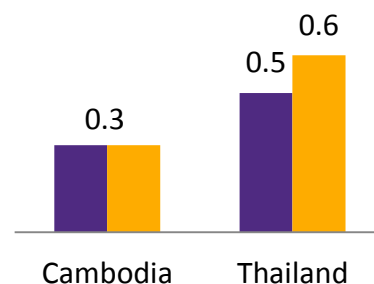
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## Water cost

Unit: USD/ cubic meters

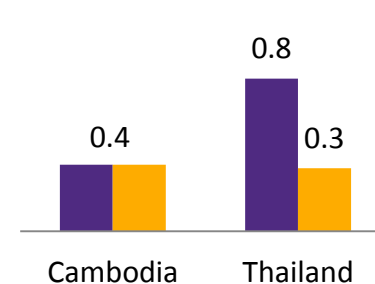
■ Near port ■ Near capital



## Water treatment cost

Unit: USD/ container

■ Near port ■ Near capital



1. Price for Cambodia is per 50 years rental versus for Thailand is for buying the land

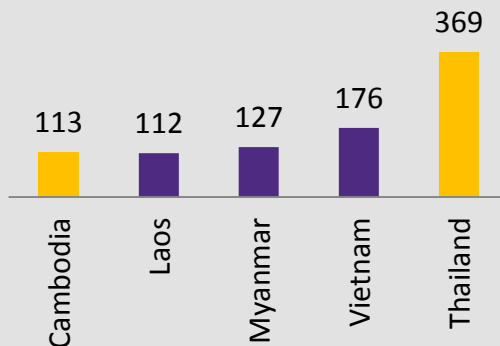
Source: EIC analysis based on data from company information, IDE, Doing business, JETRO, and National Institute of Statistics



## However, if high quality work is required, labor costs in Cambodia could surpass Thailand's due to lower labor productivity

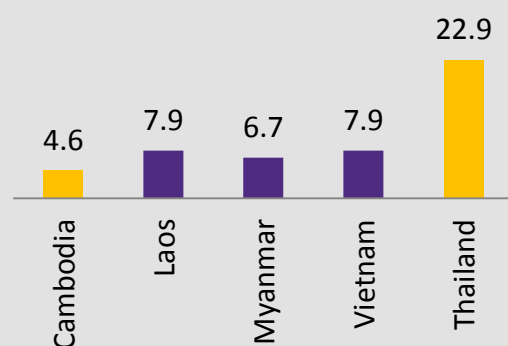
### Wage of manufacturing workers

Unit: USD/ month



### Labor productivity (2012)

Unit: GDP per worker (USD)

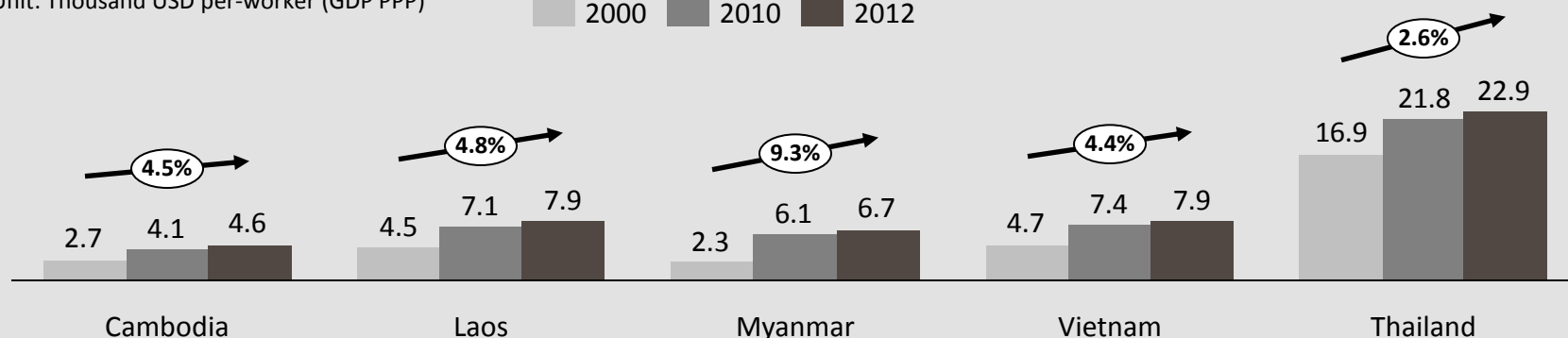


- Despite cheaper labor in Cambodia compared to Thailand, investors have to note that the productivity and quality levels will not be the same
- Despite low labor productivity in Cambodia, the growth rate is 3<sup>rd</sup> highest in the group

### Labor productivity growth

Unit: Thousand USD per-worker (GDP PPP)

2000 2010 2012



Source: EIC analysis based on data from JETRO and APO

## When compared to Thailand, Cambodia's incentives are similar with the exception of the right to buy land

	Cambodia SEZ/QIP	Thailand I/E								
Income tax	<table><tr><td>Up to 9 years</td><td>Exempted</td></tr><tr><td>Years 9 onwards</td><td>20%</td></tr></table>	Up to 9 years	Exempted	Years 9 onwards	20%	<table><tr><td>Up to 8 years</td><td>Exempted</td></tr><tr><td>Years 8 onwards</td><td>20%</td></tr></table>	Up to 8 years	Exempted	Years 8 onwards	20%
Up to 9 years	Exempted									
Years 9 onwards	20%									
Up to 8 years	Exempted									
Years 8 onwards	20%									
Import duties	<ul style="list-style-type: none"><li>Exempted for i.e. raw materials, machinery, and equipment</li></ul>	<ul style="list-style-type: none"><li>Exempted for i.e. raw materials, machinery, and equipment</li></ul>								
Land use	<ul style="list-style-type: none"><li>Foreigners lease for up to 50 years + renewal</li></ul>	<ul style="list-style-type: none"><li>Foreigners can own land in I/E</li></ul>								
Foreign labor	<ul style="list-style-type: none"><li>Right to hire 10% foreign labor</li></ul>	<ul style="list-style-type: none"><li>Right to hire foreign skilled and unskilled labor</li></ul>								
Notes	<ul style="list-style-type: none"><li>Investors will have to be registered as a QIP</li><li>Free repatriation of profit</li><li>100% foreign ownership is permitted in most industries that is not on the negative list</li></ul>	<ul style="list-style-type: none"><li>Tax exemption received will be dependent on industry and location invested, which can be above or below the 8 years period</li><li>Thailand is planning to develop 5 SEZ which will have incentive of i.e. additional 50% CIT exemption for 5 years</li></ul>								

Source: EIC analysis based on data from Royal Government of Cambodia, BOI, and IEAT

## Recommended locations for investment are in SEZ that are close to borders or ports due to logistic obstacles

***\*\*Location close to border for ease of transportation due to weak logistic infrastructure and use domestic resource as much as possible to lower import cost\*\****

### Bantey Meanchey

- Export to Thailand via the Aranyaprathet customs, products that are most imported via the border are for instance:
  - Digital camera parts
  - Optical film parts
  - Dog treats
  - Gas tanks
  - Tractors

### Sihanoukville

- Export to EU to gain preferential tariff (EBA vs. MFN rate), in which major Thai products that gain most advantages are such as
  - Prepared/preserved fish
  - Bicycle
  - Apparel and clothing
  - Processed and frozen chicken
  - Rice
  - Pineapple products

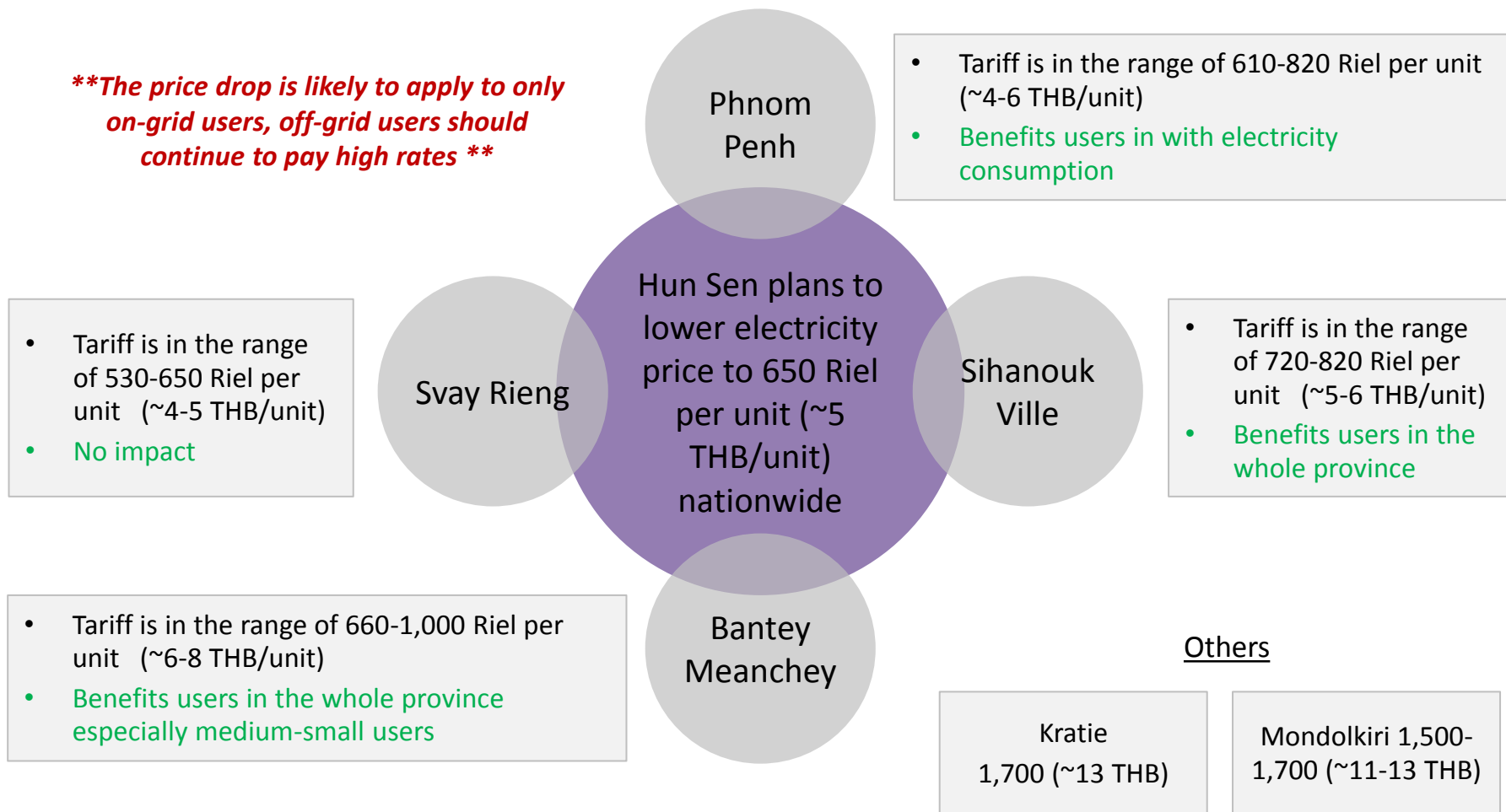
### Svay Rieng

- Export to Vietnam via the Bavet customs, products that are most imported from Cambodia are for instance:
  - Wood products
  - Rubber
  - Knitted fabrics

Source: EIC analysis based on data from General Department of Customs of Vietnam, Aranyaprathet customs, European Commission, and Trademap

# Cambodia plans to lower electricity tariff to 650 Riel per unit, if the policy is implemented, large electricity consumers and people in rural areas will benefit

***\*\*The price drop is likely to apply to only on-grid users, off-grid users should continue to pay high rates \*\****



Note: 131 KHR = 1 THB, 1 USD= 3995 KHR

Source: EIC analysis based on data from EDC and Cambodia Daily

# Agenda

- 
- **Country at a glance**
  - **Investment Environment**
    - Infrastructure in Cambodia
    - Location for investment
    - Attractive sectors for SMEs
      - Infrastructure-related
      - Agriculture and Agricultural Processing
      - Consumer Goods-related
  - **Getting started**
  - **Tips for doing business in Cambodia**
-

# What are attractive sectors in Cambodia?

## Attractive Business

## Key Drivers

### Infrastructure-related

- Construction materials
- Construction engineering
- Power

- Structurally, Cambodia will have a long period of high growth in infrastructure spending.
- Due to lack of local capability, there are opportunities for foreign firms to bring in technology and expertise.

### Agriculture and Agricultural Processing

- Rice milling
- Machines and equipment for farming and agricultural processing

- Cambodia has surplus supply of paddy rice and government is pushing for higher milled rice production and export.
- Government also encourages diversification of crops and agricultural products.

### Consumer Goods-related

- Electrical appliances
- FMCGs i.e. packaged foods, condiments, home care and personal care products
- Home furnishings

- Rapid growth in disposable incomes and urbanization will strongly push consumer demand for household products.
- Consumers can afford more sophisticated and premium products.

### Light Manufacturing

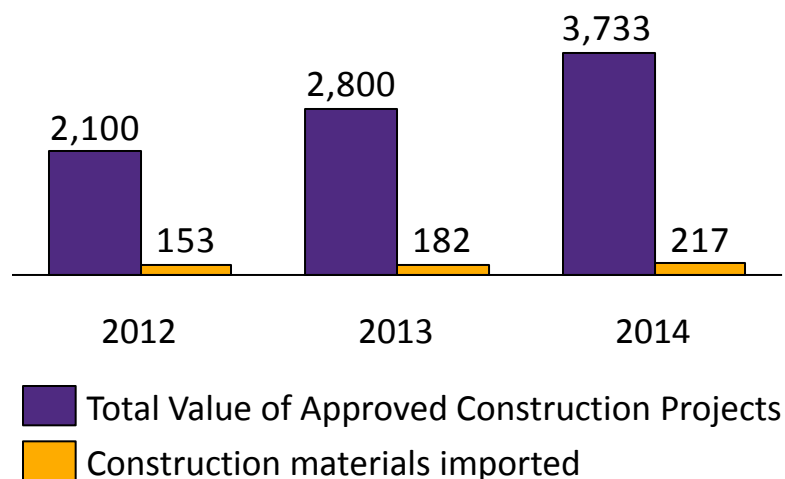
- Labor-intensive i.e. clothing, sport equipment, auto parts, electronic parts

- Rising labor cost of other countries in the region
- Cambodia can produce small parts in FGs to assemble in Thailand or elsewhere

# Cambodia is in the process of upgrading its hard infrastructure, leading to opportunities for power, construction materials, and construction engineering

## Approved Construction Projects and Materials Imports

Unit: mn USD



## Attractiveness:

- The current poor condition of the country's infrastructure, public works, transportation, the road network, water and irrigation system, are a high priority for the Cambodian government.
- Several residential and commercial development projects are underway, such as mixed-used, shopping malls, and suburban commercial-residential developments.
- These present opportunities for architecture and engineering services and suppliers of construction materials and equipment.
- In remote rural areas, electricity is not being served by public utilities. There are demand for diesel generators as backup power, on-site power plants and power generation, and transmission equipment.

Source: EIC analysis based on data from "Doing Business in Cambodia 2014 Country Commercial Guide for U.S. Companies"



# Investment in agriculture and agricultural processing industry for export benefit directly from GSP, besides this industry is on focus by the government

- Cambodia's agriculture sector relies on outdated, less productive methods of farming and produces mostly rice. As such Cambodia government encourages more investment in agriculture, and diversification of agricultural products.
- There is potential to expand the production and processing of rice, corn, and other crops. Several investment projects in palm oil, tapioca, rubber, and cassava are underway.

## Rice Production and Exports

Unit: Tons



Source: EIC analysis based on data from "Doing Business in Cambodia 2014 Country Commercial Guide for U.S. Companies"

- In 2014, Cambodia exports 0.56 mn tons of milled rice, less than 5% of the total paddy production. Cambodian government aims to achieve 1 mn tons of milled rice export by 2015. As such, milling productivity needs to be upgraded. There is an opportunity for foreign investors to invest in a value added rice production plant in Cambodia.
- Also, there will be more demand for machines and equipment including water pumps, well-drilling machines, tractors, tilling equipment, rice milling, drying, and packaging equipment, fertilizers, insecticides, and seeds.





# Emergence of middle-income class attracts consumer goods-related business

## Domestic Retail Market Size

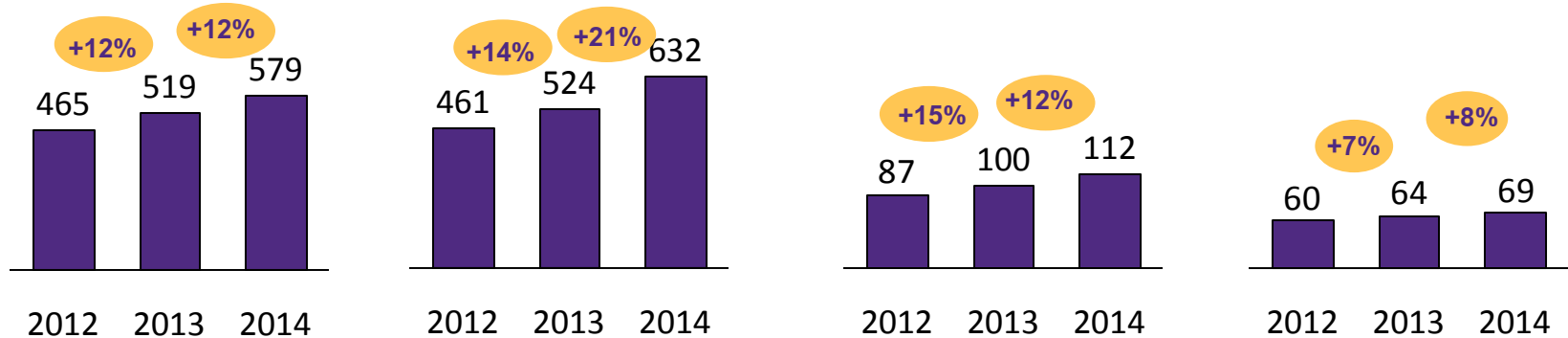
### Packaged Food

### Consumer Electronics

### Home Care

### Beauty and Personal Care

Unit: Mn USD



Source: EIC analysis based on data from Euromonitor

- Cambodia's emerging middle class will lead to higher needs for comfort and convenience.
- There will be tremendous growth of consumptions in FMCG products i.e. packaged foods, condiments, home care and personal care products as well as household electrical appliances including water purification system, air conditioning, refrigerators, and washing machines.
- There will also be an increasing appetite for luxury consumer goods including home furnishings among locals with high disposable income and expats .
- International brands are well regarded in Cambodia. As such, Cambodian firms are increasingly interested in becoming agents of or distributors for foreign products.



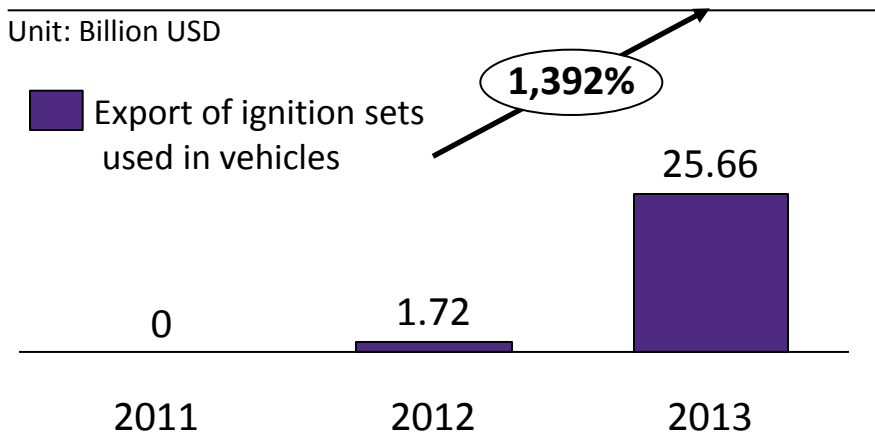
# Cambodia started to become production base for foreign investors seeking benefit from cheap labor cost to serve their light manufacturing parts

## Foreign investments in Koh Kong SEZ

Company	Investment from	Details of production
Camko Motor Company Ltd.	Korea	Assembler of Hyundai cars for domestic sales.
Yazaki (Cambodia) Products Co. Ltd.	Japan	Production of automobiles wire/cable for export
KKN Apparel Co., Ltd	Thailand	Manufacturers of Adidas and Nike clothing for exporting to EU.
Hana Microelectronics	Japan	Manufacturers of microprocessors.
Mikasa Sport	Japan	Manufacturers of sport equipment for export

## Value export of automobiles wire/cable

Unit: Billion USD



Japanese wire/cable company, YAZAKI co. Ltd, started its production in Koh Kong special economic zone since late 2012. YAZAKI is the main suppliers of wire/cable used in automobiles production for Toyota.

The production of automobiles cable/wire are then exported mostly to Thailand for cars assembling, thus creating a regional supply chain. Tax rate of exporting automobiles wire/cable from Cambodia to Thailand is 5% as oppose to 20% normally, due to the ASEAN FTA.

Source: EIC analysis based on data from KKSEZ, and Trademap

# Agenda

- 
- **Country at a glance**
  - **Investment environment**
  - **Getting started**
    - Who to contact and partner
    - Costs of doing business
    - Labor market
    - Banking “need-to-know”
  - **Tips for doing business in Cambodia**
-

# There are various government/non-government bodies from both Cambodian and Thai sides to support foreign investors

## **The Council for the Development of Cambodia (CDC)**

Address: Government Palace, Sisowath Quay, Wat Phnom, Phnom Penh, Cambodia

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

## **Cambodian Investment Board (CIB)**

Tel: (855) 23 981 154

Fax: (855) 23 427 597

E-mail: [cdc.cib@online.com.kh](mailto:cdc.cib@online.com.kh)

## **Cambodian Special Economic Zones Board (CSEZB)**

Tel: (855) 23 992 355

Fax: (855) 23 992 931

E-mail: [enquiry@camboidasez.gov.kh](mailto:enquiry@camboidasez.gov.kh)

[h.sopauline@online.com.kh](mailto:h.sopauline@online.com.kh)

## **Office of the Council of Ministers**

Tel: (855) 12 804 442

Fax: (855) 880 624

E-mail: [ocm@cambodia.gov.kh](mailto:ocm@cambodia.gov.kh)

Website: <http://www.ocm.gov.kh>

## **Working Hours:**

From Monday to Friday

8:00 to 11:30am and 14:00 to 17:00 pm

## **Royal Thai Embassy**

Address: 196 Preah Norodom Boulevard, Sangkat Tonle Bassac, Khan Chamkarmon, Phnom Penh, Cambodia

Tel: (855) 23 726 306 – 8 (Auto lines)

E-mail: [thaipnp@mfa.go.th](mailto:thaipnp@mfa.go.th)

Website: <http://www.thaiembassy.org/phnompenh>

## **Thai Trade Center Phnom Penh**

Address: C/O Royal Thai Embassy

Tel: (855) 23 726 306 – 8 (Auto lines)

E-mail: [thaitcphnompenh@ditp.go.th](mailto:thaitcphnompenh@ditp.go.th) ,

[thaicomphn@online.com.kh](mailto:thaicomphn@online.com.kh)

## **The Thai Business Council of Cambodia**

Address: C/O Royal Thai Embassy

Tel: (855) 23 726 306 – 8 (Auto lines) ext 216

E-mail: [admin@tbcccambodia.org](mailto:admin@tbcccambodia.org)

Website: <http://www.tbcccambodia.org>

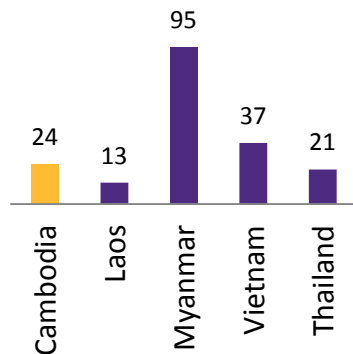
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-

# Cambodia are second highest in ranking among CLMVT. Office, housing and store rents are cheapest, but electricity is the biggest challenge for Cambodia

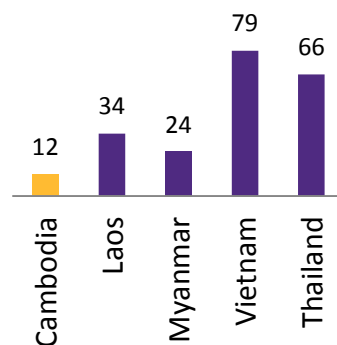
## Office rent

Unit: USD/ sq.m./month



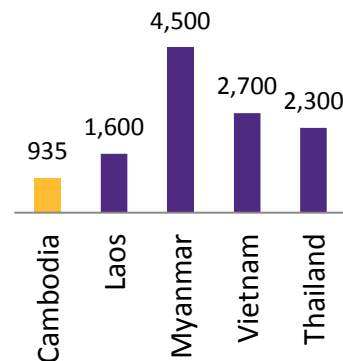
## Store rent in city center

Unit: USD/ sq.m./month



## Housing rent

Unit: USD/ month

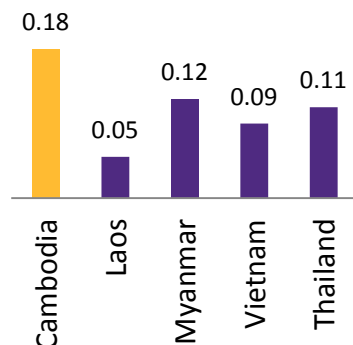


## Overall ranking (1= cheapest)

Country	Ranking
Laos	1
Vietnam	2
Thailand	3
Cambodia	4
Myanmar	5

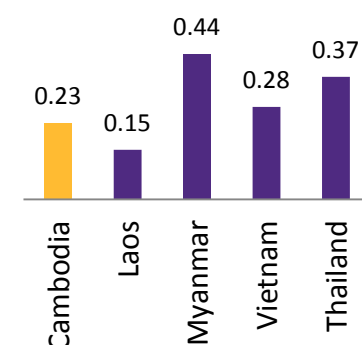
## Electricity price

Unit: USD/ unit

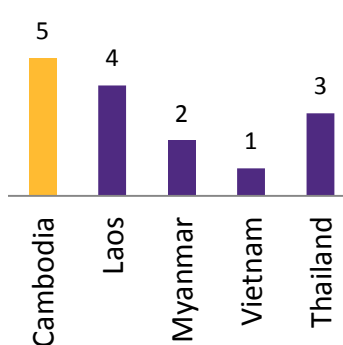


## Water price

Unit: USD/ cubic meters



## Food price ranking<sup>1</sup>



- Electricity situation is not pleasant due to shortage in supply
- Royal Government of Cambodia and World Bank provide Rural Electrification Fund (REF) to private sector for investment in electricity supply in terms of subsidies

1. Includes groceries and prices of food in restaurants  
Source: EIC analysis based on data from Jetro, and Numbeo

# Cambodia tax rate is one of the best among CLMVT with lowest non-residents' PIT and CIT at the top bracket

**Figure Summary CLMVT Tax Rates**

Unit: %

CLMVT Tax	Standard Corporate Income Tax (CIT)	Top Personal Income Tax (PIT)	Non-Resident Withholdings			VAT	Capital Gains
			Dividend	Royalties	Interest		
<b>Cambodia</b>	<b>20%</b>	<b>20%</b>	<b>14%</b>	<b>14%</b>	<b>14%</b>	<b>10%</b>	<b>Treated as taxable income</b>
Laos	24%	24%	10%	5%	10%	10%	None
Myanmar	25% Company	20% Employment income	None	20%	15%	5% services	10% resident
	35% Branch	30% Other income 35% non-resident foreigners				3-100% for goods	40% non-resident
Vietnam	22% (to be 20% 1Jan16)	35%	None for corporate investors 5% for individual investors	10%	5%	10%	Yes and vary
Thailand	20%	35%	10%	15%	15%	10%	Treated as taxable income

ที่มา: Council for the Development of Cambodia, General Department of Taxation, Ministry of Economy & Finance

# Corporates with QIP status receive tax holidays of 9 years maximum, making Cambodia an attractive place to invest

## Cambodia Corporate Income Tax

Profit Tax (Article 1 – 23, Chapter 1)	
For legal person	20% (unless QIP incentive rate of 9% or 0% are applied)
Oil and natural gas production sharing contract and the exploitation of natural resource including timber, ore, gold, and precious stones.	30%
Additional Profit Tax on Dividend Distributions (APTDD) shall be paid upon the distribution of retained earnings or annual profit after tax if a firm distributes retained earnings or profit	20% for QIP of 0% Tax on Profit Rate 11% for QIP of 9% Tax on Profit Rate 0% for Firms of 20% Tax on Profit Rate
Minimum Tax (Article 24, Chapter 1)	
To be applied only for the real regime, except QIP. If the profit tax amount exceeds 1% of annual turnover, the taxpayer pays only the tax on profit.	1% of annual turnover inclusive of all taxes, exclusive of VAT

## Cambodia Personal Income Tax

Personal Income Tax (Article 40 – 54, Chapter 2)	
0 Riels – 500,000 Riels (Approx. USD 125 or less)	0%
500,001 Riels – 1,250,000 Riels (Over 125 – 312.5)	5%
1,250,001 Riels – 8,500,000 Riels (Over 312.5 – 2,215)	10%
8,500,001 Riels – 12,500,000 Riels (2,215 – 3,125)	15%
Over 12,500,000 Riels (Over 3,125)	20%
For fringe benefits	20% on market value
Non-residents	Flat rate of 20%

## Cambodia VAT

Value Added Tax (Article 55 – 84, Chapter 3)	
Standard tax rate	10%
Tax rate for the goods exported from Cambodia and services executed outside of Cambodia	0%

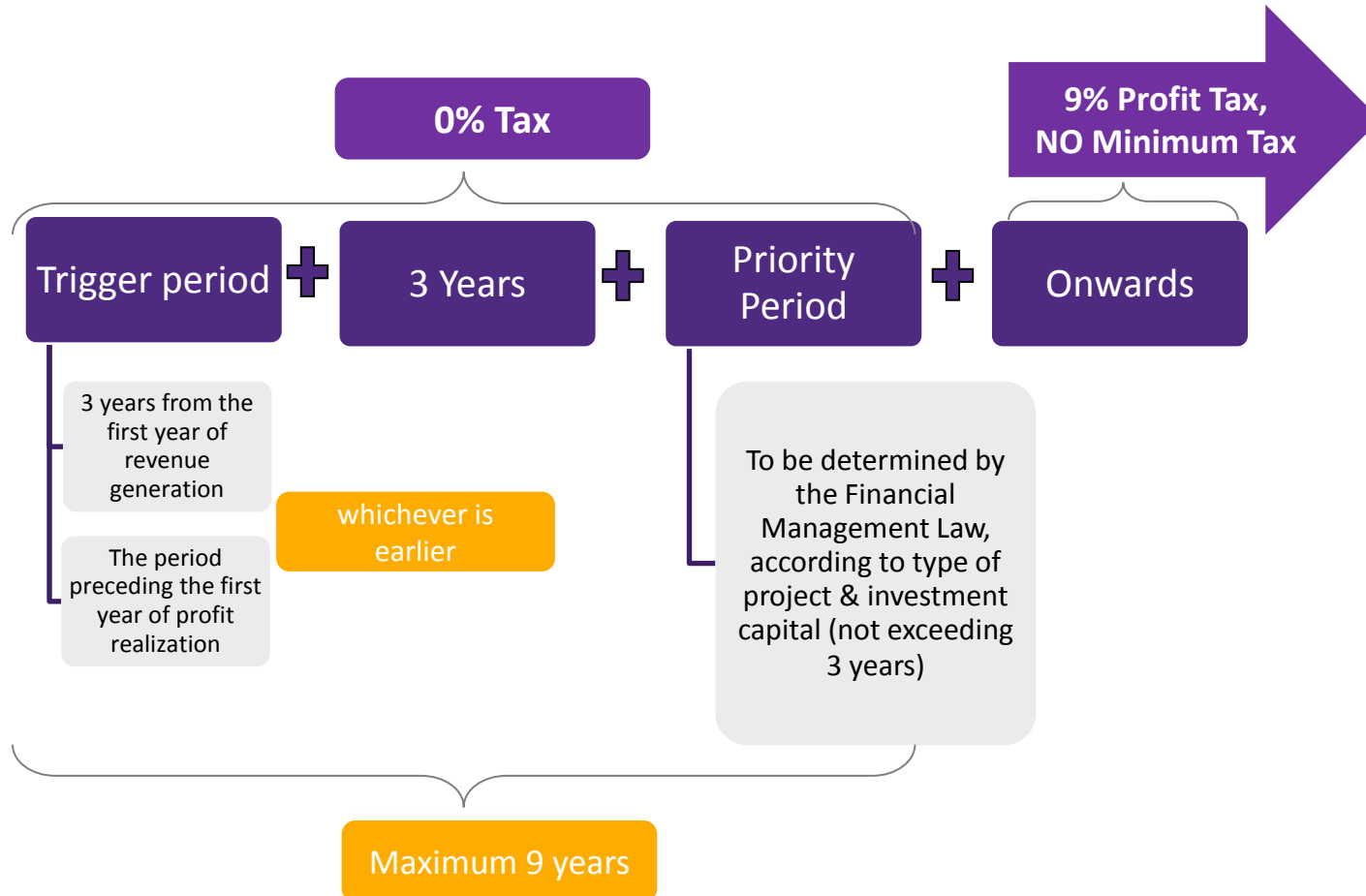
Source: Council for the Development of Cambodia, General Department of Taxation, Ministry of Economy & Finance



# After tax holidays, QIPs are charged specially at 9% profit tax, no minimum tax

Figure Cambodia Tax Exemption for QIPs

Unit: %



*Note: An annual "Certificate of Obligation Satisfaction" (or "Certificate of Compliance") has to be obtained by the QIP to be entitled for Profit Tax Exemption*

Source: Council for the Development of Cambodia, General Department of Taxation, Ministry of Economy & Finance

# Agenda

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- **Country at a glance**
  - **Researching the market**
  - **Getting started**
    - Who to contact and partner
    - Costs of doing business
    - Labor market
    - Banking “need-to-know”
  - **Tips for doing business in Cambodia**
-

# Cambodia government has continuous plan to improve labor law to meet the international standard such as official working hours, minimum wages, etc.

## Labor law updates

### Working Hours:

- The number of hours worked by workers of either sex cannot exceed eight hours per day, or 48 hours per week.
- If workers are required to work overtime for exceptional and urgent jobs, the overtime hours shall be paid at a rate of 50% higher than normal hours
- If the overtime hours are worked at night the interval from 22:00 pm to 05:00 am or during weekly time off, the rate of increase shall be 100%

### Additional requirements :

- Unskilled positions must be filled by Cambodian citizens
- Need to provide skills training for local staff
- Maximum of 10% foreign labors allowed
  - Officers 3%
  - Specialized/High-skilled 6%
  - General unspecialized 1%

### Minimum wage:

- Applicable only to the textile, garment and footwear industry whereby workers are entitled to a minimum wage of \$128 per month (may vary depending on seniority and experience)

### Leave and holidays:

- 15-18 days annual leave depending on seniority
- 7 days for other types of leave
- 27 public holidays
- 90 days pregnancy leave

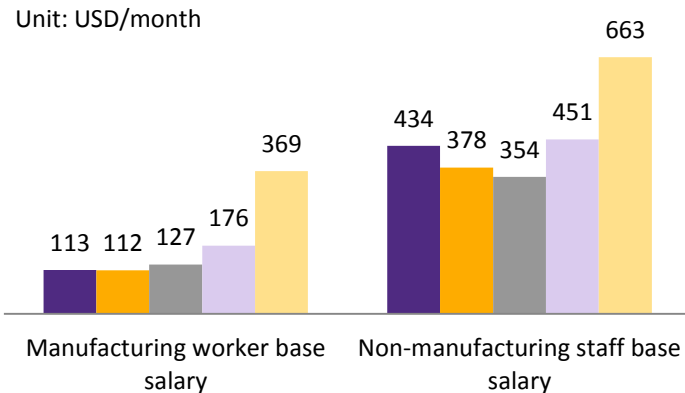
### Social security:

- All employers pay 0.8% of the assumed wage based on the employee's monthly wage before taxation
- Employees pay as low as 1600 Riels/Month (Salary 200,000 or below: 8,000 Riels/Month (Salary 1M Riels or more)

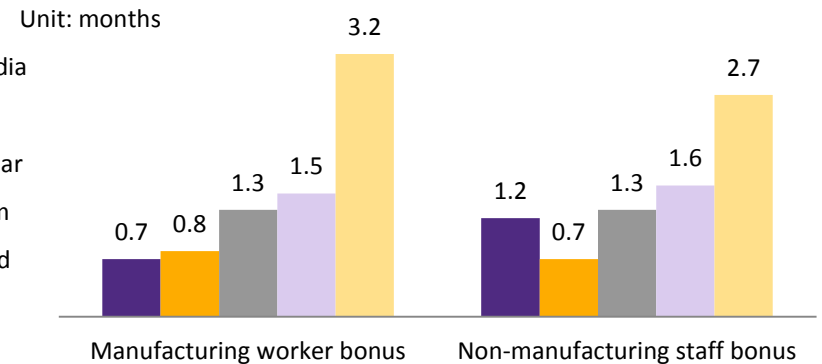
Source: EIC analysis based on data from International Labour Organization, CDC

# Manufacturing labor costs in Cambodia is 2<sup>nd</sup> lowest, but investors will need to keep an eye on wage disputes as it is the key of doing business in Cambodia

## Surveyed base salary in CLMVT



## Surveyed bonus in CLMVT



## Labor conditions in Cambodia

large-scale strikes, demonstrations, and violent clashes between protestors and security forces on minimum wages

Labor Ministry is aware of the many challenges and has started to initiate reforms

Labors work overtime without getting paid, otherwise they may be fired

Women labors with visible pregnancy are forced to stop working without compensation

Majority is unskilled labors, on the job/ vocational training is needed

### Common ways to find labor in Cambodia:

1. Agents
2. Word of mouths

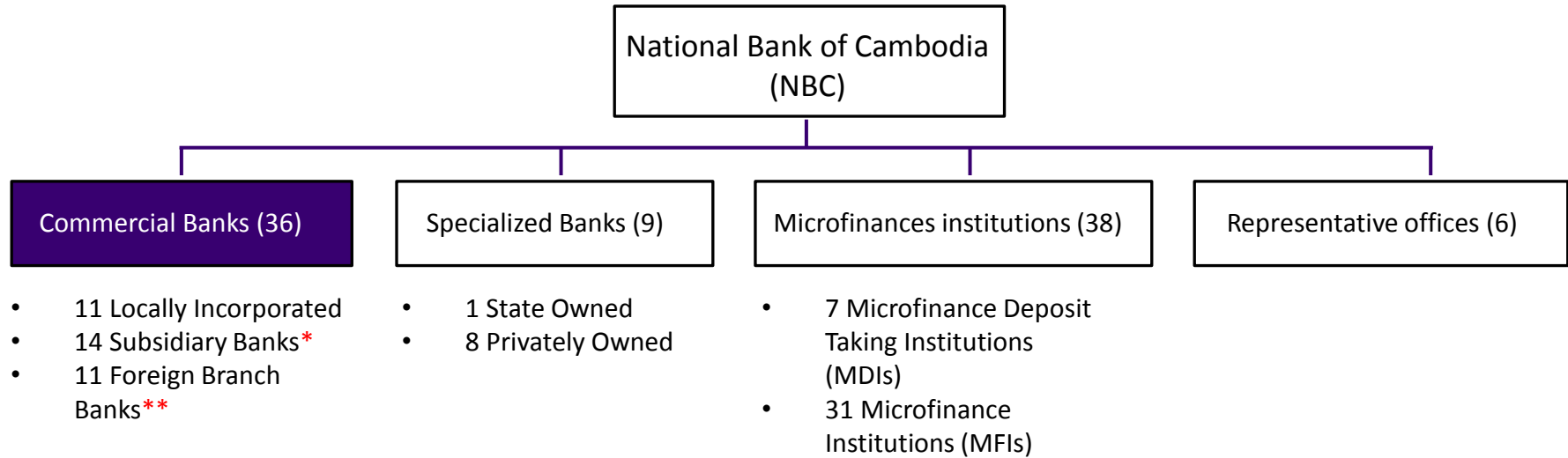
Source: EIC analysis based on data from JETRO

# Agenda

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- **Country at a glance**
  - **Investment Environment**
  - **Getting started**
    - Who to contact and partner
    - Costs of doing business
    - Labor market
    - Banking “need-to-know”
  - **Tips for doing business in Cambodia**
-

## Financial institutions in Cambodia can be divided into four sections and all of them are regulated by NBC



\*Cambodia Commercial Bank classified as subsidiary bank, while Bangkok Bank and Krung Thai Bank classified as foreign branch

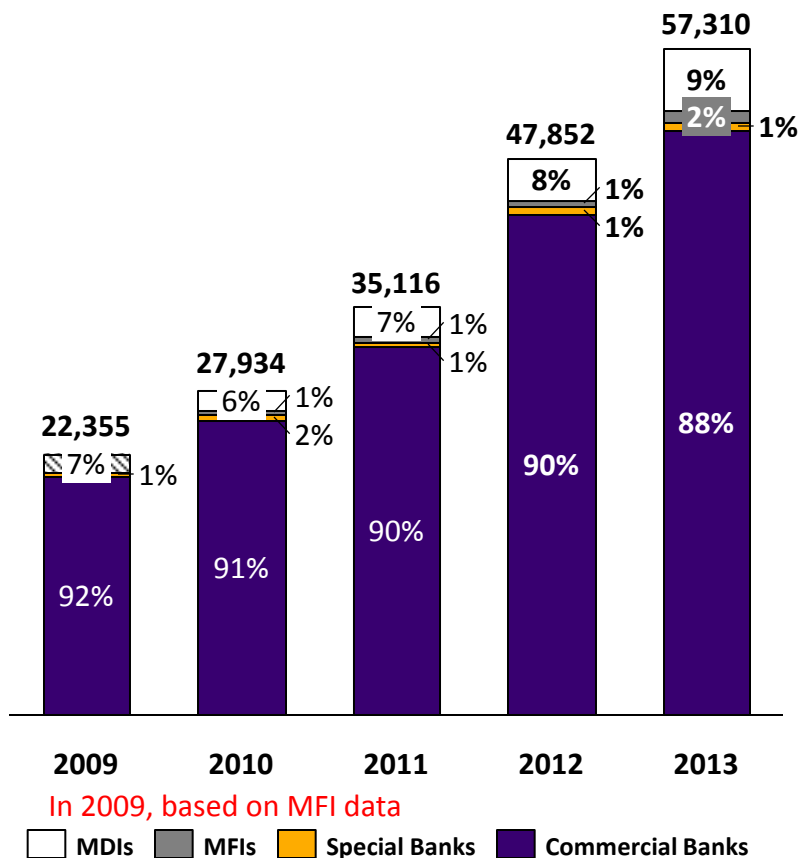
\*\*Bangkok Bank having established its footprint in 2014

Source: EIC Analysis based on data from NBC

# ACLEDA bank is the largest domestic commercial bank in terms of total assets, while Cambodia Commercial Bank (CCB) is ranked 12nd

## Total Assets

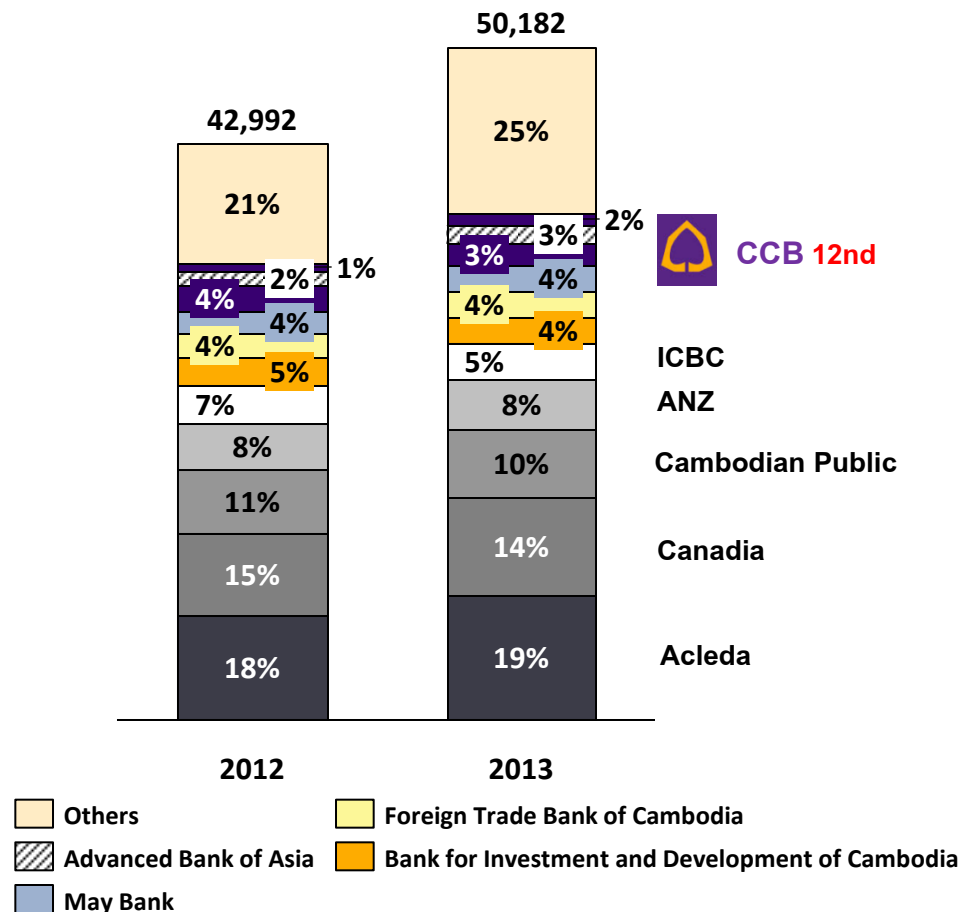
Unit: billion of KHR



Source: EIC Analysis based on data from NBC

## Commercial Banks' Total Assets

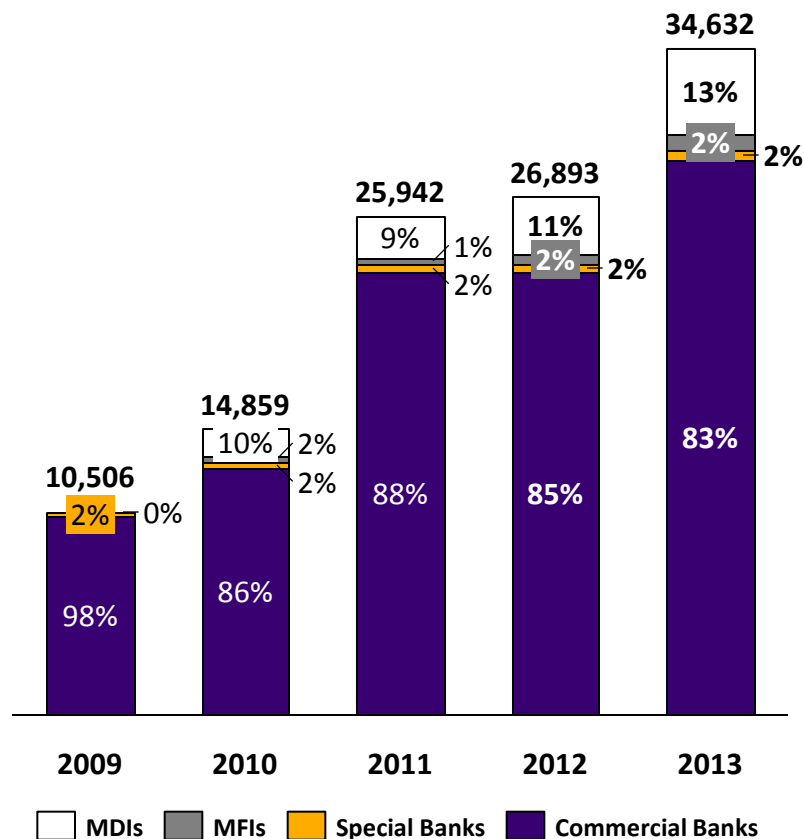
Unit: billion of KHR



# Nearly 90% of total volume loans outstanding are lent by commercial banks, and the major type of financing is trade credits

## Loans Outstanding

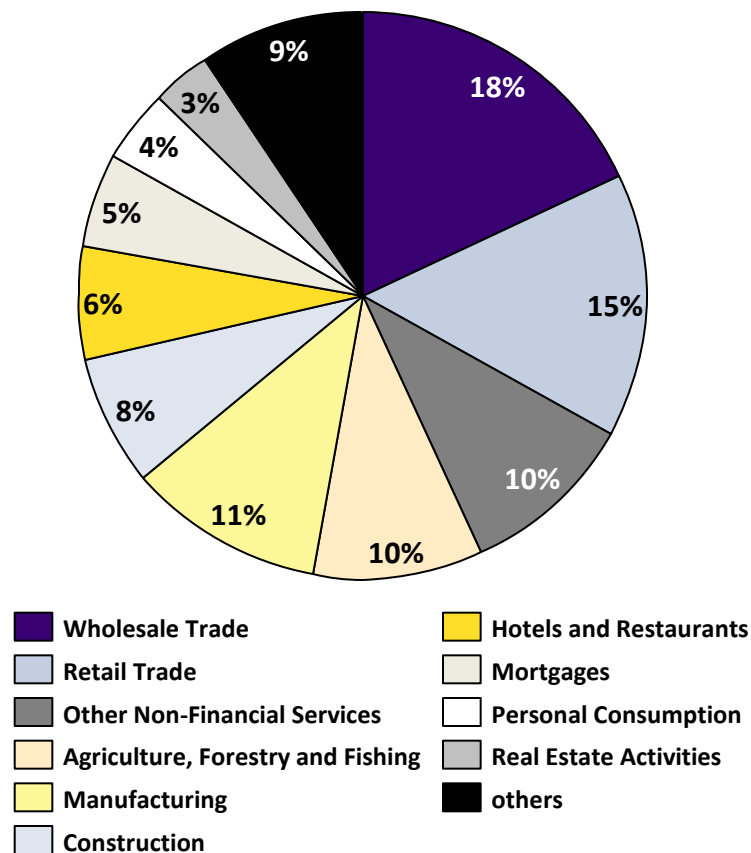
Unit: billion of KHR



In 2009, the Microfinance's data cannot be divided  
Source: EIC Analysis based on data from NBC

## Commercial Banks' Credits Classified by Sector

Unit: %

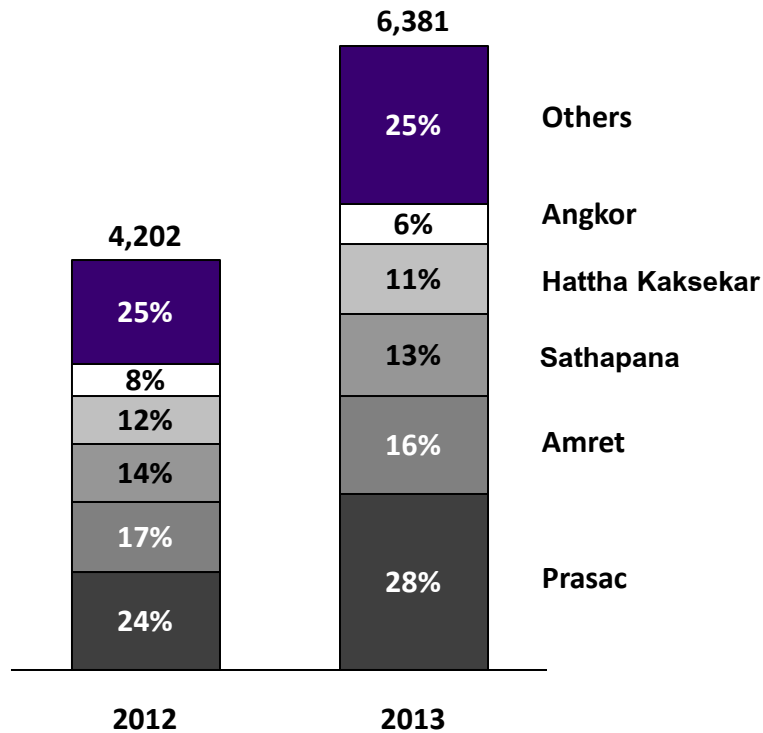




# Prasac is the largest MFI in terms of total assets, and the major type of financing is agricultural, trade and commerce, and construction

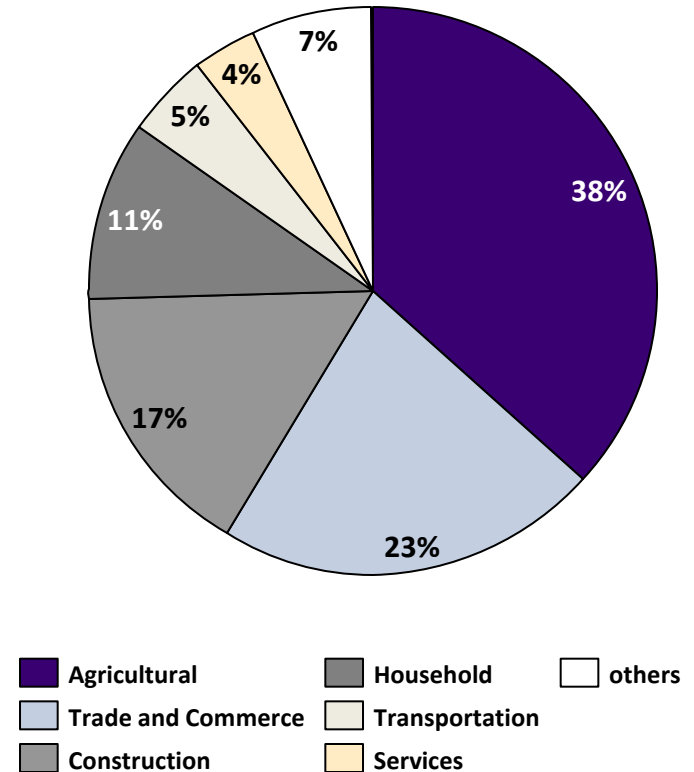
## MFI's Total Assets

Unit: billion of KHR



## Total MFI' Credits Classified by Sector

Unit: %

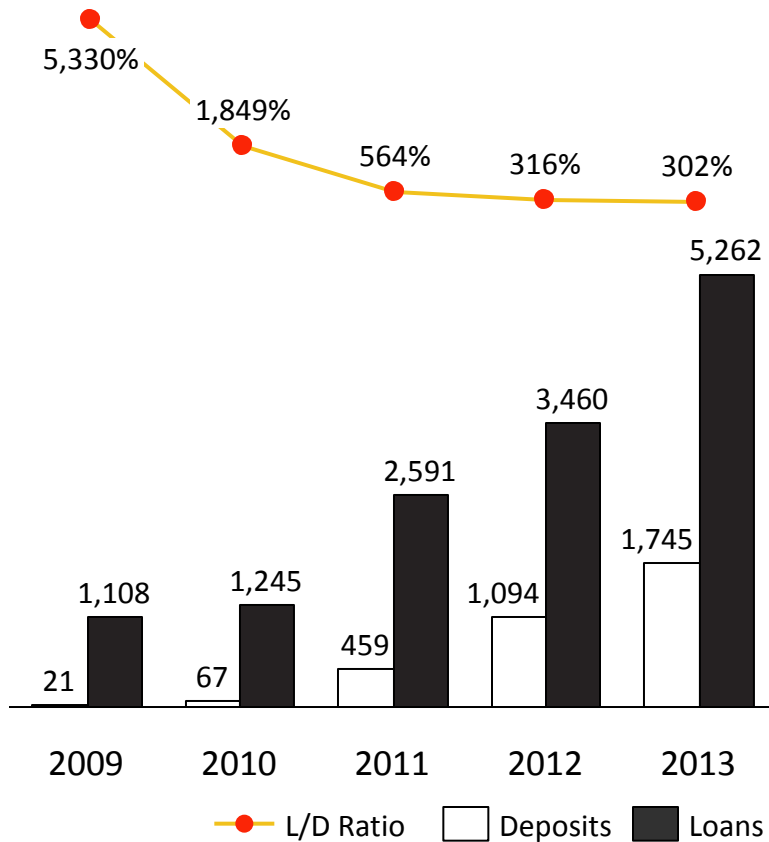


Source: EIC Analysis based on data from NBC

# Cambodia's loan to deposit ratio is very high across MFI and commercial banks

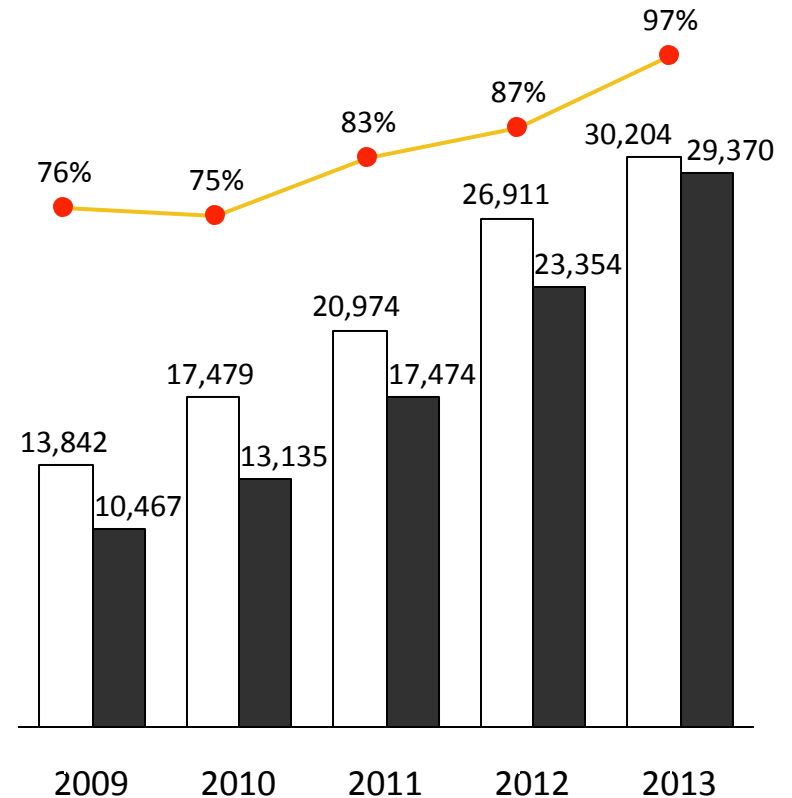
## MFI's loan to deposit ratio

Unit: Billions of KHR



## Commercial banks' loan to deposit ratio

Unit: Billion of KHR

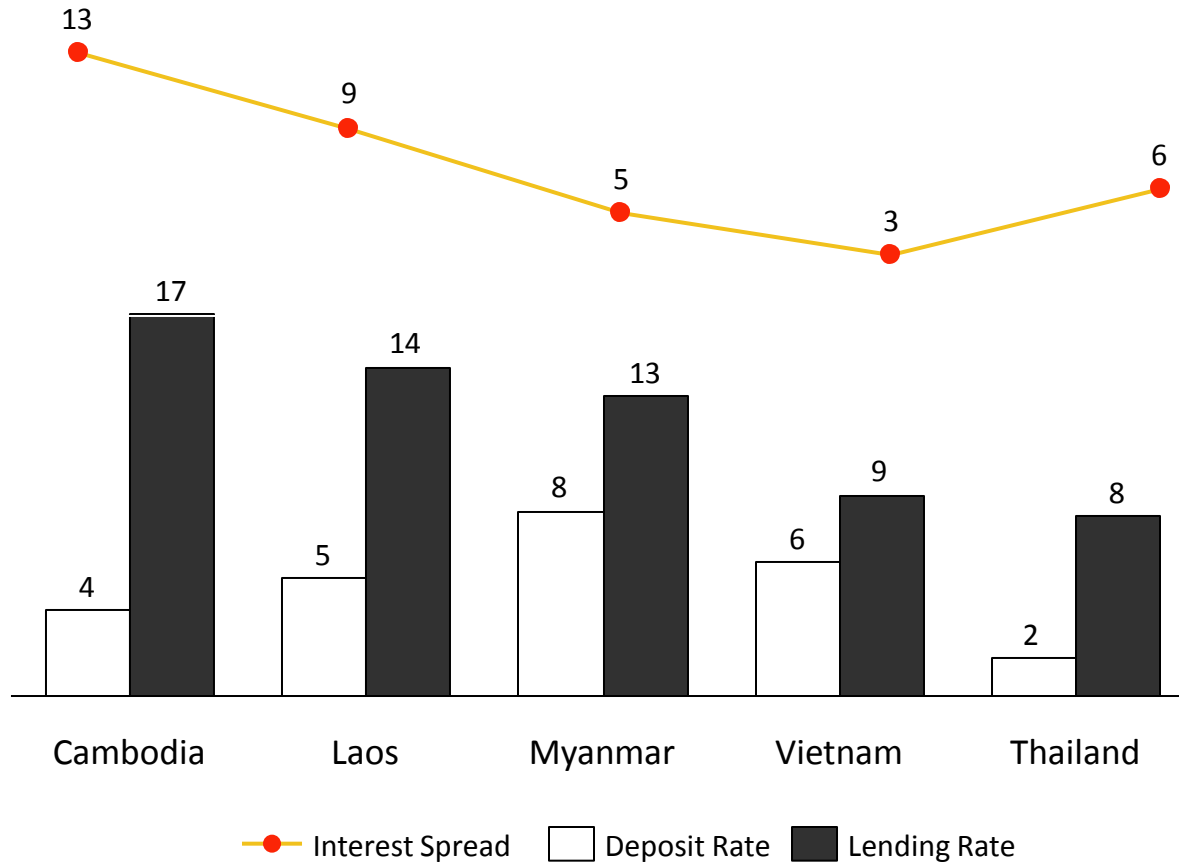


Source: EIC Analysis based on data from NBC

**Cambodia has highest interest spread. Moreover, the cost of borrowing is also highest. Sourcing from Thailand with lowest lending rate is recommended**

### Deposit rate, lending rate, and interest spread

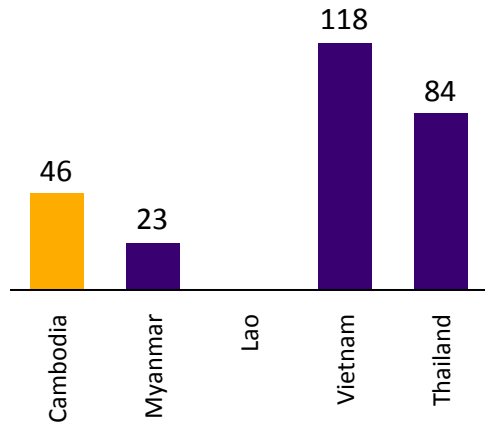
Unit: %



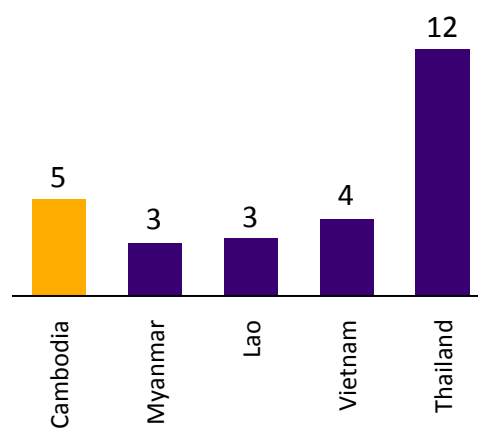
Source: EIC Analysis based on data from NBC and world bank

# Cambodia financial is better than Myanmar and Lao in terms of deposit and loan

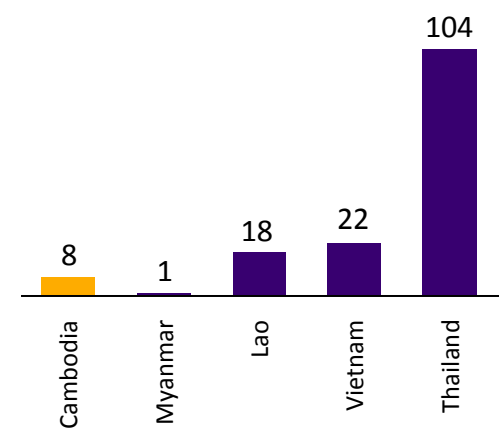
Outstanding deposits with commercial banks (% of GDP)



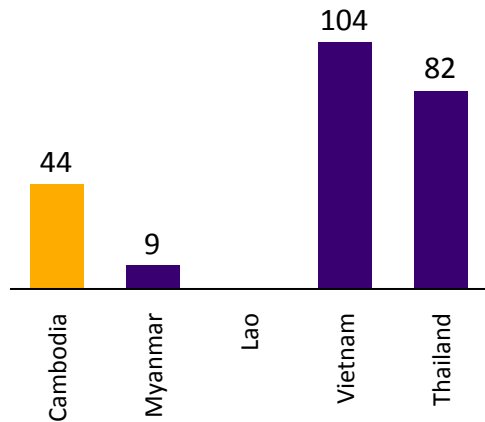
Commercial bank branches per 100,000 adults



ATM per 100,000 adults

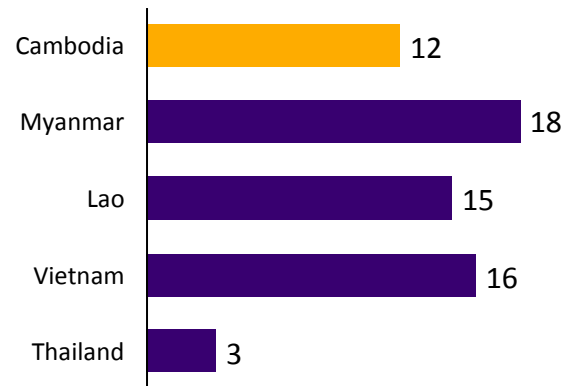


Outstanding loans from commercial banks (% of GDP)



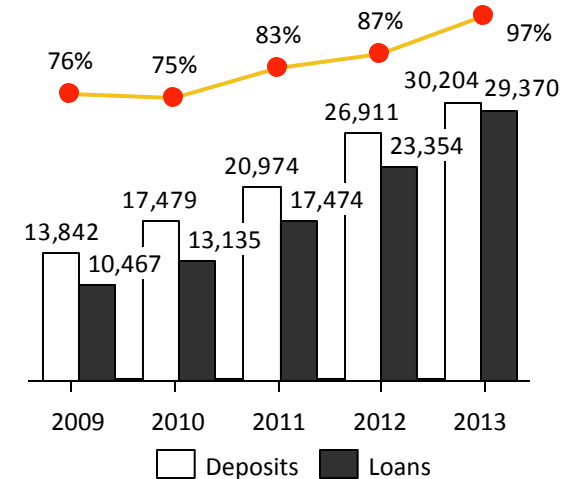
Access to financing\*

Unit: percent of responses



Loan to deposit ratio

Unit: Billions of KHR



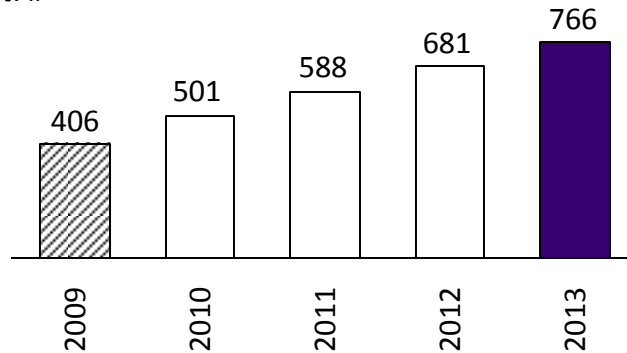
\*Financial access in Cambodia considered the least problematic factors for doing business comparing with CLMV

Source: EIC Analysis based on data from World Bank

# Financial access for retail has been developed in terms of ATM, POS, debit and credit cards

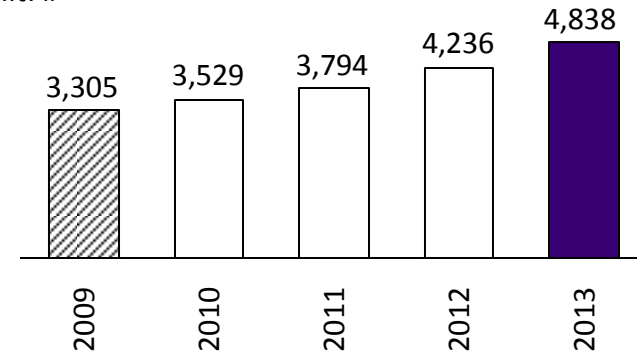
## ATM Terminals

Unit: #



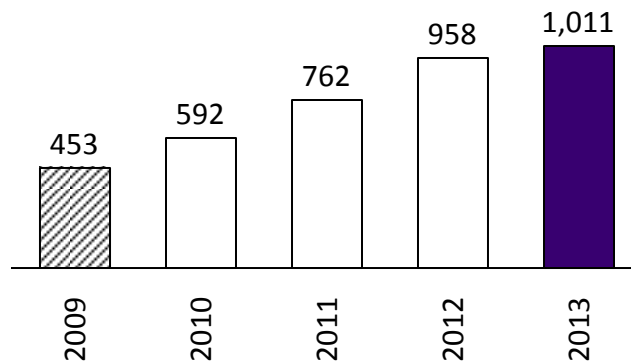
## Point of Sale Terminal

Unit: #



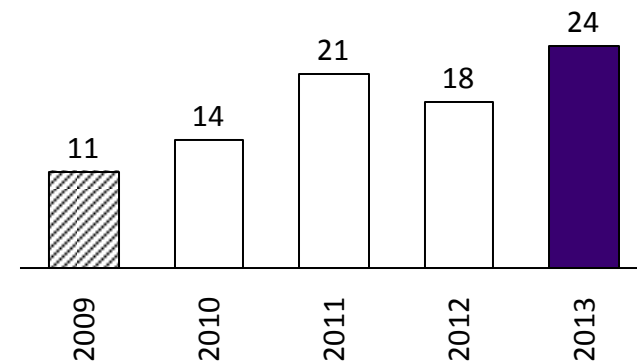
## Debit Cards

Unit: #thousand



## Credit Cards

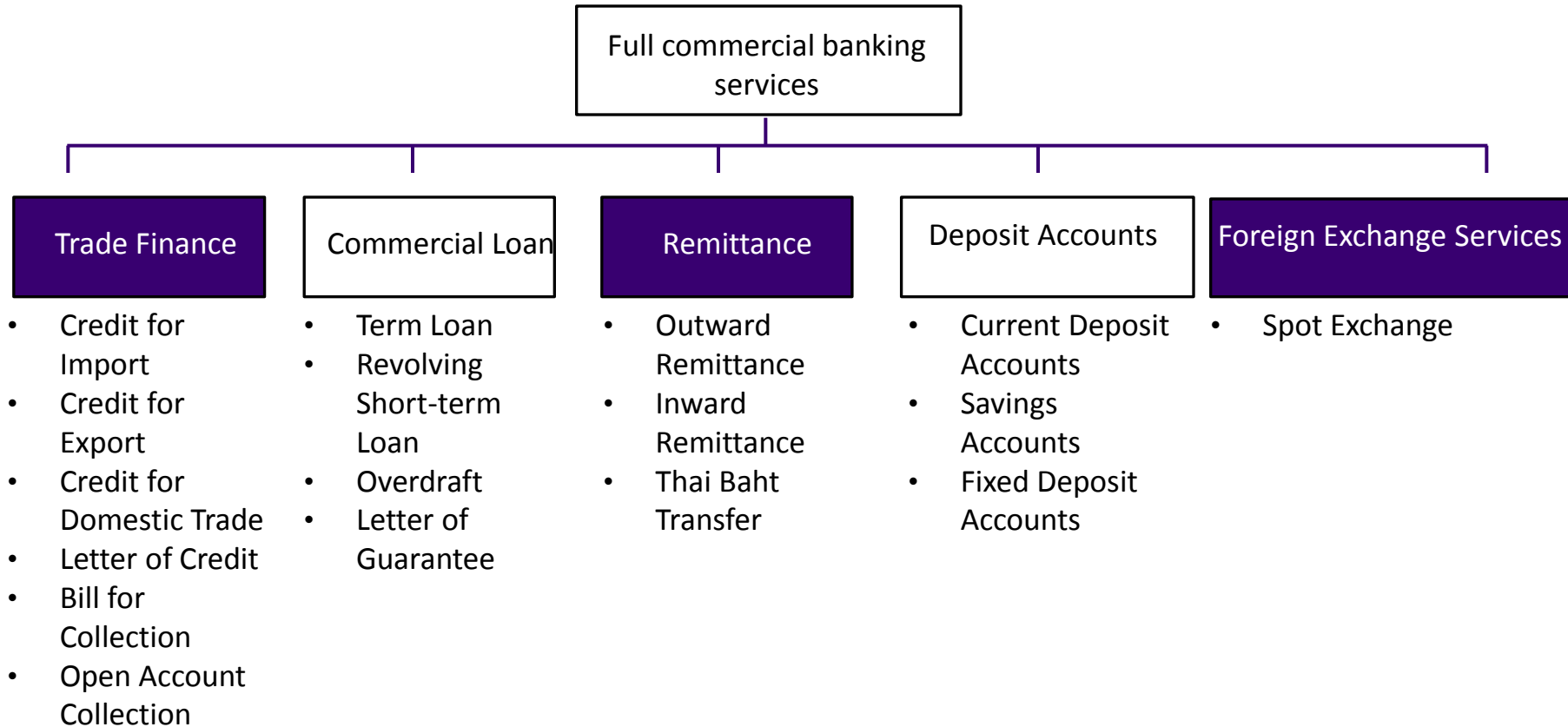
Unit: #thousand



Source: EIC Analysis based on data from NBC



# All commercial banks can provide full commercial banking services to both individual and corporate customers, including Cambodia Commercial Bank



Source: EIC Analysis based on data from NCB and SCB

# Cambodia Commercial Bank Services in Cambodia

Products <sup>1</sup>			Cambodia	
			Local bank	Foreign banks' branch
<b>Credit related</b> (require approved limits)	SBLC & L/G	Outbound	CCB	✓
		Inbound <sup>2</sup>	CCB	✓
	L/C confirmation (export) <sup>2</sup>		CCB & ACLEDA	✓
	EBLC purchase /discount (export) <sup>2</sup>	With recourse	✓ Subject to customers' approved and available limits	
		Without recourse	CCB & ACLEDA	✓
<b>Non-Credit related <sup>3</sup></b>	Inward/ Outward remittance <sup>4</sup>	THB	✓	
		Major currencies	✓	
		Local currency	✗	
	L/C issuance (import)		✓	
	Inward bills for collection (import)		✓	
	L/C advising (export)		✓	
	Outward bills under L/C (export)		✓	
	Outward bills for collection (export)		✓	
	Open account collection (export)		✓	

Note:

1. All products can be done in every currency that SCB has published exchange rates
2. Subject to issuer banks' approved lending limits
3. Subject to Relationship Management Application (RMA) exchange
4. Subject to BoT FX control regulation

ANZ Royal Bank (CAMBODIA) LTD, Cambodia Commercial Bank Limited, and Foreign Trade Bank of Cambodia are SCB's local partners  
Source: EIC Analysis based on data from SCBIBB

## Tips to Finance in Cambodia

1. There is little sophistication in financial institutions in Cambodia, but they continue to accelerate it, especially new banking products and services.
2. Commercial banks in Cambodia charge high interest rates and require high collateral, so it is better to source finance from the banks in Thailand.
3. SME investors are confronted with hard loan approval and high interest rate from local commercial banks .
4. The ACLEDA Bank, Canadia Bank, and ANZ Royal Bank are a great choice for opening account in terms of number of branch and internet banking services.
5. The shared Switch development project has been organized to facilitate cash withdrawals via interbank ATM, internet banking, and mobile payment.
6. The mobile banking centric model is operating in Cambodia, but the model is currently strict and subjected to the regulation and supervision of the NBC to ensure the protection of consumers. However, Wing Cambodia Limited Specialized Bank, a subsidiary of ANZ Royal Bank, provides the best mobile service.
7. As ASEAN integrates, cross-border financing for SMEs will be very important in the future, and the diversity in economic development of the member countries is a real opportunity.

Source: EIC Analysis



## Interesting Cambodian Tycoon: ACLEDA Bank

**ACLEDA was recognized as Global Growth Companies (GGCs) by World Economic Forum 2014**

### **Acleda Bank Plc. (Cambodia);**

- established in January 1993 as a national NGO for small enterprises and credit
- transformed into a commercial bank. Since December 01, 2003,
- licensed as a Commercial Bank after having tripled its capital to US\$13 million, and was named ACLEDA Bank Plc.
- the original NGO 44.91% US\$4 million, the ACLEDA Staff Association ('ASA') 6.09%
- 49% has been taken up in equal parts by four foreign investors ,the International Finance Corporation (a division of the World Bank), DEG (Germany), FMO and Triodos Bank (The Netherlands).
- business achieving an average loan portfolio growth rate of 43% p.a. since 2000.
- ACLEDA market share was 20% by the end of 2013
- total lending 21.2% of total deposits
- loan portfolio of US\$2191.95 million to more than 381,937 borrowing customers
- most advanced technology Internet Bank offering Khmer Riel, US Dollar, and Thai Bath currencies where the system automatically does the conversion bases on the exchange rate of ACLEDA Bank
- Extended service: ACLEDA securities, providing securities brokerage business to individual and institutional customers
- Now expanded its financial services to Laos and Myanmar



1. Source: World Economic Forum, <http://www.acledabank.com.kh/kh/eng/>

# Tips of Doing Business in Cambodia

- Investors should take into consideration of infrastructure unreadiness. Electricity is scarce thus, Cambodia might not be the right answer for their electricity-intensive industry.
- Logistics are in poor condition, they are undergoing many phases of development this is including, road, rail, and port development. Thus, it is recommended to situate the factory near borders or major ports to avoid logistic difficulties.
- For all investment, reaching QIP scale is preferable, this is to get special tax holiday schemes of up to 9 years from the government
- Financial supply is limited and costly, investors are advised to source loans from Thailand instead



1. Source: photo <http://www.thousandwonders.net/Phnom+Penh>

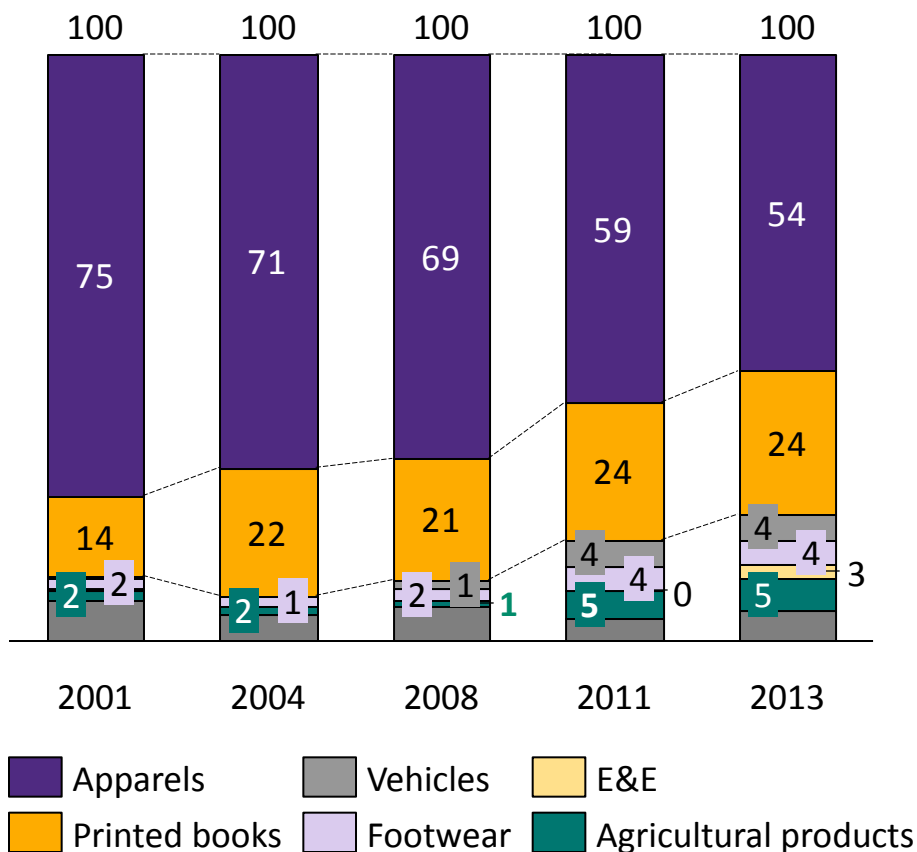


## APPENDIX

# Cambodia's top export still remained in textile industry, however there is a fast growing export in E&E, Vehicles and Agricultural commodities

## Export shares by sector

Unit: % total export

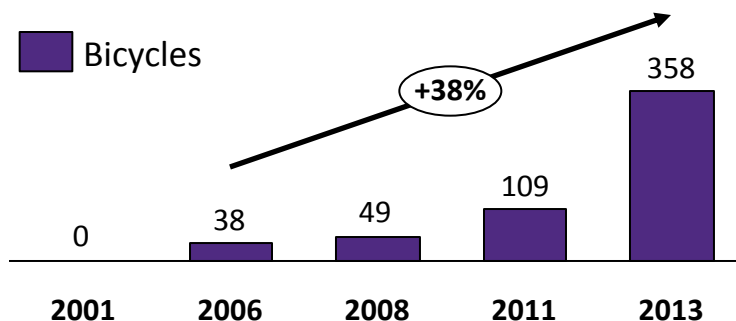


Source: EIC analysis based on data from Trademap

## Growth of products in E&E and vehicles sector

Unit: million USD

**Main contributor in vehicles sector shares came from the increase in bicycle exported**



**While main contributor for E&E sector came from export of telephone line and insulated wired cable.**

