



**ក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ**  
Ministry of Economy and Finance  
**ធានានូវកំណើន និង អភិវឌ្ឍន៍ប្រកបដោយចីរភាព**  
Ensure Sustainable Growth and Development

# Investment Seminar

## Economic Situation and Investment Policy in Cambodia

Japan-Cambodia Association

Tokyo, Japan

February 08<sup>th</sup>, 2016



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1. Robust  
Economy



2. Strong FDI  
Performance

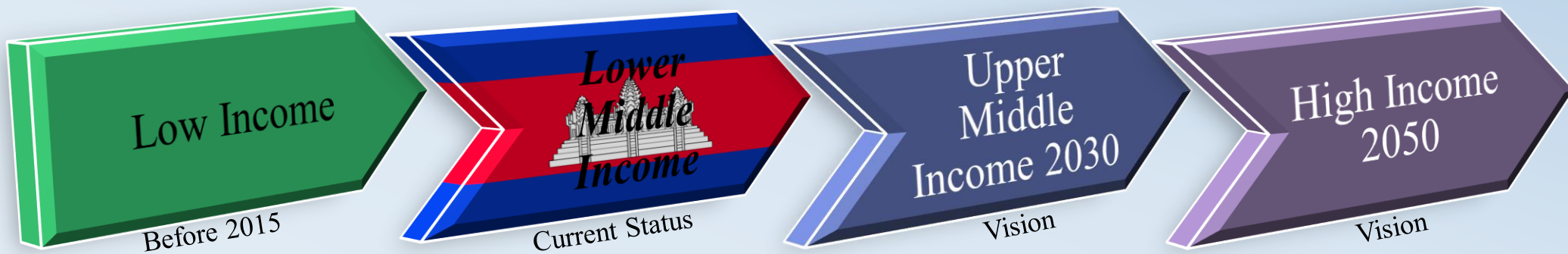


3. Why  
Cambodia?



4. Ways forward

# 1. Robust Economy

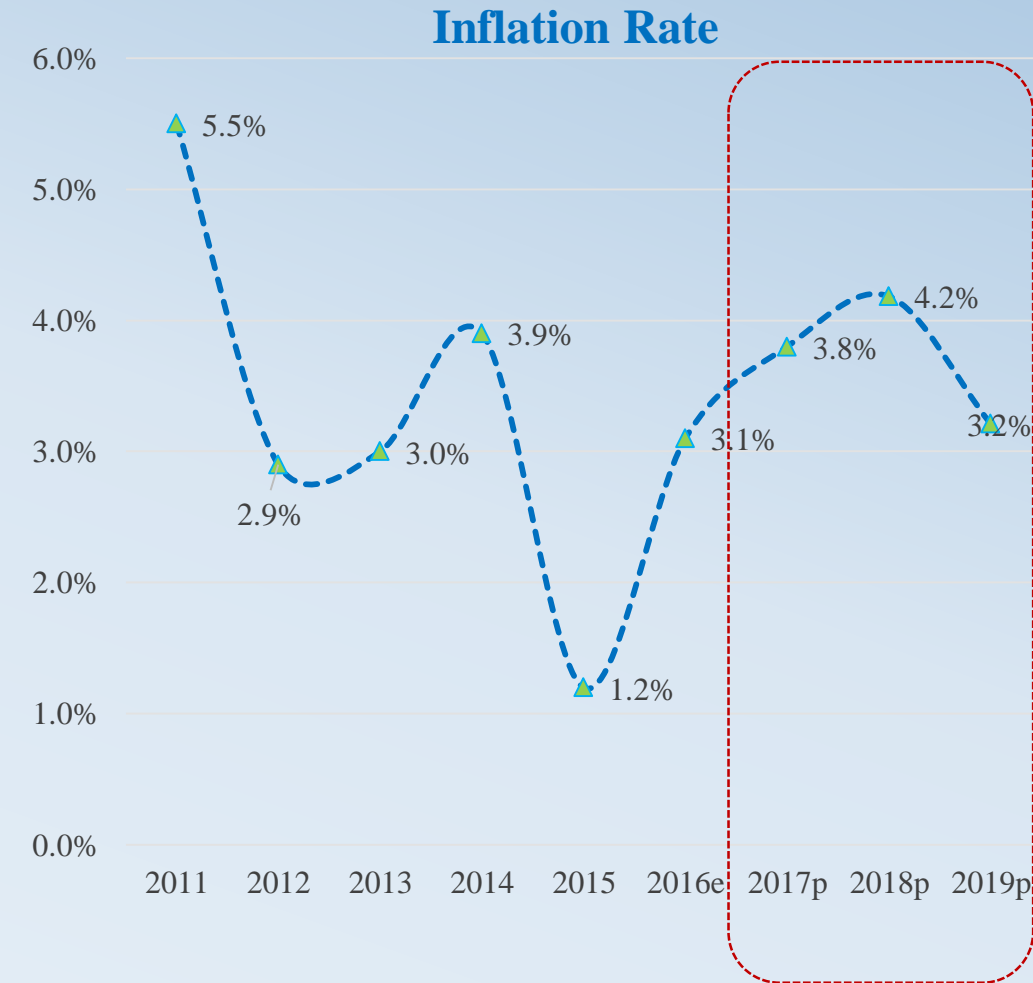
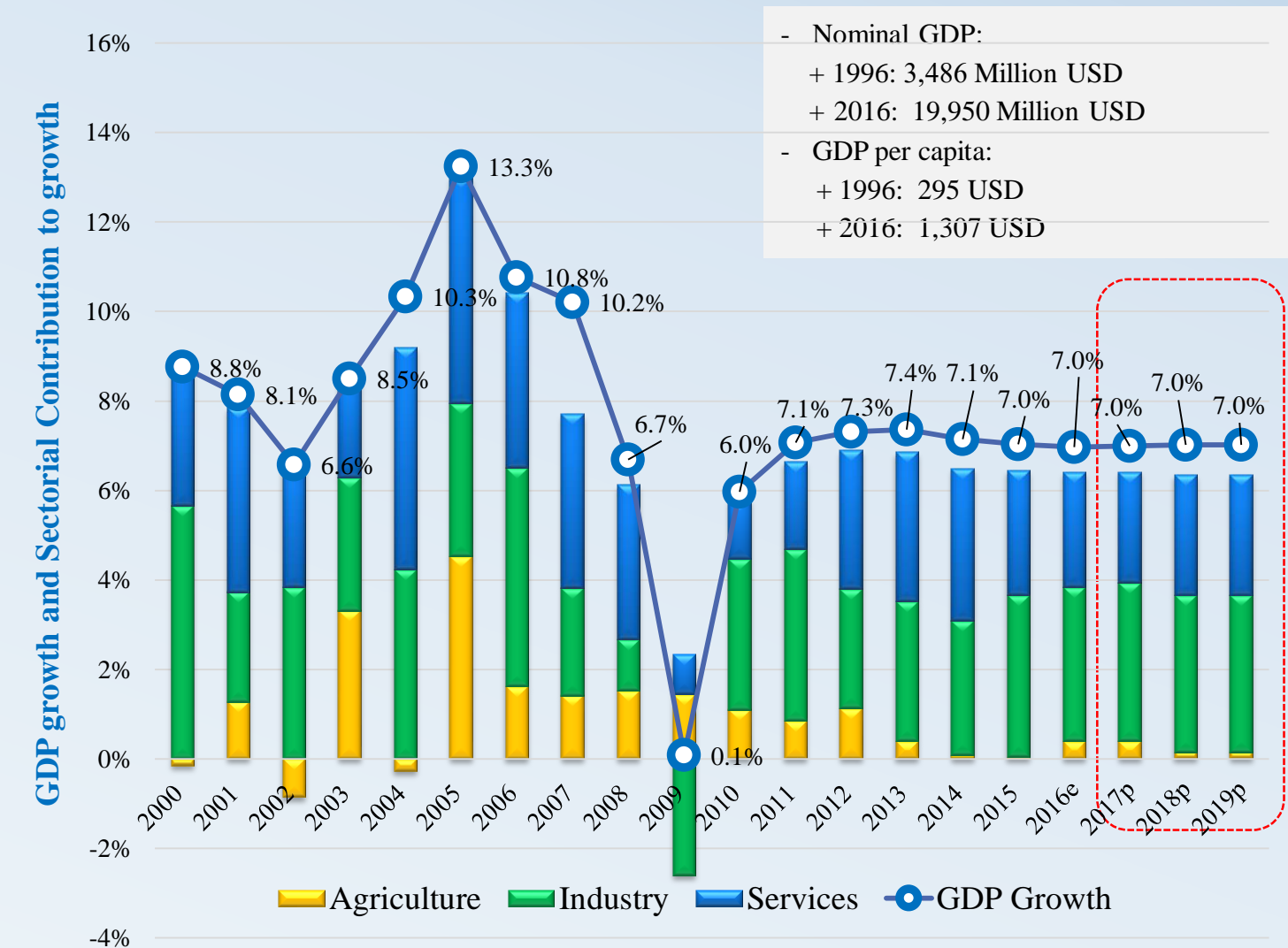


- ✓ Asia's tiger economy
- ✓ One of the 8<sup>th</sup> “Olympians of Growth” given its robust growth of 7.7% for the last 2 decades



# 1. Robust Economy

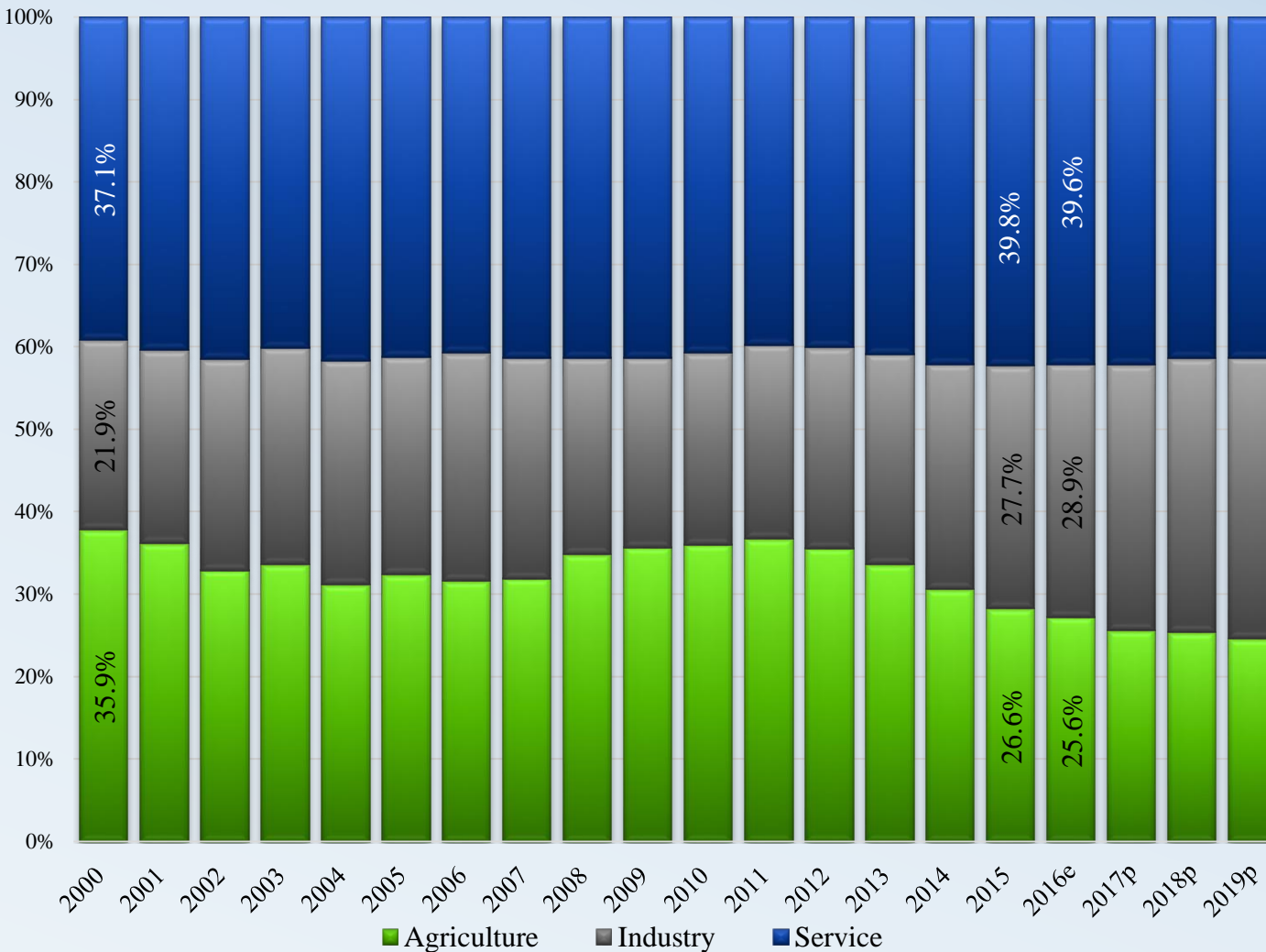
Continued robust economic growth with low inflation rate, favorable for investment.....



# 1. Robust Economy

## Cambodia is gradually transforming into an industrial-based economy...

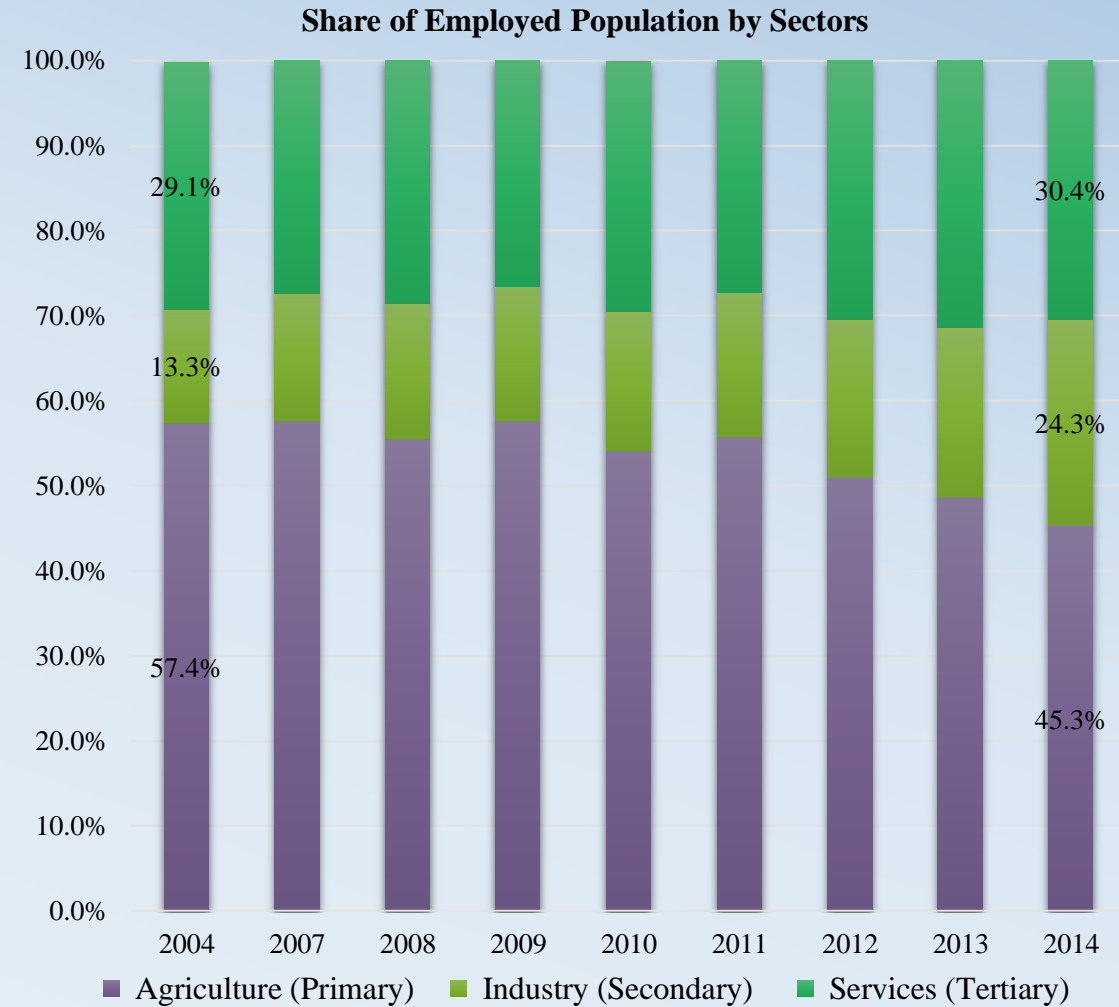
Share of industry to GDP continues expanding while that of agriculture has been shrinking...



Source: National Institute of Statistics, Ministry of Planning, 2016

Note: MEF team's projection for 2016-2019

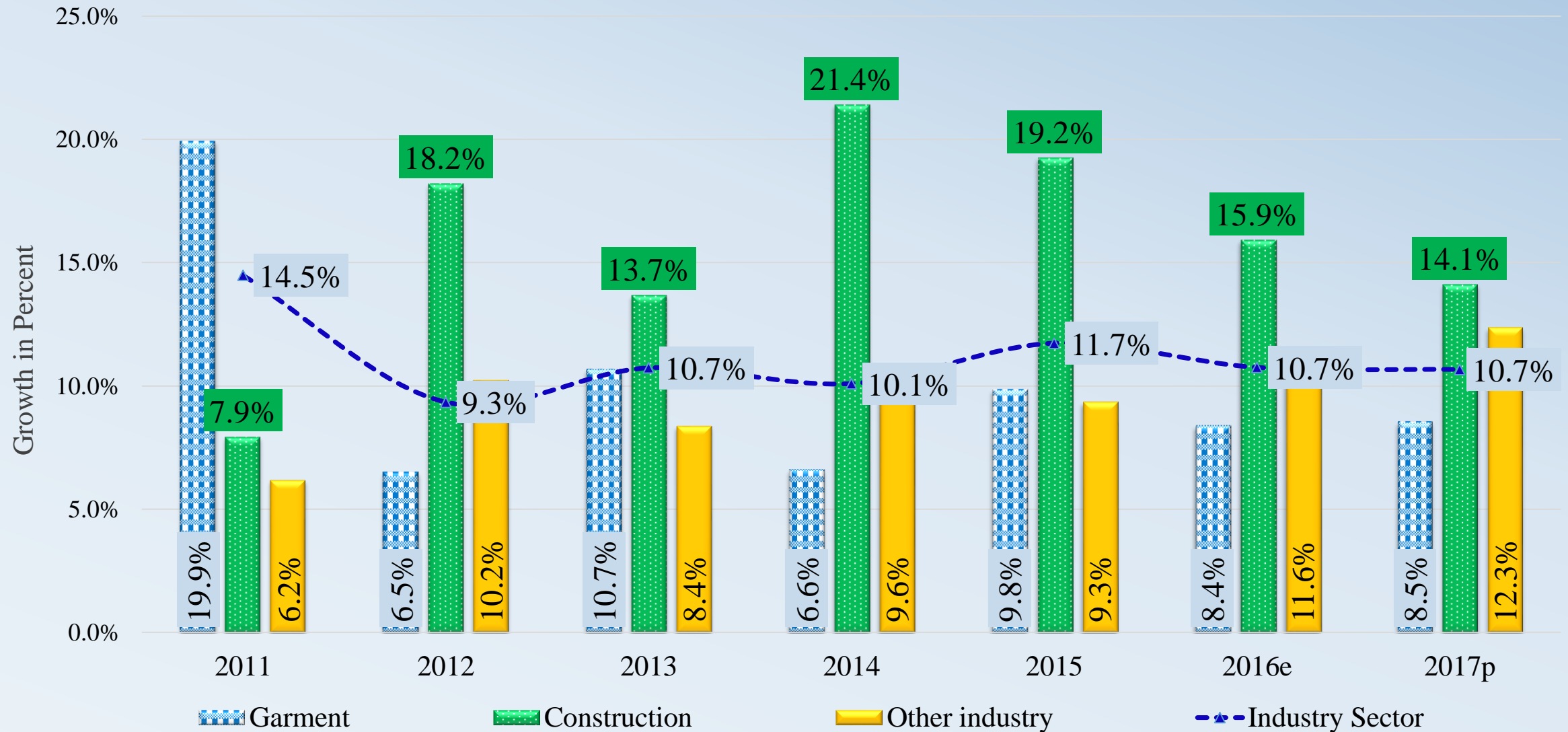
Increasing labor share in industry....



Source: Ministry of Planning, 2015

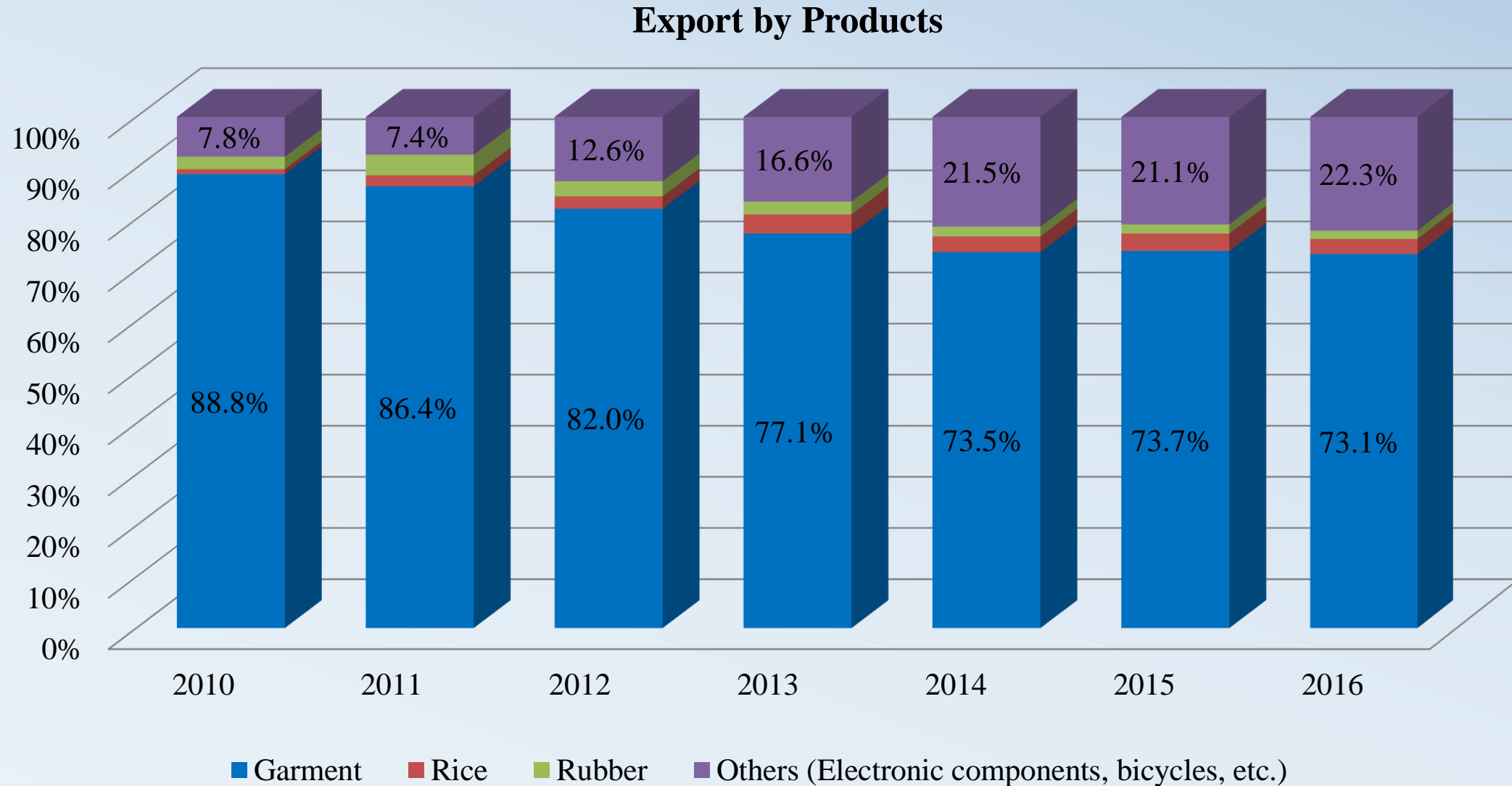
# 1. Robust Economy

Increased domestic production has been observed in sectors such as food, beverages, light manufacturing...



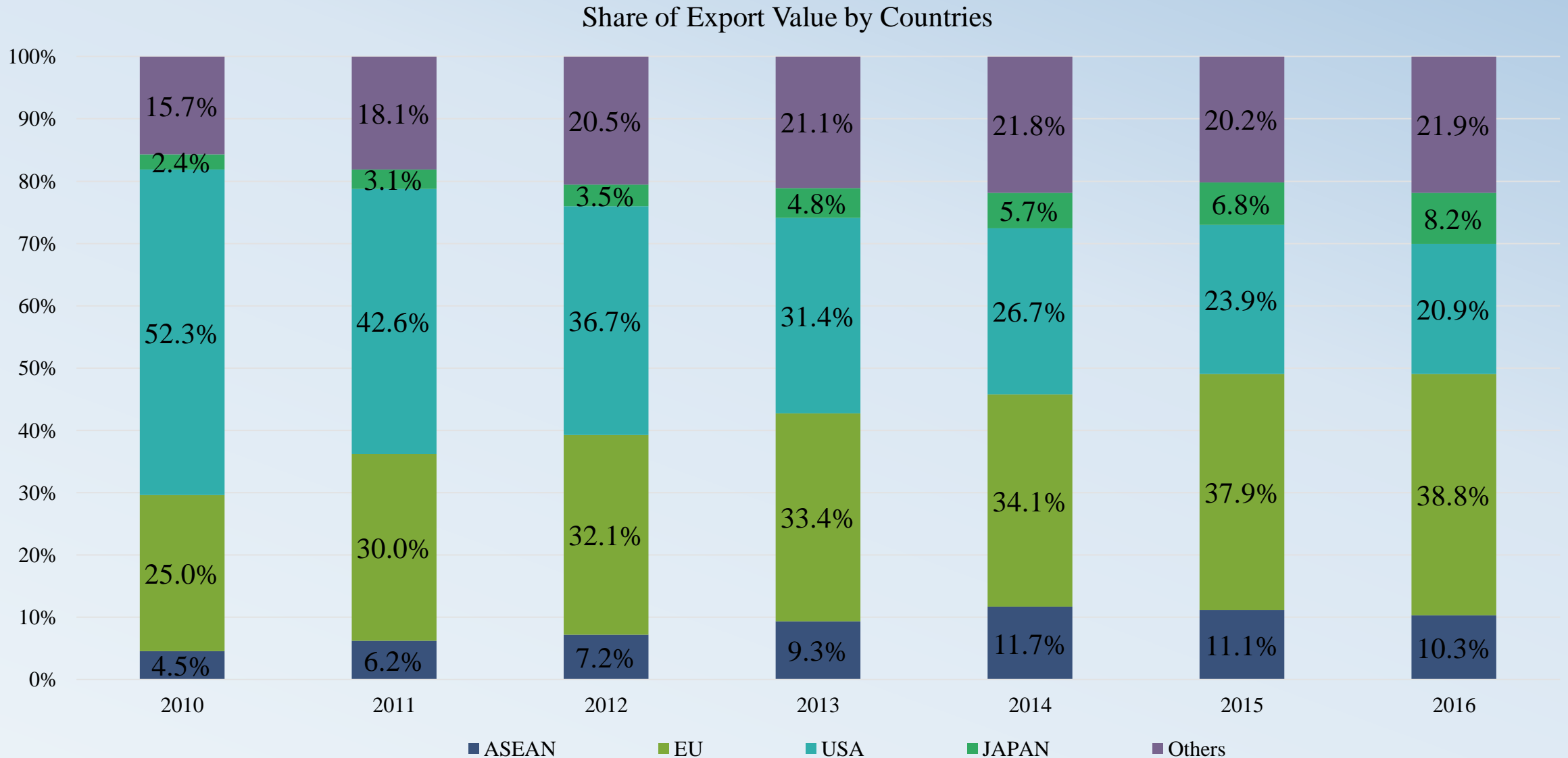
# 1. Robust Economy

## Export Diversification: From garment to rice and others (electronic, bicycles...)

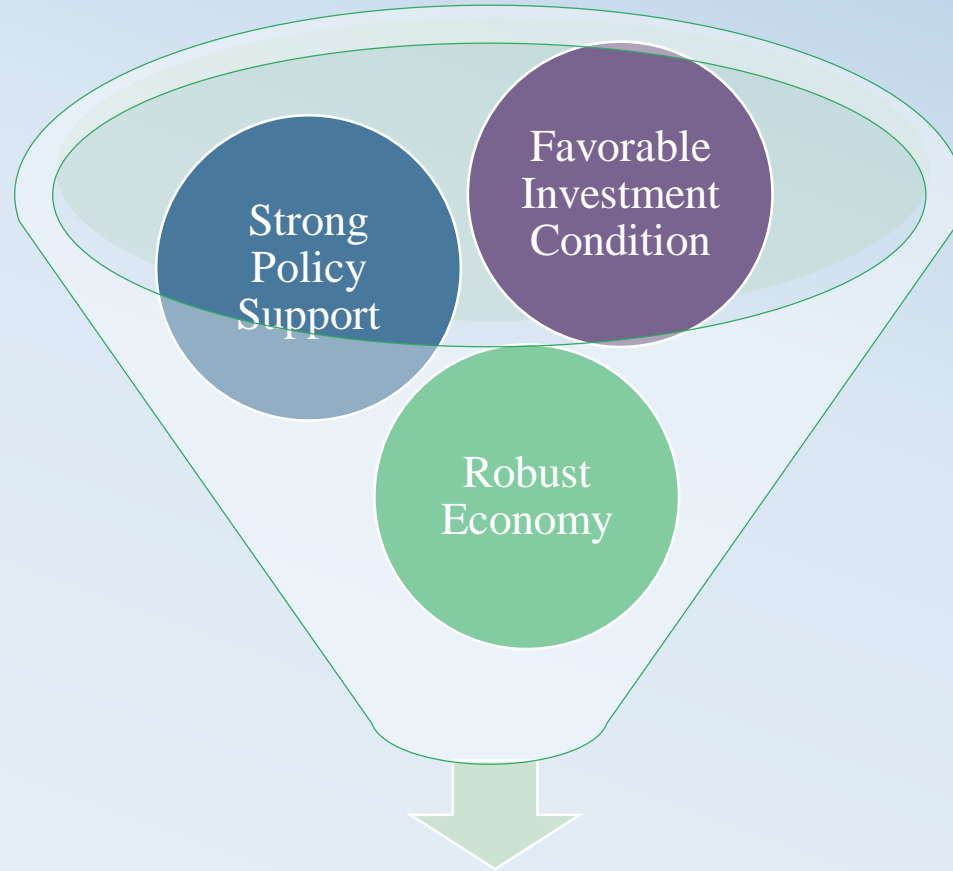


# 1. Robust Economy

## Export Diversification: From export to the US to export to EU, Japan,...



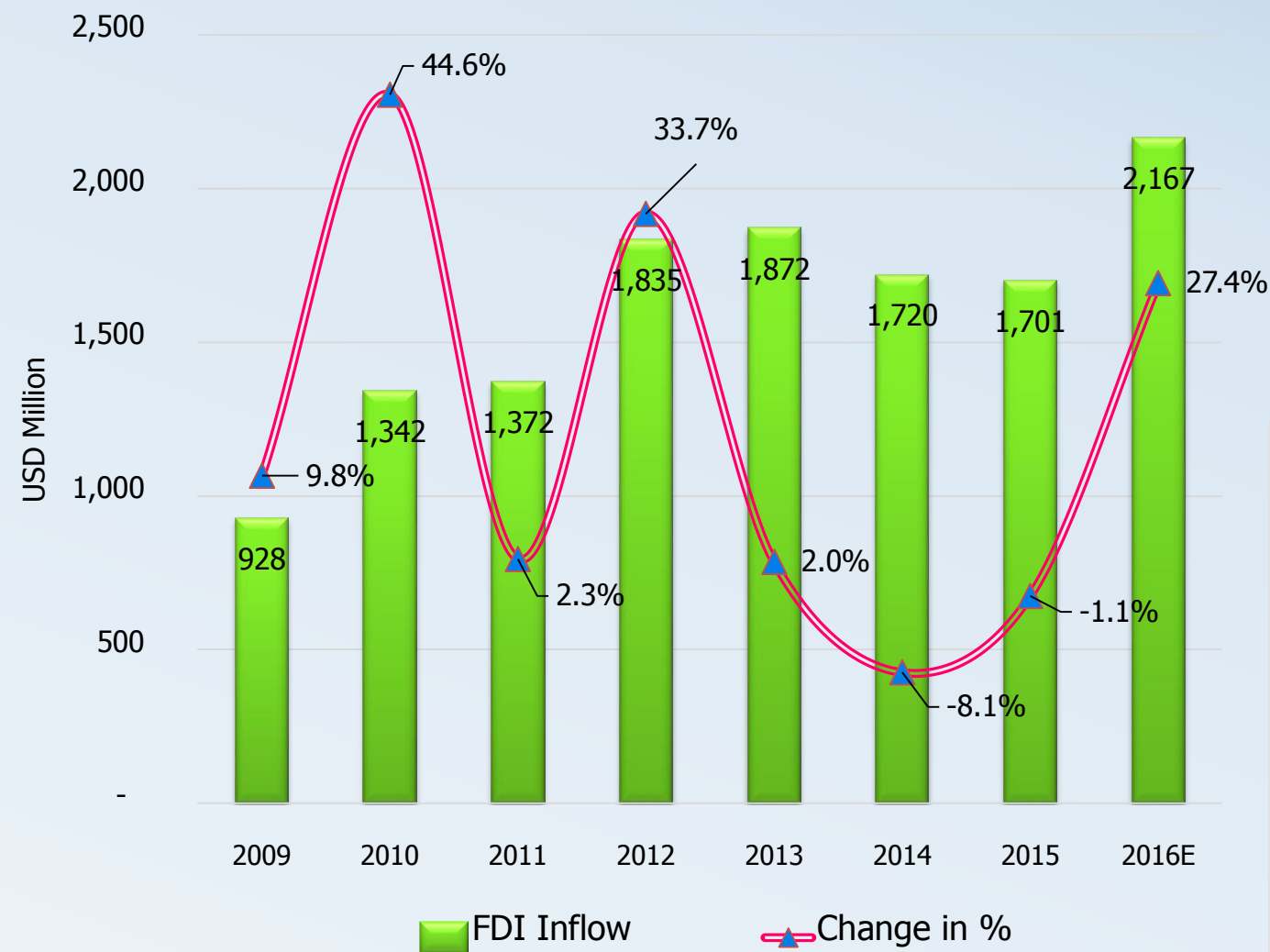




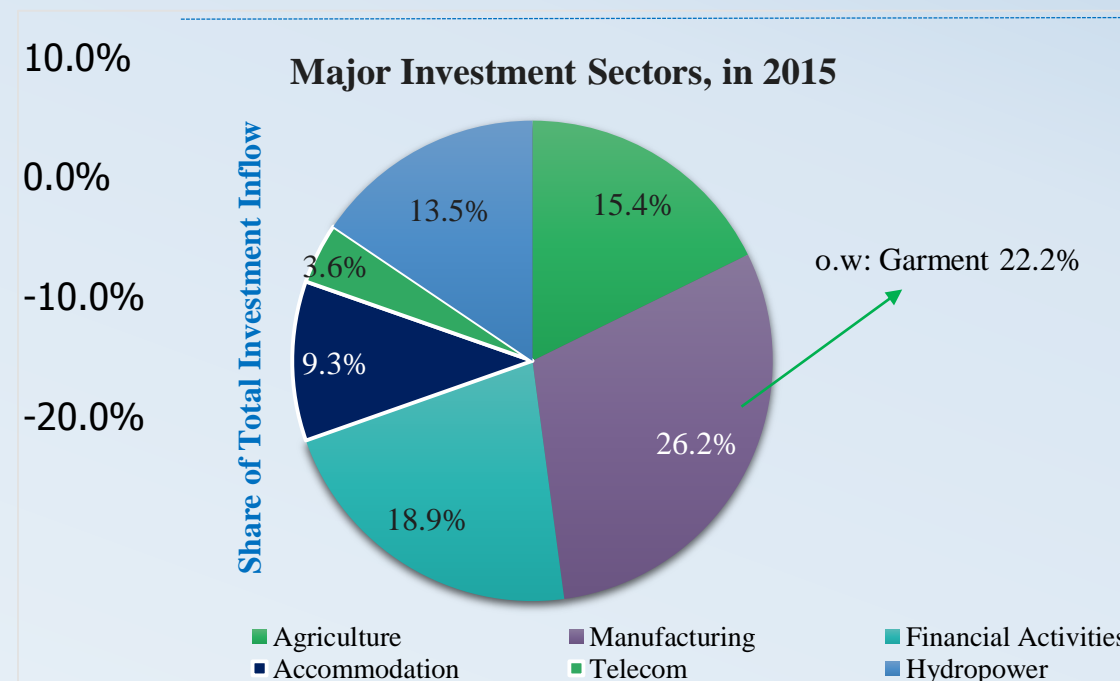
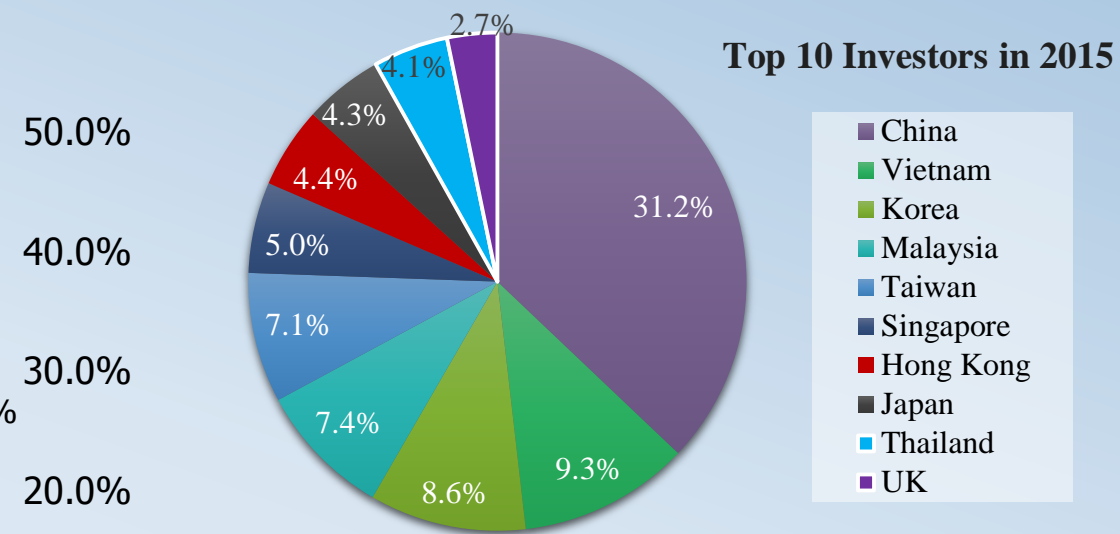
## **2. Strong FDI Performance**

## 2. Strong FDI Performance

Strong FDI performance, on the back of sound macroeconomic environment, favorable investment climate and supporting policies.....



Source: National Bank of Cambodia, 2016



## 2. Strong FDI Performance

An increasing wave of Japanese investment, reflecting the increased investor confidence in Cambodia ...



OJI PAPER



- An increasing wave of Japanese Investment into Special Economics Zone directly from Japan and relocation from other countries.
- Minebea is building its third factory for in-house part production in addition to the existing two factory, signify its operations toward more value-added products.

### *Reflection*

- The effect of Economic Corridor (Myanmar, Thailand and Vietnam) on regional connection and integration.
- Cambodia is becoming more conducive to investment with the policy to reduce footloose investment and move up the value chain.

# 3. Why Cambodia?

Open Economy with Sound Macroeconomic Environment



Competitive Investment Conditions



Market access



Strategic location



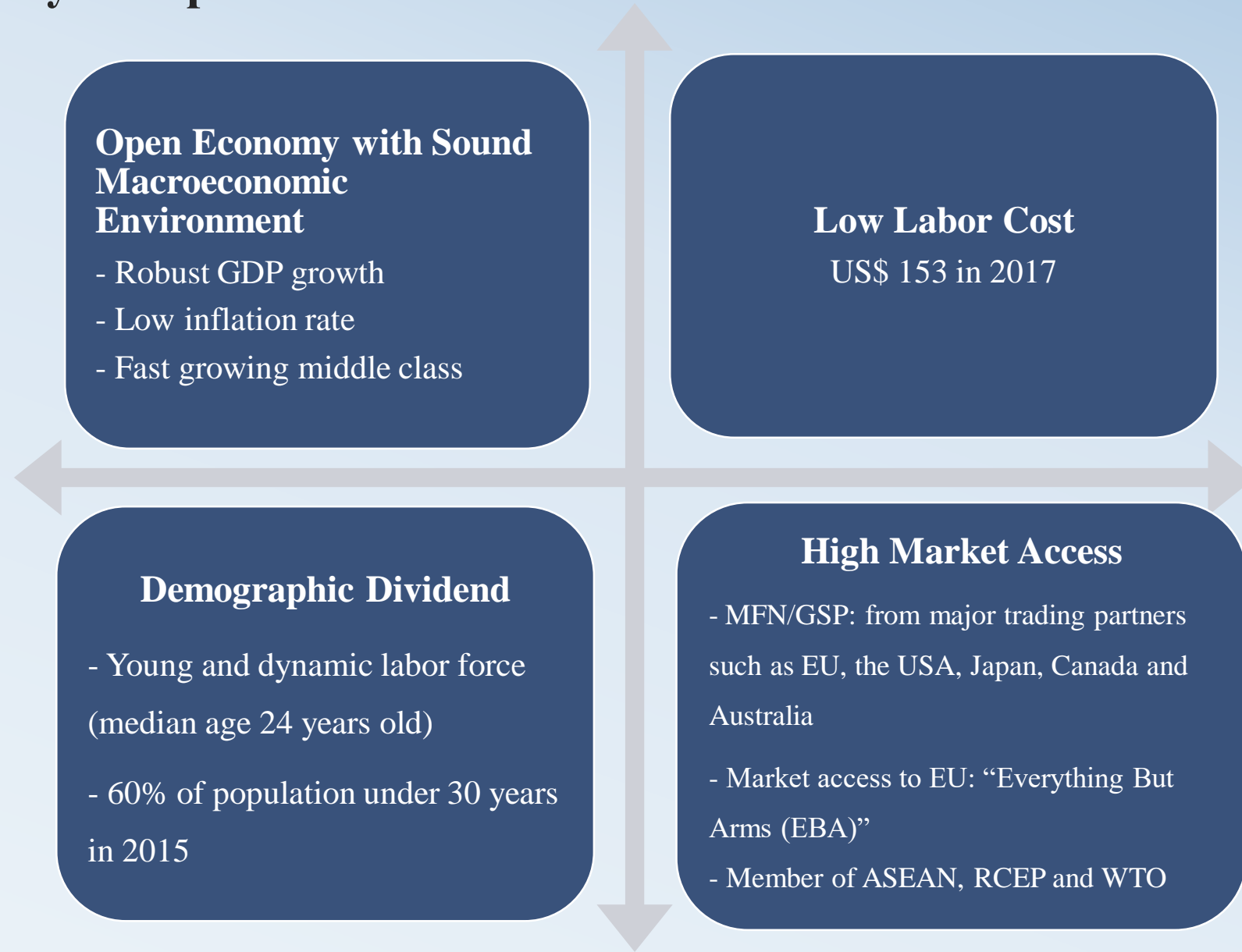
Attractive FDI Promotion Policies





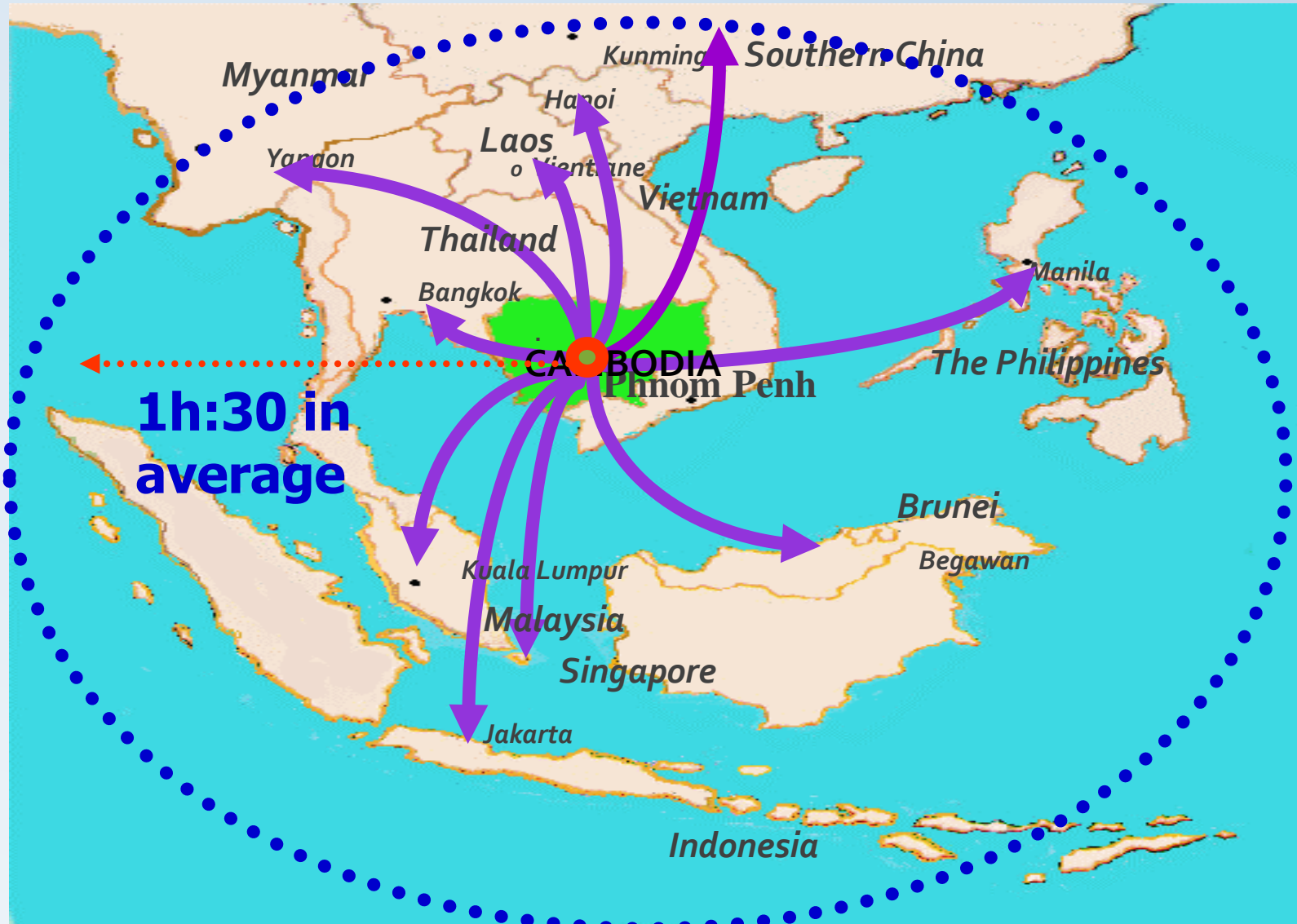
### 3. Why Cambodia?

#### Very Competitive and Favorable Investment Conditions...



### 3. Why Cambodia?

## Strategic Location, main economic corridor...



- **Center of ASEAN:** average flight time only 1:30 hours to other ASEAN countries
- **Connectivity:** ASEAN and GMS region, favorable to production network and trade.
- **SEZs:** located nearby the sea and river ports, along the borders
- **Southern Economic Corridors:** a highway linking between Myanmar, Thailand and Vietnam

### 3. Why Invest in Cambodia?

#### Investment and Trade Facilitation

- One Stop Service: CDC, sole organization for investment activities
- Fast track investment approval within 28 days
- National Single Window: Trade and transport with a single entry points
- Japanese Desk: Special service for the rising of Japanese Investors
- Authorized Economic Operators

#### FDI Promotion Policies

#### Investment Incentive

- 20% Corporate Tax : Lower than regional average
- Tax holidays up to 9 years
- Full Import Duty Exemption
- Repatriation of profit/Reinvestment of earning
- 100% exemption of export tax
- Loss carried Forward up to 5 years.

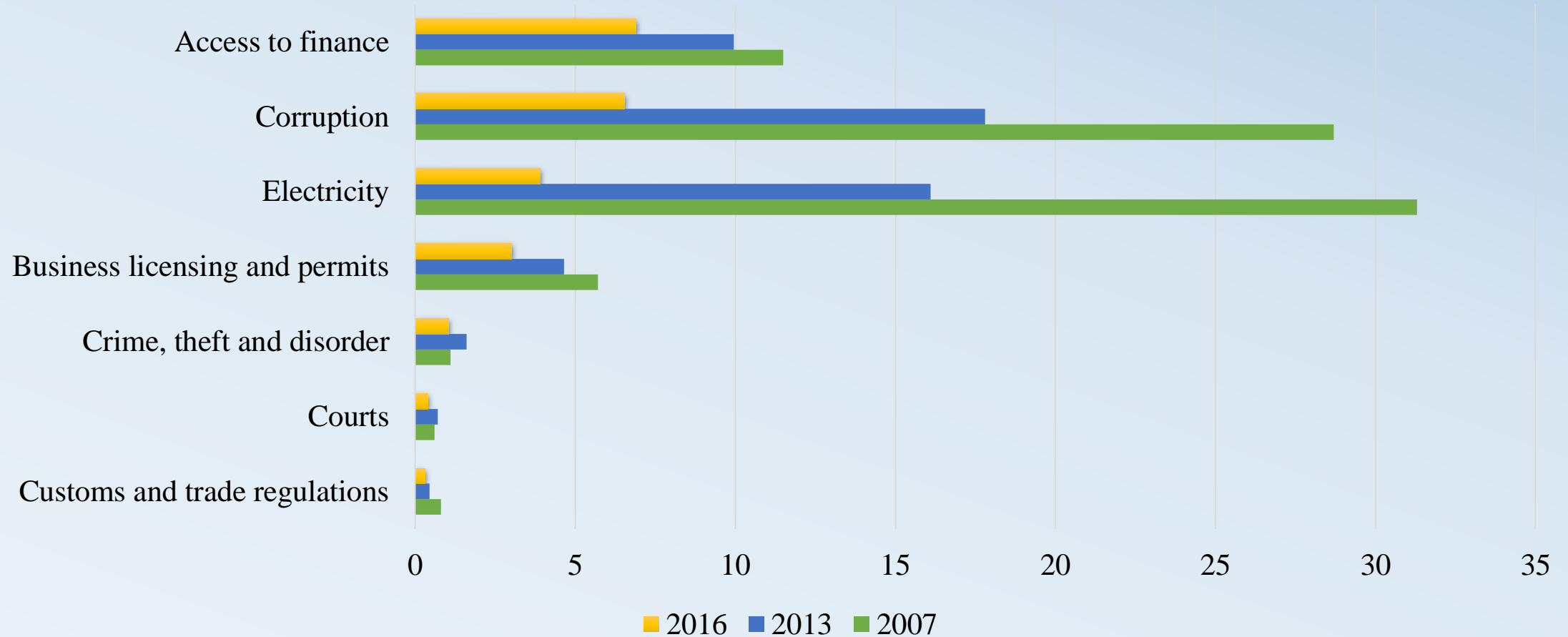
#### Investment Guarantee

- Equal Treatment of All Investors
- No Requirement of Local Equity Participation
- No Price Controls on Products or Services
- No Restriction on Forex Convertibility
- Free Remittance of Foreign Currencies Abroad

### 3. Why Invest in Cambodia?

**Business environment has been greatly improved.....**

**Biggest obstacle to operate in Cambodia, in % of firms**





## 4. Ways Forward



# Cambodia Industrial Development Policy (IDP) 2015-2025

*“New Growth Strategy” that responds to the structural transformation of domestic economy and the changing regional and global economic architecture...*

## Vision

To transform and modernize Cambodia’s industrial structure from a labor-intensive industry to a skill-driven industry by 2025 through:

- Linking with regional and global value chain
- Integrating into regional production networks and developing interconnected production clusters along with the efforts to strengthen competitiveness and enhance productivity of domestic industries
- Moving towards developing a technology-driven and knowledge-based modern industry

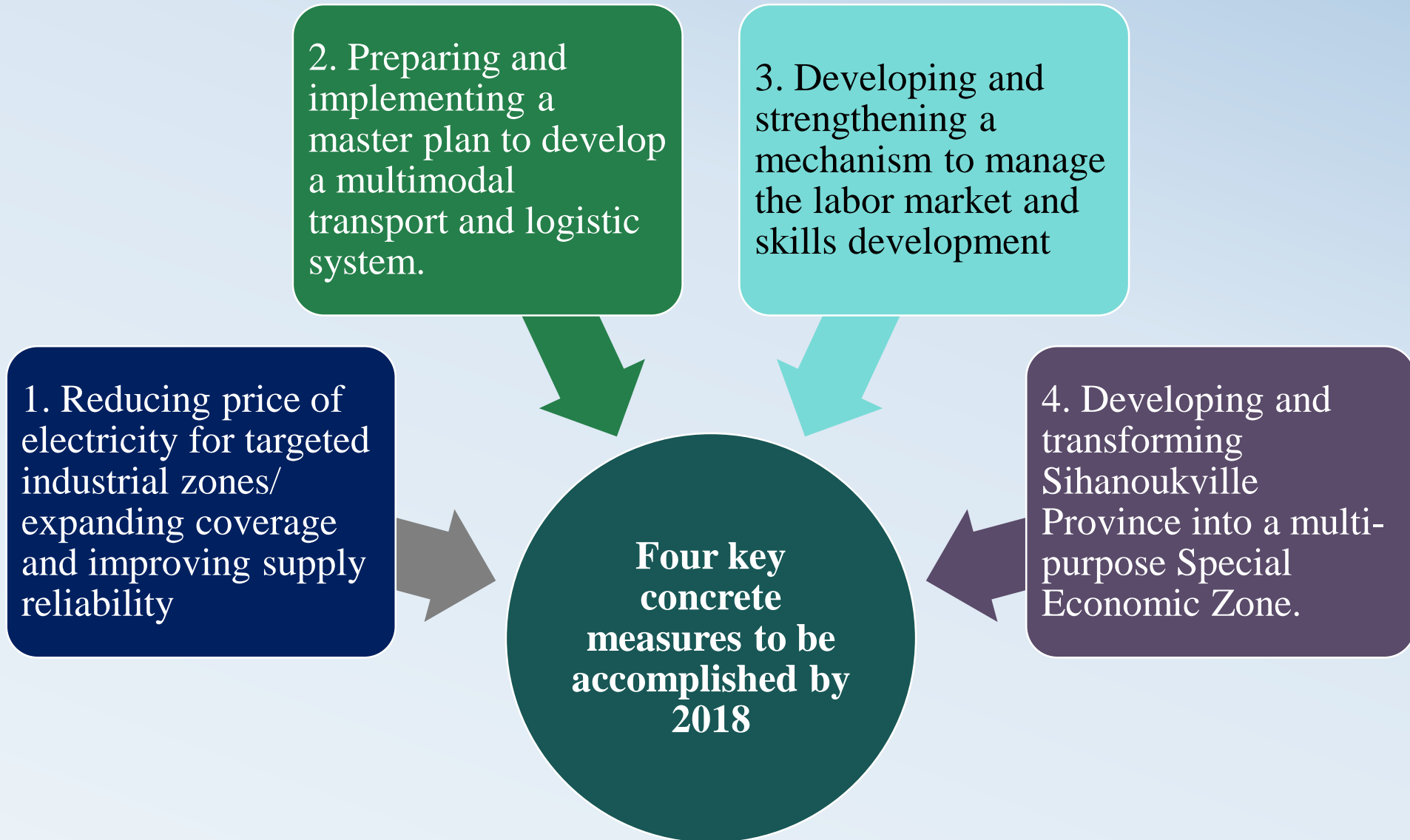
## 3 Targets

1. to increase the GDP share of industrial sector to 30% by 2025 (24.1% of GDP in 2013) with the manufacturing sector growing from 15.5% in 2013 to 20% in 2025
2. to diversify the export of goods by increasing the export of non-textile to reach 15% of all exports by 2025 while still promoting the export of processed agricultural products to reach 12% of all exports by 2025
3. to encourage the formal registration of 80% of small enterprises and 95% of medium enterprises and to ensure that 50% of small enterprises and 70% medium enterprises to have proper accounts and balance sheets

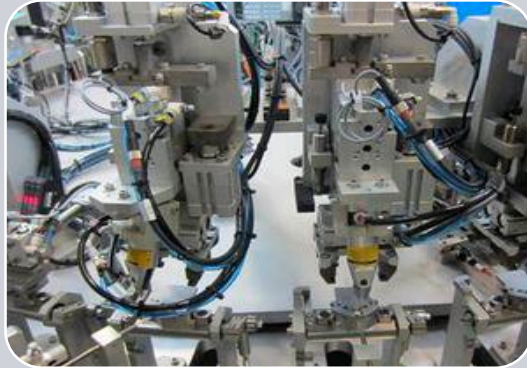
## 4 Key Strategies

1. Mobilizing and attracting foreign investments as well as private domestic investments by focusing on large industries, expanding markets and enhancing more technology transfer
2. Developing and modernizing small and medium enterprises (SMEs)
3. Revisiting the regulatory environment so as to strengthen the country competitiveness
4. Coordinating supporting policies (development of human resource, technical training, improvement of industrial relations, development of support infrastructure and ICT)

## Key measures to be achieved...



## Priority Investment Opportunities



### New Industries

- Electronic assembly
- Natural resources processing
- High Valued Added Garment Products
- Industrial equipment assembly



### Supporting Industry

- SMEs Supporting Industry
- Light Manufacturing
- Construction materials
- Food and Beverage
- Packaging equipment for export
- Transport and Logistic



### Agro-Industrial

- For Export and Domestic Market

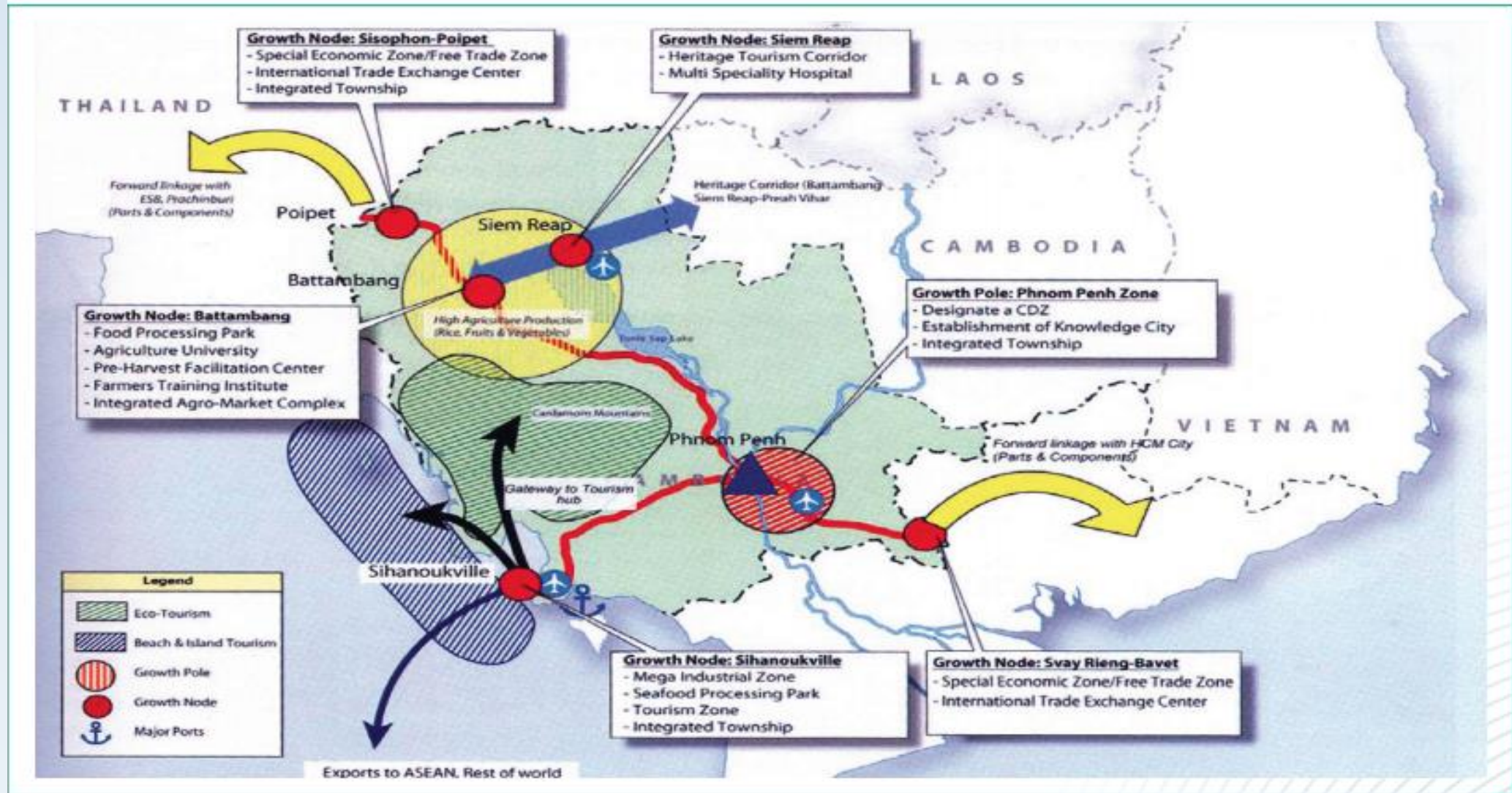


### Other Sectors

- Tourism sector
- Human Resource Development
- Information technology and telecommunication
- Energy Development
- Furniture manufacturing
- Traditional Handicraft



## Strategic Development by Region...



### **Smart Incentive: *towards targeted and performance-based...***

#### **Target**

Focus on the sectoral  
priorities set in the IDP  
2015-2025


#### **Performance Based**

Make the fiscal  
incentives to be  
conditional/performance  
-based

#### **Transparency**

Reduce discretion and  
make the incentives  
more transparent

## Other Supporting Policies...

- 
- Amendment of Law on Investment
  - Master Plan on Infrastructure Development
- 
- Financial Investment: derivative trading has been executed.
  - Law on Government Securities is already in place.
  - Bond market is being developed.
  - T-bill is another long-term policy under consideration
- 
- Promoting Authorized Economic Operator (AEO): for easier passage of products across the country's borders.
- 
-

### Electricity Tariff Policy Towards 2020

- Reduce price of electricity directly purchased from sub-stations to USD 12.6 cents/kWh in 2018,
- Reduce the purchase price from the Electricité du Cambodge (EDC) in Phnom Penh, Kandal and Kampong Speu electricity system to **USD 16.5** cents/kWh,
- Reduce the purchase price from sub-transmission lines of sub-stations (including those of EDC and private providers) to the same unit price of **USD 16.40** cents/kWh,
- Set a different electricity pricing for daytime and night time industrial usage,
- Ensure reliability and confidence in the electricity supply by reducing the rate of electricity cut-off to no more than 12 times or 24 hours per annum.





**Thank You!**



# Smart Incentive: *towards targeted and performance-based...*

