A photograph of the Angkor Wat temple complex in Cambodia, featuring several large stone towers and palm trees, reflected in a body of water in the foreground.

Guide to Cambodia

*Opportunities and Limitations
in Manufacturing*

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Disclaimer

This material is prepared and intended for general information and reference purposes only. It does not cover exhaustively the subject it treats, but is intended to answer some of the important broad questions that may arise. When specific issues arise in practice, it will often be necessary to consider the relevant laws and regulations, and to obtain appropriate professional advice. The information contained here is current at the date of publishing and may change over time, and no representation, expressed or implied, is made as to its accuracy, completeness or correctness.

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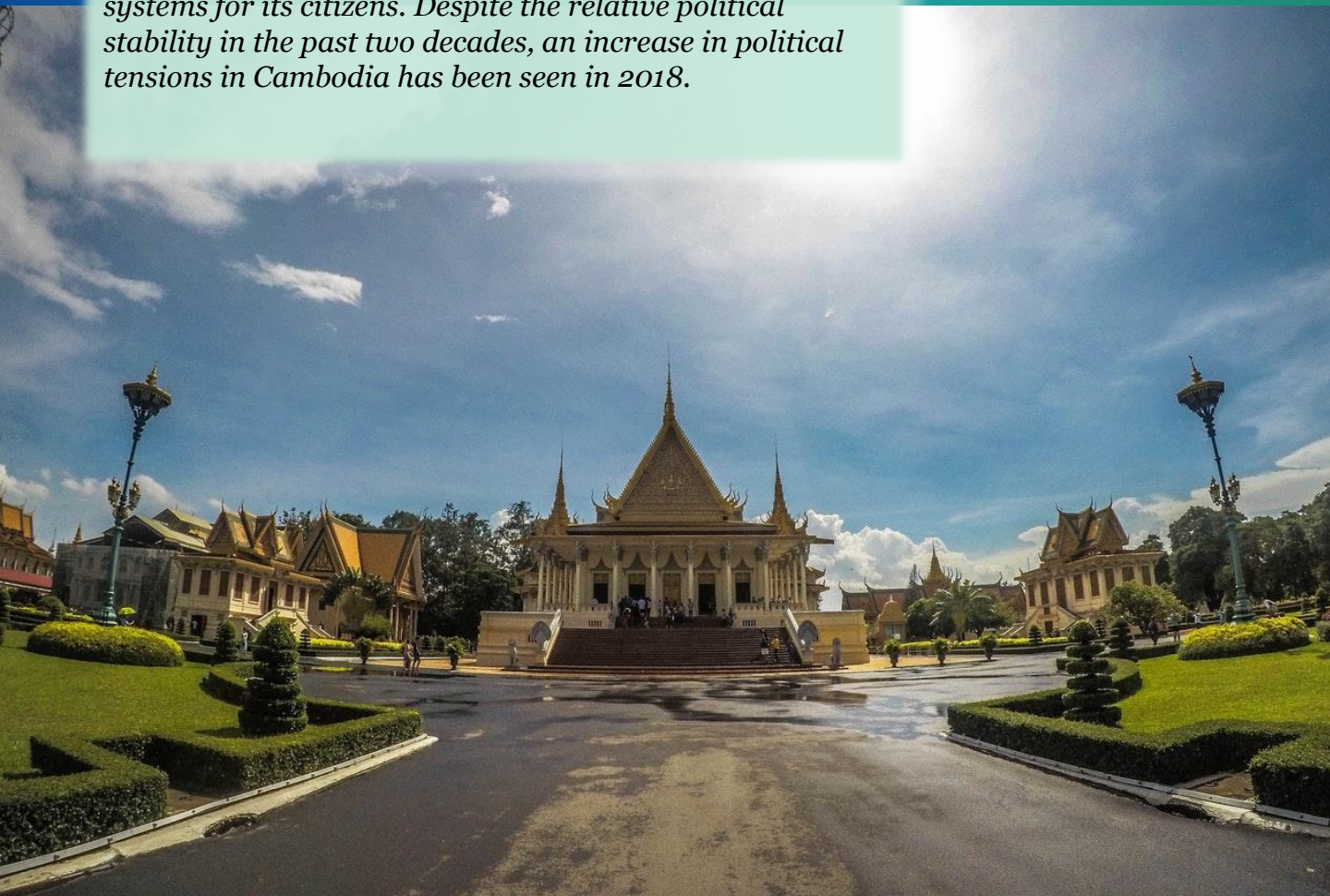
1. Overview of Cambodia

Executive Summary

Cambodia is considered a lower-middle income economy and is aiming to become an upper-middle economy by 2030. It is forecasted that the country will maintain a strong gross domestic product (GDP) growth over the next few years.

Cambodia signed a Trade and Investment Framework with the US. In addition, Cambodia is a member of the Association of Southeast Asian Nations (ASEAN), and thereby benefits from six multilateral trade agreements with Mainland China, South Korea, Japan, India, Australia and New Zealand.

Nonetheless, Cambodia remains one of the poorest Southeast Asian countries, plagued by lack of infrastructure and inadequate education or healthcare systems for its citizens. Despite the relative political stability in the past two decades, an increase in political tensions in Cambodia has been seen in 2018.



1. Overview of Cambodia

I. Country Profile^{1,2,3,4,5,6}

In the last two decades, Cambodia witnessed an average annual gross domestic product (GDP) growth of more than 7%. In addition, the Cambodian economy is expected to grow at a 9.1% rate between 2018 and 2019. As a result of this sustained economical growth, Cambodia attained the status of lower-middle income country in 2015 and is striving to become an upper-middle income economy by 2030. In order to achieve this objective, the country will need to continue its socio-economic efforts such as poverty rates reduction, improve health and education conditions and bridging the infrastructure or technology gap. Diversifying the Cambodian economy, which relies on garment exports and the tourism industry, is another key challenge facing the country.



GDP (in USD)

26.3 bn (2019f)

24.1 bn (2018e)



GDP Per Capita (in USD)

1,594 (2019f)

1,482 (2018e)



Economic Structure

(in terms of GDP composition, 2017)

Agriculture: 25.3%

Industry: 32.8%

Services: 41.9%



External Trade (% of GDP)

Import: 63.3% (2018)

Export: 61.6% (2018)



Population

16.49 million (2019)

World ranking: 70/191



Median Age

25.7 (2018)

World ranking: 155/228 (from oldest to youngest)



Language

Khmer (official)



English Literacy

Very low proficiency (2018)

World ranking: 85/88



Government Structure

Constitutional Monarchy



Land Area

176,515 sq. km

II. Country Profile on Trade

A. International Trade Agreements and Restrictions^{7,8,9}

International trade agreements provide various benefits for participating countries with the aim of enhancing economic growth for all parties. It allows companies located in two or more countries to trade goods with each other at reduced or zero tariffs. Cambodia was the last country to join the ASEAN in 1999 and became a member of the World Trade Organization (WTO) in 2004. The country has therefore a preferential access to the Southeast Asian market and is also involved in international trade.

Cambodia currently does not have any signed and effective bilateral free trade agreement (FTA). However, the country signed a trade and investment framework with the US which paves the way for a FTA. In addition, as a member of the ASEAN, the country benefits from the FTA signed between ASEAN and six other countries. In addition, the ASEAN – Hong Kong FTA came into effect in June 2019 (see section below). Furthermore, Cambodia might benefit from the Regional Comprehensive Economic Partnership, which is currently under negotiation.

Signed and Effective Bilateral Trade Agreements

	Affected Industry	Agreement (signing date)
	<ul style="list-style-type: none"> N/A 	US-Cambodia Trade and Investment Framework Agreement (2006) <ul style="list-style-type: none"> Facilitates bilateral trade between the two countries Constitutes a forum to address regional and multilateral issues

Signed and Effective Regional Trade Agreements as Member of the ASEAN

As a member of the ASEAN, Cambodia benefits from agreements signed between the association and other countries. Therefore, the country has effective FTAs with: Mainland China (2005), South Korea (2007), Japan (2008), India (2010), Australia and New Zealand (2010).

Regional Comprehensive Economic Partnership (RCEP)

This partnership is being negotiated between the ASEAN members and their FTA partners (i.e. Mainland China, South Korea, Japan, India, Australia, and New Zealand). The RCEP is designed to be a mutually beneficial economic partnership that will foster cooperation and integration between the 16 countries. The agreement aims to lower tariffs and other barriers to promote trade between the partners.

The Association of Southeast Asian Nations (ASEAN)

The ASEAN was founded in 1967 and currently has 10 members. The five founding members are Indonesia, Singapore, Malaysia, the Philippines, and Thailand. The remaining five countries joined in subsequent years: Brunei in 1984, Vietnam in 1995, Laos in 1997, Myanmar in 1997, and Cambodia in 1999.

ASEAN Members



Indonesia



Singapore



Malaysia



Philippines



Thailand



Brunei



Vietnam



Laos



Myanmar



Cambodia

The Association's Three Major Goals:

- Acceleration of economic growth, social progress and cultural development in the region;
- Promotion of regional peace and stability in Southeast Asia; and
- Foster cooperation and mutual assistance in economic, social, cultural, technical, scientific and educational fields.

The ASEAN Free Trade Area (AFTA)

In 1992, ASEAN countries decided to strengthen this comprehensive cooperation by implementing the AFTA. The main objective of the AFTA is to increase the region's economic competitive advantage through trade liberalisation and the elimination of tariffs and non-tariff barriers among the ASEAN members.

The Common Effective Preferential Tariff (CEPT) Agreement for AFTA reduces the tariff rates on a wide range of products within the region to 0-5%. In addition, restrictions on quantity traded and other non-tariff barriers are eliminated.

The CEPT covers all manufactured products, including capital goods and processed agricultural products, and those falling outside the definition of agricultural products. Agricultural products are excluded from the CEPT Scheme (further details on www.asean.org).

There are only three situations where a product can be excluded from the CEPT Scheme:

- General Exceptions: a member may exclude a product considered necessary for the protection of its national security, the protection of public moral, the protection of human, animal or plant life and health, and the protection of articles of artistic, historic or archaeological value;
- Temporary Exclusions: a member which is temporarily not ready to include certain sensitive products (i.e. rice) in the CEPT Scheme may exclude such products on a temporary basis; and
- Unprocessed agricultural goods.

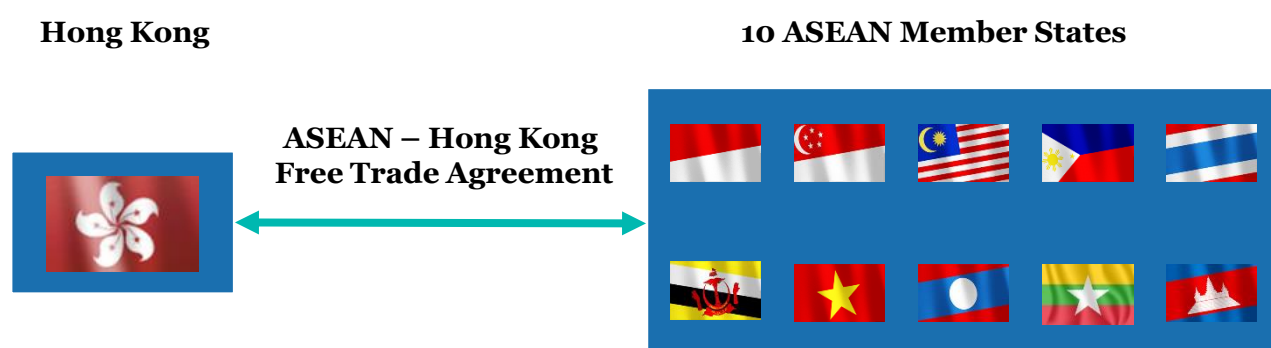
International Trade Agreement between Hong Kong and the ASEAN¹⁰

Overview

Trade within the region has been booming since the removal of tariffs between the ASEAN member states in 2015.

Hong Kong and the ASEAN announced the conclusion of negotiations on their Free Trade Agreements in September 2017 and forged agreements on 12 November 2017. Member states agreed to progressively cut down or eliminate custom duties on goods originating from Hong Kong. The agreements are comprehensive in scope and cover trade of goods and services, investments, economic and technical cooperation, dispute settlement, and other relevant areas.

The ASEAN was Hong Kong's second largest merchandise trade partner in 2018 with a total value of HKD 1.1 trillion (around 12% of the total trade value).






Entry

Free Trade Agreement: 11 June 2019

Investment Agreement: 17 June 2019

Both for the parts relating to Hong Kong and Laos, Myanmar, Singapore, Thailand, and Vietnam. The dates of entry for the remaining five countries have not been announced yet.

Affected Major Industries		Other Affected Industries	
The tariff reduction commitments cover different kinds of major Hong Kong export commodities, such as (non-exhaustive):		<ul style="list-style-type: none"> Food and Beverages Chemicals Pharmaceutical Metals Plastics & Rubber Footwear Machinery and Mechanical Appliances 	
	Jewellery		Watches and Clocks
	Apparel and Clothing Accessories		Toys

B. Government Structure¹¹

Cambodia has a constitutional monarchy with a multi-party system. The King reigns as the Chief of State while the government governs under the leadership of the Prime Minister. The state powers comprise of three branches: the Executive, Legislative and Judiciary.

- The executive power is shared between the Prime Minister who leads the government and appoints cabinet members, and the King. The Prime Minister is voted on by the National Assembly and appointed by the King.
- The legislative power is shared between the Senate and the National Assembly. The Senate is composed of members elected (or appointed) by the King, the National Assembly and local commune councillors. The National Assembly is composed of 125 seats. Its members are elected every five years in a general public election.
- The judicial power is held by the Supreme Court and other Constitutional courts. The judges of both courts are appointed by the King.

Since the general election of 2018, the Cambodian People's Party (CPP) controls the 125 seats of the National Assembly and Hun Sen acts as Prime Minister. He has been in office since 1998.

C. Political Uncertainties and Historical Coup Record^{12,13}

Cambodia is regarded as a fairly politically stable country, as it ranked 87th out of 195 countries in the World Banks Political Stability Index (with an above average value of 0.17 in 2017). The country is currently benefiting from two decades of relative stability after having witnessed the 1998 coup staged by the CPP. Previously, in the 1970s the country underwent a civil war and experienced the Khmer Rouge regime.

However, some political issues can be underlined. Prior to the 2018 general elections, the government cracked down on dissidents. The Supreme Court dissolved the major opposition party (the Cambodia National Rescue Party) and its members were banned from politics. Therefore, the CPP, and the Prime Minister Hun Sen secured all 125 parliamentary seats. As a consequence of these actions, the country is facing international economic sanctions. For example, the European Union and the US suspended Cambodia's status under the Everything-But-Arms arrangement and the General System of Preferences.

Source:

¹ *World Bank in Cambodia, The World Bank, Apr 2019*

² *Cambodia 10-Year Forecast, Fitch Solutions, 2019*

³ *The World Factbook, Central Intelligence Agency*

⁴ *Imports of Goods and Services (% of GDP), Exports of Goods and Services (% of GDP), The World Bank*

⁵ *Cambodia Population, Worldometers, 2019*

⁶ *EF English Proficiency Index, EF Education First*

⁷ *Free Trade Agreements, Asia Regional Integration Centre*

⁸ *Trade and Investment Framework Agreements, Office of the United State Trade Representative*

⁹ *ASEAN official website*

¹⁰ *The Government of Hong Kong Special Administrative Region – Trade and Industry Department, Press Release, May 2019*

¹¹ *Cambodia government, Global Edge*

¹² *Political Stability Index, The World Bank, 2017*

¹³ *Uncertainty and Pressure: Cambodia Under the Weight of Sanctions, The Diplomat, 2019*

2. Legal Environment and Competition Law

Executive Summary

Cambodia is generally open to foreign investments. Additionally in 2019, the government is planning to amend the Investment Law in order to create a more favourable investment climate. However, some sectors, listed in the Negative List, are still restricted for foreign investors.

In Cambodia, Mainland China and Hong Kong companies can choose to operate via a Limited Liability Company (LLC), a Branch Office, a Representative Office or a Partnership. All these different entities types can be 100% foreign-owned, and the time required to set up these entities can vary from four to eight weeks.



2. Legal Environment and Competition Law

Cambodia generally welcomes and is liberal towards foreign investments. Foreign investment is governed under the Investment Law, which was promulgated in 1993 and revised in 2003. The laws and regulations are designed to encourage investments. As such, the annual Foreign Direct Investment inflow increased by 25% between 2016 and 2018. In addition, the Cambodian government has announced that further amendments of the Investment Law will be made in 2019 in order to have a more competitive, attractive and favourable investment climate in the country. Cambodia has a negative list with prohibited investment areas, however, as opposed to many other countries, there are no sectors which are closed to foreign investments only: the same regulations apply to Cambodian as well as Mainland China and Hong Kong companies. For more details, please refer to section 8 of this report.

Cambodia's Negative List Contains Three Lists of Prohibited or Restricted Business Sectors^{1,2,3,4}



List 1

Investment Activities Prohibited by the Relevant Law and Sub-decrees

Examples:

- Processing and production of electricity power by using any waste imported from a foreign country; and
- Forestry exploitation, prohibited by Forestry Law.



List 2

Investment Activities Not Eligible for Incentives

Examples:

- All kinds of commercial activities, including import, export, wholesale, retail; and
- Production of electrical and electronic appliances, and office materials with an investment capital of less than USD 300,000.



List 3

Investment Activities with Specific Characteristics Which Shall be Eligible for Custom Duties Exemption, But Not Eligible for Profit Tax Exemption

Examples:

- Basic telecommunications services; and
- Exploration of oil and gas, and all kinds of mining, including supply bases for oil and gas activities.

I. Types of Legal Business Entities Available for Foreign Investment^{5,6,7,8,9}

There are different structures to expand a business or a manufacturing footprint as an investor from Mainland China or Hong Kong to Cambodia. The registration and operation of a business under Cambodia's jurisdiction is generally governed under three laws: 1) the Law on Commercial Rules and Commercial Register from 1995, 2) the Law on the Amendment of the Law on Commercial Rules and Commercial Register 1999, and 3) the Law on Commercial Enterprises 2005. Companies need to register with the Ministry of Commerce (MOC) and comply with various requirements listed in the laws above.

An investor considering to expand to Cambodia has to define what kind of activities the company should carry out in order to choose the most suitable entity. Among others, there is the option to operate through a locally-registered legal enterprise or also to enter a contractual agreement with existing Cambodian entities.

The three main forms of doing business or expanding the manufacturing footprint to Cambodia are:

1. Limited Liability Company (LLC)
2. Branch Office
3. Representative Office
4. Partnerships

Limited Liability Company (LLC)

This is the most common business type for foreign investors in Cambodia. An LLC is incorporated under the Cambodian laws as a subsidiary of a Mainland China or Hong Kong's parent company. It represents a separate legal entity limiting the shareholders' liability to their capital contribution. An LLC can be 100% foreign-owned, conduct commercial activities and generate revenues and profits. Cambodia's regulations require a minimum of two and a maximum of 30 shareholders for the private LLC. However, there is also the possibility to set up a single-member private LLC with only one physical or legal person as shareholder. In addition, Mainland China and Hong Kong companies can choose to establish a public limited company, which can trade shares and issue securities to the public.

Another incentive to choose an LLC as a business vehicle is the fact that LLCs are allowed to engage in qualified investment projects (QIP) approved by the Council for the Development of Cambodia (CDC). For more details, please refer to section 8 of this report.

The minimum capital requirement to set up an LLC is KHR 4 million (around USD 1,000). The establishment process usually takes around eight weeks.

Branch Office

Investors from Mainland China and Hong Kong also have the possibility to engage in business and to run productive operations in Cambodia through a branch office. Branch offices are 100% owned by the corresponding parent company and considered as an extension thereof. They are not separate legal entities, which makes the parent company liable for the branch's liability. In addition, branches are not allowed to engage in QIPs. However, the advantage is that the branch office usually simplifies the internal, legal and accounting structure.

Branches of foreign banks require a minimum capital of KHR 200 billion (around USD 50 million) if they have an investment grade rated by an international credit rating agency. If they do not have an investment grade, a minimum capital of KHR 300 billion (around USD 75 million) is required. Setting up a branch office takes eight weeks on average.

Representative Office

As opposed to the branch office, the representative office is not allowed to conduct commercial or service activities. It is also not allowed to engage in manufacturing, processing or construction activities. It may negotiate commercial contracts on behalf of its parent company, however, it may not enter into these contracts itself. This business type is not a separate legal entity and usually undertakes activities such as market research, and the promotion and quality control of the parent company. Therefore, an investor from Mainland China or Hong Kong would usually choose a representative office as a way to enter the Cambodian market. An advantage of setting up a representative office is the rapid establishment process, needing only four weeks on average, with low legal documentation requirements.

Partnerships

In Cambodia, businesses can enter into two different types of partnerships: general partnership or limited partnership

General Partnership

It is generally signed between two or more partners in order to combine their assets (e.g. property, knowledge) and carry out business together. Companies involved in a general partnership are personally responsible and liable for the partnership's debts and obligations.

Limited Partnership

A limited partnership is a contract between one or more general partners and at least one limited partner. The general partners administer the partnership and are personally responsible and liable for the partnership's debts and obligations, whereas the limited partners are only liable to the extent of capital they invested in the partnership. The registration process for this form is still unclear and is therefore not very widely used by foreign investor to carry out business in the country.

II. Overview on Other Business Laws and Regulations

A. Legal and Administrative Framework on Competition Law^{10,11}

In December 2018, Cambodia released the Draft Law on Competition in Cambodia (in English) which is based on the Draft Khmer Version published in February 2018. According to the latest information, this Draft Law is under review and can be amended by the Council of Minister and the Council of Jurists. Therefore, Mainland China or Hong Kong companies are advised to consult the last Khmer legislation that should be published in 2019 before expanding their manufacturing footprint in the country, as it may differ from the information provided below.

The Law should apply to any business (whether local or foreign-owned) which carries out activities that may affect competition in the Cambodian market. It will be supervised by two regulatory entities: the Competition Commission will be responsible for issuing decisions, rules, procedures or fines in order to safeguard competition; while the Directorate will investigate violation cases and makes recommendations to the Commission.

The new law prohibits four types of anti-competitive activities:

1. Horizontal Agreements
2. Vertical Agreements
3. Abuse of Dominant Position
4. Business Combination (*Note*)

Note: the acquisition of the right of control, voting rights, shares or assets or the combination of two or more businesses which were previously independent from each other in order to acquire joint ownership of that combined business.

2. Legal Environment and Competition Law

Common examples of anti-competitive activities under the Law on Competition are listed below. In addition to these examples, the Competition Commission can also prohibit other types of actions that prevent, restrict or distort competition in Cambodia. However, the Commission can also grant individual or collective exemptions.

1. Horizontal Agreements

The Law prohibits businesses from entering into Horizontal Agreements that affect competition by:

- Fixing, controlling or maintaining the price (of goods or services);
- Preventing, restricting or limiting goods or services' quantity, type or development;
- Allocating geographic areas or customers between competitors; or
- Favouring certain companies during contracts bidding.

2. Vertical Agreements

The Law prohibits businesses from entering into Vertical Agreements that affect competition by:

- Requiring a business to resell goods or services within a specific geographic area, to a specific customer or category of customers;
- Requiring a business to purchase all or nearly all goods or services from a specific seller;
- Prohibiting resale; or
- Requiring tied selling (e.g. force a purchaser to purchase unrelated goods or services in addition to the one originally needed).

The Law also prohibits Vertical Agreements that force purchasers to resell goods and services at a minimum price (set by the seller).

3. Abuse of Dominant Position

The Law prohibits Dominant Businesses from carrying the following activities if they affect competition:

- Prohibiting suppliers or customers to avoid dealing with competitors;
- Refusing to supply goods or services to a competitor;
- Requiring tied selling;
- Selling goods or services below production costs; or
- Preventing a competitor from having access to essential facilities.

However, a Dominant Business can perform these activities if approved by the Competition Commission.

4. Business Combinations

The Law prohibits Businesses Combinations that affect competition, and defines that the Competition Commission should examine and monitor at all times their effects on competition.

Please refer to the official Draft Law on Competition in Cambodia document for additional information (www.asean-competition.org/file/pdf_file/Draft%20Law%20on%20Competition%202018.pdf)

B. Intellectual Property Protection Law on Trademarks^{12,13}

A trademark is a visible sign capable of distinguishing the goods or services of an enterprise and shall include a stamped or marked container of goods. Trademarks are protected since 2002 by the Cambodian Law Concerning Marks, Trade Names and Acts of Unfair Competition (Trademark Law). Additional Decrees and Declarations concerning online applications, international applications or certification process have been issued by the MOC. In addition, Cambodia is a member of the Madrid System which allows businesses to register trademarks in 110 countries with a simplified and centralised application.

The laws and processes apply in general and do not specify particular rules for Mainland China or Hong Kong companies that consider to expand their manufacturing footprint to Cambodia. However, foreign companies must be represented by a Cambodian agent residing and practicing in the country in order to register their trademarks. Applicants must register with the Department of Intellectual Property of the MOC and must supplement the application with samples as well as ownership proofs. The registration is valid for a period of 10 years starting from the date of publication in the Official Gazette of the MOC. However, a registration can be protested within 90 days prior to the publication in the Official Gazette.

For more information, please consult the official Law Concerning Marks, Trade Names and Acts of Unfair Competition (www.wipo.int/edocs/lexdocs/laws/en/kh/kh001en.pdf)

C. Import/Export Regulations and Licenses^{14,15}

In Cambodia, imports and exports are regulated by the 2007 Law on Customs among other additional policies. In order to do business in the country, importers and exporters need to register with Cambodia's Departments of Business Registration (which operates under the MOC). Additionally they need to register with various departments such General Department of Customs and Excise (GDCE) or the General Department of Taxation. For more detailed information on customs procedures, please refer to GDCE homepage (www.customs.gov.kh/customs-declaration/) or section 6 of this report.

Import

Mainland China and Hong Kong companies that want to import goods to Cambodia have to obtain a Customs Declaration Certificate from the GDCE. Once registered, copies of the Customs Declaration Form must be sent to Customs along with: invoice and packing list, transportation documents and other possible necessary documents (e.g. manifest, licences or certificate of origin).

Export

Exporters need to obtain from the GDCE an export permit and must also complete a Customs Declaration Certificate. Exporting certain goods that have been determined by Cambodia as sensitive require additional documentation (e.g. permission letter for jewellery or unprocessed precious stones, certificates for garments).

D. Jurisdiction System on Business Related Matters^{16,17}

The Cambodian legal system is based on both the French legal system and the common law system. The Cambodian Constitution is the overarching law in the country and all decisions taken by state institutions must conform with it.

The country's judiciary system is divided into three layers: the Supreme Court, the Appellate Court and the Court of First Instance (Provincial/Municipal Courts). There is no dedicated Commercial Court in Cambodia in charge of judging disputes in the business sector. Therefore, these cases are handled by the Civil Court. However, since 2013, the country has a National Commercial Arbitration Centre which serves as an independent alternative to the country's court system to solve commercial matters. The body uses a panel of commercial and legal experts in order to arbitrate contract disputes and issue legally binding solutions.

Source:

¹ *Investment Law to be revised, Khmer Times, Feb 2019*

² *Policies toward FDI, Council for the Development of Cambodia*

³ *Cambodia: Foreign Investment, Santander Trade Portal, Jun 2019*

⁴ *Limitation on Foreign Investment, Council for the Development of Cambodia*

⁵ *Sub-decree On The Implementation Of The Law On The Amendment To The Law On Investment Of The Kingdom Of Cambodia No 111 ANK/BK dated September 27, 2005, Kingdom of Cambodia*

⁶ *Doing business in Cambodia: overview, Thomson Reuters – Practical Law*

⁷ *Investment Guide Cambodia: Company Law and Commercial Registration, DFDL 2017*

⁸ *Business entities in Cambodia, Healthy Consultants Group PLC*

⁹ *New Minimum Registered Capital Requirements for Banking and Financial Institutions, Rajah & Tann Asia 2016*

¹⁰ *Cambodia Legal Alert: Cambodia's Latest Draft Competition Law, DFDL, 2018*

¹¹ *Draft Law on Competition of Cambodia*

¹² *Department of Intellectual Property homepage*

¹³ *Guide to Trademark Law in Cambodia, Abacus IP*

¹⁴ *Import/Export Procedures of Cambodia, HKTDC, 2017*

¹⁵ *General Department of Customs and Excise homepage*

¹⁶ *Overview of Cambodian Judiciary, ASEAN Judiciaries Portal*

¹⁷ *Commercial arbitration body settles its first two cases, The Phnom Penh Post, 2017*

3. Taxation, Transfer Pricing, Banking and Currency Control

Executive Summary

The main forms of taxation in Cambodia are personal and corporate income tax (CIT), and value added tax (VAT), among other specific business taxes.

Cambodia generally welcomes foreign direct investment (FDI). Most sectors are open for investment, but certain sectors, detailed in the Negative List, have restrictions over foreign investments. The Cambodian government also provides incentives through the Qualified Investment Projects programme.

The Cambodian riel (KHR) can be freely exchanged, and there are also no restrictions on the import or export of foreign currencies into or out of Cambodia. In practice, the US dollar is the most common currency used in Cambodia.



3. Taxation, Transfer Pricing, Banking and Currency Control

I. Taxation Practice

The principal tax law governing the corporate tax provisions in Cambodia is the Law on Taxation enacted in 1997, along with supporting Prakas, Decrees, and Notifications. In general, all companies in Cambodia, regardless of their tax residence, are subject to corporate income tax (CIT).

Resident companies in Cambodia are generally taxed on worldwide income. A resident company is a company that is organised or mainly operating in Cambodia. Non-resident companies are only taxed on income sourced from Cambodia.

Local and family businesses with an annual revenue of less than KHR 250 million (around USD 62,500), are exempt from taxation.

A. Corporate Income Tax (CIT)^{1,2}

Tax Calculation

Taxable income is calculated from total taxable revenue, minus deductible expenses, plus other income such as interest and royalties.

All foreign companies in Cambodia are under the self-declaration system. This means that businesses must prepare an annual CIT return that shows the adjustments made to arrive at taxable profit from accounting profit.

Applicable Tax Rate

The standard tax rate for resident companies is 20%.

Industry	Tax Rate
Standard	20%
Oil and Gas; Exploitation of Natural Resources (e.g. timber, precious stones and metals)	30%
General Insurance (not including life insurance)	5%

Deductions

In general, expenses are tax deductible if they were incurred and paid during the same tax year in the operation of a business. However, some expenses are specifically non-deductible, such as:

- Entertainment or recreation expenses;
- Payments to company management deemed unreasonable;
- Donations over 5% of taxable income;
- Personal expenses and income tax; and
- Loss on sales of property between related parties, whether direct or indirect.

3. Taxation, Transfer Pricing, Banking and Currency Control

Dividend Income

Dividend distribution may be subject to additional CIT depending on the CIT rate that the dividend was initially subject to. Dividends that were originally exempt from CIT will be subject to an additional CIT rate of 20% or 30%. Dividends that were originally subject to 20% or 30% CIT will be exempt from the additional dividend CIT payment.

Losses and Consolidation

In Cambodia, any business losses can be set off against future income for five years. Businesses must maintain records and tax returns for the tax losses in order to be able to carry forward the tax losses. The business must also not have changed its ownership or operational activities. If the business is subjected to a unilateral tax reassessment from the General Department of Taxation (GDT), any tax losses will also be forfeited. Carryback of losses is not permitted.

There are no consolidated filing or group loss relief provisions in Cambodia.

Tax Return and Payment

Tax returns must be filed within three months of the year end. The tax year is generally the calendar year in Cambodia, but businesses may apply for different tax years. Tax payment should be made with the tax return filing.

There are no interim tax return requirements in Cambodia.

Double Tax Agreement (DTA) with Hong Kong³

Cambodia has entered into DTAs with six countries: Indonesia, Vietnam, Thailand, Brunei, Mainland China, and Singapore. The DTA between Cambodia and Hong Kong was signed on 26 June 2019, but is currently pending ratification. For updated information regarding the status of the DTA between Cambodia and Hong Kong, please refer to the Hong Kong Inland Revenue Department's page on DTAs (www.ird.gov.hk/eng/tax/dta_inc.htm).

DTAs aim to eliminate double taxation. The table below illustrates the tax rates applied to various sources of income stipulated in the signed DTA between Cambodia and Hong Kong:

Category	Rate
Dividends	10%
Interest	10% or 0% (Note)
Royalties	10%
Technical Fees	10%

Note: Interest derived from certain government bodies are exempt from tax.

B. Value Added Tax (VAT)^{1,2}

VAT is applicable to all goods and services provided. Since Cambodia uses a self-declaration regime, businesses are responsible for charging VAT on the goods and services they provide. Imported goods and services are subject to VAT, and the importer should pay the VAT together with any import duties at Customs. VAT returns should be declared and paid each month. VAT payment should be made no later than the 20th of the following month.

Applicable Tax Rate

In Cambodia, the VAT that must be paid to the GDT is calculated as output tax minus input tax. The output tax is paid by the customer, while input tax is paid on purchases to suppliers.

The standard VAT rate is 10%. However, certain goods and services are subject to 0% VAT, including:

- Exported goods and services originating from Cambodia;
- Industries supporting the export industry, through supplying goods and services to exporters;
- Domestic paddy rice; and
- Exports of milled rice.

Goods subject to 0% VAT are exempt for output VAT, but may still be eligible for input VAT credits. For example, VAT from goods and services related to rice farming, purchase of paddy rice, and exported milled rice, are eligible for input VAT credits, or may be refunded.

Goods Exempted

Certain goods are specifically exempt from VAT, including:

- Medical services;
- Transportation provided by state-owned providers;
- Insurance;
- Primary financial services;
- Imports of items for personal use;
- Non-profit activities, subject to approval;
- Education services;
- Electricity and clean water supply;
- Unprocessed agricultural products; and
- Solid and liquid waste removal or collection.

For more information on exempt goods, please refer to the General Department of Taxation website (www.tax.gov.kh/en/bvat.php).

Tax Incentives

The main tax incentive in Cambodia is the Qualified Investment Projects (QIP). A business can register with the Council for Development of Cambodia (CDC) for a project to be recognised as a QIP. QIPs will be entitled to a tax holiday of at least three years. For more information on tax incentives, please refer to section 9 of this report.

C. Transfer Pricing Provisions¹

Cambodia's transfer pricing provisions are detailed in the Prakas No. 986 MEF.Prk., issued by the Cambodian Ministry of Economy and Finance on 10 October 2017, and effective since that date.

Major points of the transfer pricing provisions are as follows:

- A related party is any business that controls, is controlled by, or under common control of the taxpaying business. Control refers to 20% or more equity ownership in the business, or voting power in the board of directors;
- Acceptable methods for determining whether a transaction was performed using the arm's length principle are those in the Organisation for Economic Co-operation and Development (OECD)'s Transfer Pricing Guidelines;
- Any related party transactions and any related information must be declared when filing the annual CIT return;
- Transfer pricing documentation may be required by the tax authority; and
- Documents related to transactions must be kept for 10 years after the tax year end in which the transaction took place.

D. Statutory Auditing Requirements and Accounting Standards^{1,2}

Audit Requirements

Any businesses that meet two or more of the criteria set by the Ministry of Economy and Finance must be audited by an independent external auditor registered with the Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA). The three criteria are as follows:

- Annual revenue of KHR 3 billion or more (around USD 750,000);
- Total assets of KHR 2 billion or more (around USD 500,000); or
- Employ 100 or more workers.

Any businesses that have been subjected to a statutory audit must continue to have their financial statements audited.

Any businesses with QIPs registered with the CDC must also be audited by an independent external auditor registered with the KICPAA.

Financial Statements

There is no prescribed format or details for financial statements in Cambodia. Financial statements should be prepared in Khmer and use KHR. Businesses may also prepare a secondary copy of financial statements in English and use a foreign currency if they engage with foreign businesses. All financial statements should be prepared within three months of the financial year end. However, there is no deadline in the law for the submission of financial statements.

Financial Reporting Framework

The National Accounting Council of the Ministry of Economy and Finance is the authority in Cambodia responsible for issuing accounting standards and other financial reporting requirements. Businesses with public accountability such as financial institutions, insurance providers, and any public companies, are required to apply the Cambodian International Financial Reporting Standards (CIFRS), based on the International Financial Reporting Standards (IFRS). Other businesses are required to at least apply the CIFRS for Small and Medium-sized Entities, but may choose to apply the full CIFRS.

II. Banking and Currency Control

A. Bank Account Setup Requirements and Restrictions for Foreign Direct Investment (FDI)

Bank Account Setup Requirements⁴

In general, it is easy for foreigners to set up bank accounts in Cambodia as there are no restrictions for foreigners opening bank accounts in Cambodia. A business must register the bank account in its own name. The initial required capital for starting a business must be deposited at an authorised bank in Cambodia, and the bank statement should be submitted to the Ministry of Commerce.

There are no restrictions for foreign individuals wishing to open a bank account in Cambodia. Each bank may have their own specific requirements, but in general, an individual will only need to provide his or her passport, visa, and letter of employment in order to open a bank account. A copy of the rental lease or equivalent may also be required, but this is occasionally overlooked.

FDI Restrictions⁵

In Cambodia, FDI is generally encouraged. The Cambodian government is continually increasing the amount of investment incentives available for foreign investors (for example by establishing the special economic zone (SEZ) scheme in 2005). However, certain industries are restricted for foreign investments. These industries are detailed in the Negative List (Annex 1 of the Sub-Decree No.111 on the Implementation of the Law on the Amendment to the Law on Investment). For further information regarding the Negative List, please refer to section 8 of this report.

B. Restriction on Inbound and Outbound Funding in Foreign Currency and Local Currency⁶

Under the Foreign Exchange Law of 1997, there are no restrictions on foreign exchange in Cambodia. Both local currency and foreign currency may be freely imported and exported.

Local Currency

Local currency (KHR) is mostly used in Cambodia in the rural and countryside areas. In cities and tourist areas, any change from transactions in other currencies will also only be provided in KHR.

Foreign Currency

The use of foreign currency is common in Cambodia. The main foreign currency used in the country is the USD. 90% of the economy is dollarised, and businesses in cities will usually list prices in USD. ATMs in Cambodia will also dispense USD, and any Cambodian visas must be paid for in USD. Other common foreign currencies used in Cambodia include the Thai baht and the Vietnamese dong, in the regions neighbouring Thailand and Vietnam respectively.

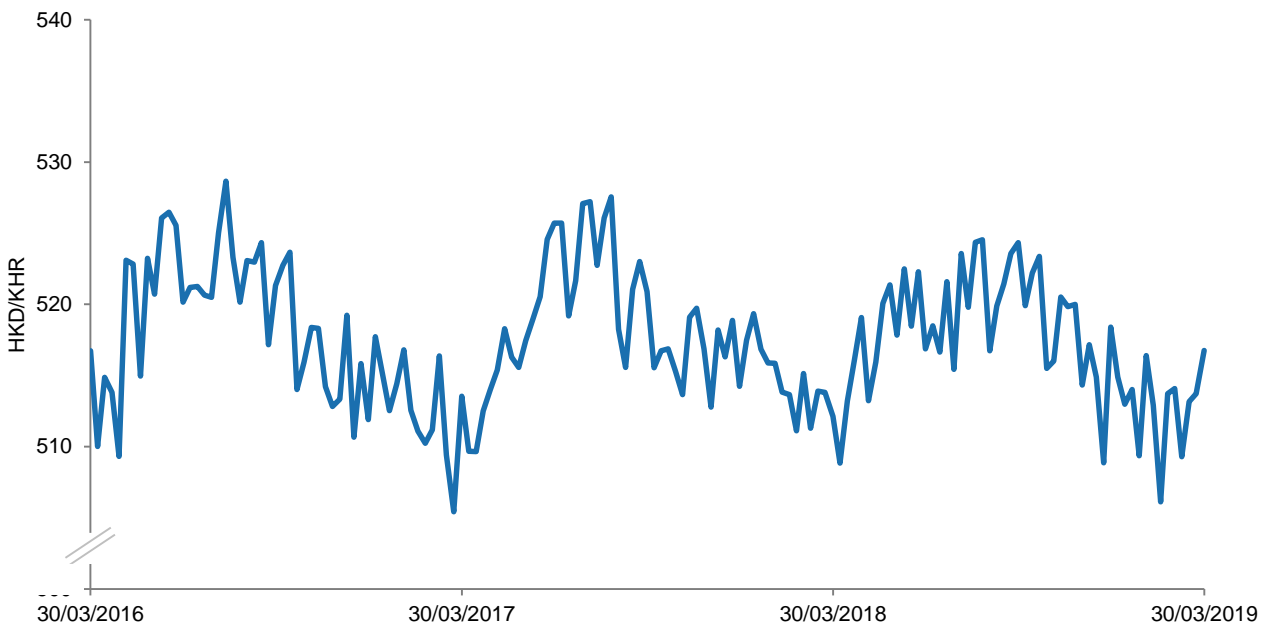
Under law, only authorised financial institutions may perform foreign exchange transactions. However, in practice, unregistered currency exchangers will also perform foreign exchange transactions.

There are no restrictions on repatriation of profits or capital from Cambodia. Businesses are responsible for reporting import or export payments of USD 10,000 or more (or equivalent in other foreign currency), to Customs at the border checkpoint. Customs is then responsible for informing the National Bank of Cambodia.

C. Policy on Foreign Exchange Rate and Three-year Historic Trend⁷

Cambodia’s official currency is the Cambodian riel (KHR). The first riel was issued between 1953 and 1975. The second riel, which is currently in use, has been issued in March 1980. Between 1975 and 1980, there was no official currency in Cambodia due to Khmer Rouge abolishing money in the country. Currently, the riel is pegged to the US Dollar, at a rate of around KHR 4,000 to USD 1. The KHR is managed by the National Bank of Cambodia, which is the central bank in the country.

Three-year Exchange Rate Trend for HKD to KHR⁸



















Date	HKD/KHR Rate
30/03/2016	516.00
30/03/2017	518.81
30/03/2018	509.47
30/03/2019	511.49

D. List of Banks from Foreign Investments⁹

According to the National Bank of Cambodia, there are currently 44 commercial banks in Cambodia; 16 of these are foreign-owned banks, while another 14 are foreign bank branches.

Foreign-owned Banks in Cambodia

#	Name of Foreign-owned Bank	
1		Advanced Bank of Asia Limited
2		ANZ Royal Bank Cambodia Ltd.
3		Booyoung Khmer Bank
4		BRED Bank (Cambodia) plc
5		Cambodia Commercial Bank Ltd.
6		Cambodian Public Bank plc
7		Cathay United Bank (Cambodia) Corp., Ltd.
8		CIMB Bank plc
9		Hong Leong Bank (Cambodia) plc
10		Kasikorn Bank Public Company Limited
11		Kookmin Bank Cambodia
12		Maybank (Cambodia) plc
13		Phillip Bank plc
14		Sathapana Bank plc
15		Shinhan Bank (Cambodia) plc
16		Union Commercial Bank plc

3. Taxation, Transfer Pricing, Banking and Currency Control

Foreign Bank Branches in Cambodia

#	Name of Foreign Bank Branches
1	Agribank
2	Bangkok Bank
3	Bank of China
4	Bank of India
5	First Commercial Bank
6	ICBC Bank
7	Industrial Bank of Korea
8	Krung Thai Bank
9	MB Bank plc
10	Mega International Commercial Bank
11	Mizuho Bank
12	Sacom Bank
13	SHB
14	Taiwan Cooperative Bank

3. Taxation, Transfer Pricing, Banking and Currency Control

Source:

¹ *Cambodian 2018 Tax Booklet, PricewaterhouseCoopers*

² *Cambodia Tax Profile, KPMG, Aug 2018*

³ *Comprehensive Double Taxation Agreements concluded, Inland Revenue Department*

⁴ *Opening a bank account in Cambodia, Expat.com*

⁵ *Sub-decree on the Implementation of the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia No. 111/ANK/BK (2005), The Royal Government of Cambodia*

⁶ *Cambodia – Foreign Exchange Controls, Export.gov, 2019*

⁷ *KHR (Cambodian Riel), Investopedia, Jul 2018*

⁸ *Bloomberg*

⁹ *Commercial Banks, National Bank of Cambodia*

4. Labour, Compensation Rule and Labour Supply Situation

Executive Summary

Cambodia has established its Labour Law providing guidance on matters such as maximum working hours, minimum wages, and welfare to protect employees.

Foreign workers are forbidden or restricted from engaging in certain jobs which can only be done by local workers. A maximum percentage of foreign employees in a company is also set to protect the local workforce.

Foreign workers are required to obtain a work permit and a visa for legal employment in Cambodia, which is approved by the relevant government departments on a discretionary basis.



4. Labour, Compensation Rule and Labour Supply Situation

I. Overview on Laws and Regulations over Local Labour Employment

A. Contracts and Protection Towards Employees^{1,2}

The Labour Law enacted in 1997, along with other supporting laws, govern the Cambodian labour employment. It forms the basis of the laws governing labour relations and employment of private employees. These laws apply to both regular employment and casual employment.

Minimum Legal Working Age

The minimum wage employment age is 15.

Children over 12 but under 15 years of age are only allowed to do “light work” during periods of the day that would not affect their regular school attendance. No one under 18 years of age is allowed to perform work which is hazardous in nature to their mental and physical health or their morality as determined by the Ministry of Labour and Vocational Training (MLVT). Employers shall not discriminate against any potential employees based on their age.

Labour Contract

The Labour Law governs agreements between employer and employees. An employment contract, either oral or written, must be concluded for all categories of employment arrangements recognised by the Labour Law. The contract must include descriptions of “wages, working hours, and other working conditions” as prescribed by the Civil Code.

Termination of Employment

The Labour Law only recognises the following causes for the termination of employment: when the employment contract is completed or expired; serious misconduct; force majeure; and with both parties’ consent.

In the event of serious misconduct, the employer can dismiss the employee without notice or compensation. Examples of serious misconducts include but are not limited to, fraud, stealing, embezzlement, serious disciplinary misbehaviour, and threat or assault. Dismissals based on serious misconduct must happen within seven days after the employer has learned about the said misconduct.

Termination of a labour contract with no specified duration can be arranged with a notice of what is specified and agreed upon in the contract. However, dismissals in this case must have a valid reason related to the employee’s performance at work.

Severance Payments

For unilateral termination of employment on the employer’s part, the dismissed employee shall receive a severance payment. If the employee has been working for the employer for six to 12 months, the employee is entitled to receive a severance payment of seven days of wages. If the employee has been working for more than 12 months, he/she is entitled to 15 days of wages for every year of service. Working six months or more in a year is considered as one whole year.

4. Labour, Compensation Rule and Labour Supply Situation

B. Minimum Wage Level^{3,4}

As of 2019, the minimum wage is KHR 730,000 (around USD 180) per month. The minimum wage rate is updated every year by the government.

C. Maximum Working Hours and Days^{1,2}

The maximum number of working hours is eight hours per day, or 48 hours per week. The 48 hours in a week should allow for a break on Saturday afternoon or equivalent. Allocation of working hours in another period (i.e. not by week) should ensure the average working time does not exceed 48 hours per week or 10 hours per day.

In the event of mass interruption of work, such as due to bad weather or accidents, the MLVT can authorise the extension of the working hours to compensate for the lost hours of work by issuing a ministerial order. The extension will not exceed one hour per day and total daily working hours will not be more than 10.

Overtime and Overtime Pay

For work performed in excess of the maximum number of hours, employees must be compensated with overtime pay equivalent to their regular wage plus at least 50% if the overtime is at night, and plus 100% if the overtime is during the employee's weekly break.

D. Mandatory Welfare^{5,6}

National Social Security Fund (NSSF)

Under the Law on Social Security Schemes, employers with eight or more employees must register and contribute to the NSSF. The NSSF is a mutual provident insurance system supported by mandatory contributions from employees and employers, and provides injury and healthcare insurance.

Type of Scheme	Maximum Total Contribution (KHR)	Employee's Contribution	Employer's Contribution
Occupational Risk	9,600	-	0.8%
Healthcare	31,200	1.3%	1.3%
Total	40,800	1.3%	2.1%

For detailed contribution tables for the NSSF, please refer to the official NSSF website (www.nssf.gov.kh/default/employment-injury-scheme-2/contribution-payment/).

Other Benefits and Rights

In addition to these provisions, workers in Cambodia are entitled to various leaves, as described below.

- Annual leave: employees are entitled to at least 1.5 days of annual leave per month of service; employees who have worked continuously for more than three years are entitled to one extra day of leave per month of service, for every three years of continuous employment. The right to use paid leave is granted after a year of service.
- Special leave: Should there be issues affecting the employee's immediate family, the employer should grant his employee special leave, either deducting the leave from the employee's annual leave if there is any remaining on the year or reallocating the working hours lost under the guidance of the Labour Law and relevant ministerial orders.
- Maternity leave benefits: full pay during maternity leave of 90 days. Only light work should be assigned in the first two months of work after maternity leave. Employers are not allowed to dismiss women during their maternity leave, or arranged their notice period to end during their maternity leave.

4. Labour, Compensation Rule and Labour Supply Situation

E. Labour Law Governing Authorities, Enforcements, and Restrictions^{1,2,7,8}

Governing Authorities

The MLVT is the official government body responsible for the oversight of labour administration and protection, social policy, and the promotion of employment in Cambodia.

Labour Law Enforcements

The MLVT, and the associated departments at the capital, provincial, and municipal levels, are in charge of administrating and enforcing the Labour Law. Labour Inspectors and Labour Controllers are in charge of labour inspections, while Labour Medical Inspectors are in charge of labour medical inspections. The MLVT is responsible for setting up a Labour Advisory Committee to study labour problems, employment conditions, vocational trainings, allocation of the workforce, and matters of labour health and safety. The Committee consists of representatives from the MLVT, the relevant ministries, and an equal number of representatives from the workers' unions.

Employment Restrictions

A maximum of 10% of the employees of an enterprise may be foreigners. The MLVT may allow exemptions if the business requires skills that cannot be provided by local workers in Cambodia. Such exemptions must be applied for between 1 September and 30 November every year.

Any foreign nationals wishing to work in Cambodia must obtain a work permit, which is valid for one year. Renewal of the work permit is subject to conditions, such as whether foreigner's work can be done by a local worker.

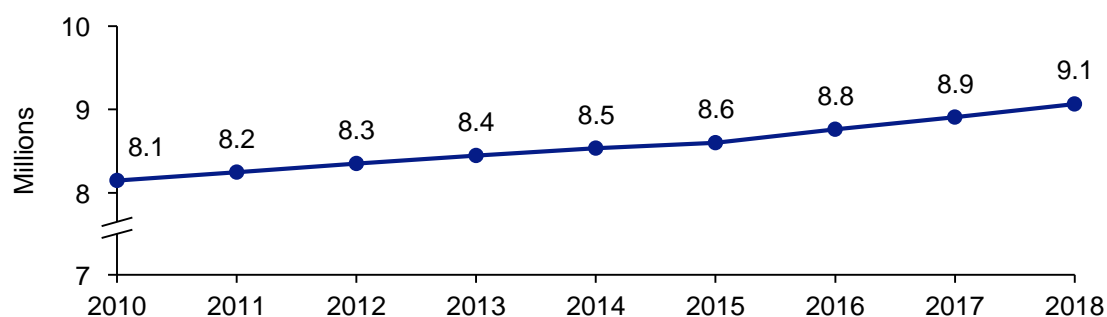
Prohibition Against Discrimination

The Labour Law protects female employees from discrimination, including issues such as: a female employee's wages must not be lesser than what a male employee receives for work of equal value; male employees should not have an unfair advantage for promotion and training opportunities due to their sex; an employer must not require female employees to not get married as a condition of employment or continuation of employment.

II. Local Labour Supply Market Condition

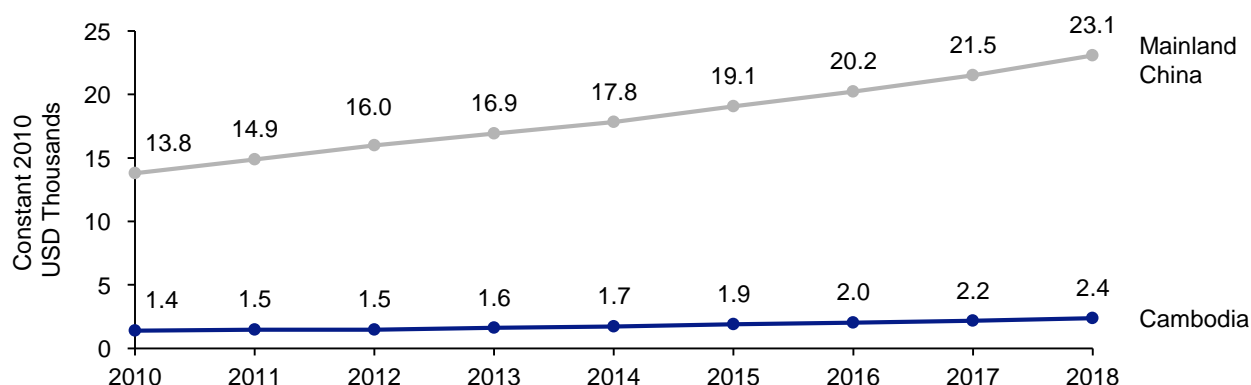
A. Supply Situation for Total Labour Force^{9,10}

Cambodia's Total Labour Force (2010 – 2018)



The estimated total labour force was around 9.1 million in 2018. The supply of labour has shown an overall upward trend over the past nine years. As of 2017, approximately 37% of the labour force was in the agriculture sector, 26% in manufacturing industry, and 37% in service industry.

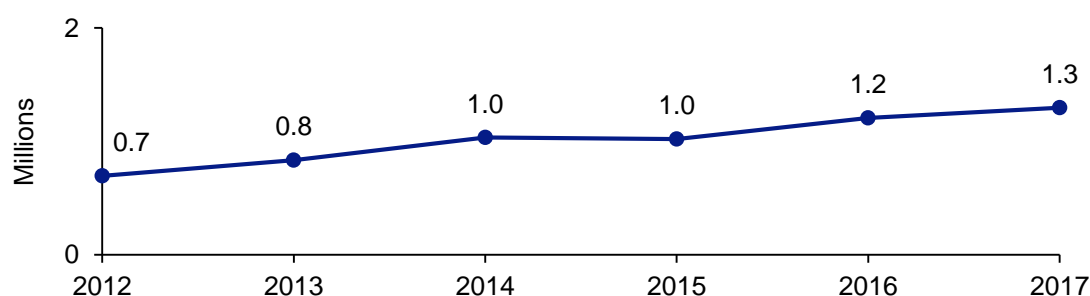
Cambodia's Labour Productivity (GDP per worker) (2010 – 2018)



Cambodia's labour productivity is around 90% lower than Mainland China's in 2018. At the same time, Mainland China's productivity was growing at a similar rate (around 6.7%) as Cambodia's (around 7.0%) between 2010-2018. Cambodia's productivity has been ranked last (10th) among the ASEAN countries.

B. Supply of Educated Employees¹¹

Cambodia's Estimated Labour Force with Higher Education (2012 – 2017)



The estimated labour force with higher education (defined as level of education beyond upper secondary school) was around 1.3 million in 2018, or approximately 15% of the total labour force.

4. Labour, Compensation Rule and Labour Supply Situation

C. Government Support on Employee Training^{1,2}

The National Technical Vocational Education and Training (TVET) Policy 2017-2025 was officially launched by the MLVT in 2017. This policy targets the demand for skilled labour in the country by facilitating the implementation of strategies for skills development, coordinating the skills development systems currently in Cambodia, and guiding the development of future skills development.

For more information, please refer to the TVET policy document (www.tvetsdp.ntb.gov.kh/wp-content/uploads/2018/02/NTVET-Policy-2017-2025.ENG_.pdf).

D. Labour Unionisation and Related Government Regulations^{1,2}

All labour organisations must be registered with the MLVT to enjoy the benefits stated in the law.

Protection of Rights of Unionisation

Chapter XI of the Labour Law states that employers and employees have the right to form and join professional organisations. The employers' organisations are called employers' associations, while the employees' are called workers' unions. These organisations cannot have both employees and employers as members.

The law also protects employees from an employer's disciplinary actions and any discrimination intended to discourage or encourage membership in a certain labour organisation in terms of recruitment, work assignment, promotion, disciplinary measures, or dismissal. Employers are not allowed to pay union dues for their employees by deducting it from their wages. Moreover, employers are also restricted from interfering with the administration of labour organisations, including through provision of financial support.

Labour Dispute Settlement

Chapter XII of the Labour Law details the procedures in collective bargaining. If there isn't any settlement procedure planned in a collective agreement, the parties involved in the dispute should notify the Labour Inspector of their province. The MLVT will assign a conciliator within 48 hours from receiving the notification, and conciliation will happen within 15 days after that. During the conciliation period, the parties must attend every relevant meeting, and an absence may result in a fine.

If the dispute cannot be settled, the Labour Inspector will record the reasons for failure in a report, which will be passed on to the MLVT and the Council of Arbitration within three days. The Council of Arbitration will meet within three days from receiving the case.

E. Work Permits and Visa ^{7,13}

Work Permits

Foreign employees need a work permit, secured by an employer and approved by the labour authorities, in order to work in Cambodia. The work permit is valid for up to one year, and regardless of when the permit is issued, it will expire on 31 December of the same year. Renewal can be arranged from 1 January to 30 March. The work permit can be extended for as long as the fixed validity period of the employee's residency permit. The permit is only valid for work under the employer it was secured for. Please note that the work permit is not an alternative to the employment card; foreign employees are required to obtain both in order to work in Cambodia.

- **Approval criteria:** Approval is considered by the Ministry of Interior on a case-by-case basis. The permit is granted provided that specific conditions are met. These conditions include, but are not limited to: the foreigner must have entered Cambodia legally; the foreigner must have a valid passport and residency permit; and the foreigner must not have any contagious disease.
- **Termination of employment:** In case of termination of employment or resignation of the employee, the work permit will be revoked either when the employee is hired by another employer, or when the employee is unemployed for more than one month.

For the detailed procedures, guidelines on application filing and required documents in work permit application, please refer to the Labour Law.

Visas

Non-immigrant visas are issued by the Ministry of Foreign Affairs and International Cooperation. The most common work visa in Cambodia is the E-class visa, also known as the ordinary visa. The E-class visa is initially valid for 30 days, and can be renewed indefinitely for up to 1 year at a time. Upon the first renewal, the foreigner can choose between four classes of E-class visas: the EB, EG, ER, or ES visa.

EB visa: the most common visa for expatriates working in Cambodia, covering foreign employees, their partners, and children. The employee must provide a stamped letter from a Cambodian company to verify their employment.

EG visa: suitable for foreigners looking for employment, and can be extended for one to six months. Foreigners who have been granted an EB visa previously may not be granted an EG visa as the EG visa is not intended for people who have been in the country long term. The EG visa will also typically be extended once only.

ER visa: intended for retirement, and for people aged 55 and above. It will also typically require proof of sufficient funds to support the retirees.

ES visa: intended for students, with a letter from a Cambodian school and evidence of sufficient funds to support themselves.

Travelling to Cambodia

Hong Kong residents need a visa to visit Cambodia. A single-entry visa is valid for three months, and will allow a 30-day stay.

F. Religious and Cultural Concerns or Considerations^{14,15}

Religion

In Cambodia, religious freedom is respected by the government and supported by the Constitution. Nonetheless, Theravada Buddhism has been the state religion for eight centuries, and 95% of the country's population follows and practises Buddhism. Islam, Christianity, and other religions make up the remainder.

Culture

The business culture in Cambodia is based on mutual respect, traditions, and hierarchy. It is not unusual for Cambodian businessmen to avoid direct confrontation as they believe that subtlety and conserving the honour of others are more important. Companies usually have a “top-down” structure where the employers and senior employees make all the important decisions.

4. Labour, Compensation Rule and Labour Supply Situation

Source:

¹ *The Cambodian Labour Law, International Labour Organisation*

² *Cambodian Labour and Employment Law, khmerlex*

³ *Minimum Wage – Cambodia, WageIndicator, 2019*

⁴ *Cambodia Minimum Wages, Trading Economics, 2019*

⁵ *Health Insurance Scheme, National Social Security Fund*

⁶ *Contribution Payment, National Social Security Fund*

⁷ *The Guide to Employment Permits for Foreign Workers in Cambodia, ASEAN BRIEFING, 2017*

⁸ *Cambodia Market Profile, HKTDC, 2019*

⁹ *Total labour force (Cambodia), The World Bank*

¹⁰ *APO Productivity Databook, Asian Productivity Organisation*

¹¹ *Cambodia Socio-Economic Survey, National Institute of Statistics*

¹² *National Technical Vocational Education and Training Policy 2017-2025, The Royal Government of Cambodia*

¹³ *Cambodia visas, Move To Cambodia, 2019*

¹⁴ *Doing Business in Cambodia, Expat Arrivals, 2019*

¹⁵ *Religious Beliefs in Cambodia, World Atlas*

5. Research and Development Environment

Executive Summary

Cambodia is currently implementing the National Master Plan of Science and Technology (NSTMP) 2014-2020 in order to transform the country into an economy driven by science and technology (S&T).

The Master Plan focuses on developing every aspect of the S&T ecosystem, and defines six priority areas mainly focused on agriculture technologies. Additional policies are being implemented to develop a strong information and communications technology (ICT) sector in the country.

Cambodia's S&T ecosystem is underdeveloped. The country lacks national, academic, and private research centres. There is a lack of S&T proficient workforce, and intellectual property protection is still developing. Nevertheless, the country seems eager to create a proficient ICT sector and has therefore rolled out specialised funding schemes.



5. Research and Development Environment

I. Science and Technology (S&T) in Cambodia

A. Policies and Trends in S&T

Cambodia’s economic development is shaped by strategic plans spanning five years which serve as general roadmaps for the implementation of national priority policies. The country is currently implementing the National Strategic Development Plan (NSDP) 2019-2023. In addition, the government has also drafted a development framework called the Rectangular Strategy (RS). All policies currently implemented in Cambodia fall under one of the four pillars of the RS.

The Four Pillars of the Rectangular Strategy (RS)¹

Agricultural Sector Promotion <i>(e.g improve productivity)</i>	Infrastructure Development <i>(e.g. for transportation and utilities)</i>	Private Sector Development <i>(e.g. foster small and medium-sized enterprises (SMEs))</i>	Capability Building <i>(e.g. strengthen education and S&T)</i>
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National Master Plan of Science and Technology (NSTMP) 2014-2020

One of the major policies falling under the Capability Building pillar is the NSTMP 2014-2020, which aims to transform Cambodia into an innovative S&T nation. The NSTMP lays out the following four objectives: 1) establishing the basis of S&T, 2) creating an S&T environment, 3) building research and development (R&D) capabilities and 4) improving core industrial capacities.

In order to achieve these targets, the government focuses on training S&T human resources, improving financial support for S&T, driving R&D, reinforcing international cooperation, strengthening the S&T legal framework, and enhancing public awareness on the importance of S&T. Lastly, the NSTMP defines six national priority areas: agro-processing technology, agricultural engineering technology, biotechnology, textile technology, material design technology, and software and digital content.

Other Policies²

In addition, in 2014, the government also drafted the ICT Masterplan 2020. It focuses on expanding information and communications technology (ICT) infrastructure, training a proficient workforce, and increasing digital literacy and the population’s access to the internet. This policy was drafted in order to strengthen the effects of the NSTMP.

Outlook^{3,4}

Cambodia’s innovation capabilities are still very limited. In the 2018 Global Competitiveness Index, the country ranked 96th out of 140 countries below every other ASEAN countries except Laos. Nevertheless, compared to its 2017 ranking (110th), the country has moved up 14 places. Cambodia’s lowest scores were recorded in the categories of patent applications (113th), quality of research institutions (112th), and trademark applications (107th). R&D expenditures in the country are also very low, as in 2015 they represented only 0.12% of GDP. However, the country had high scores in the categories of state of cluster development (45th) and buyer sophistication (47th).

B. S&T Related Organisations

There are no specific ministries dedicated to the management of S&T related matters in Cambodia. However, the Ministry of Planning and other specialised entities are in charge of implementing science, technology and innovation strategies.

Ministry of Planning (MOP)⁵

The MOP is generally in charge of drafting and implementing national policies such as the NSDP 2019-2023. With the support of the Korea International Cooperation Agency, it drafted the NSTMP 2014-2020. In addition, the ministry manages specific organisations, including the National Science and Technology Council of Cambodia.

National Science and Technology Council (NSTC)

The NSTC is in charge of developing and promoting S&T in the country. One of its main missions is to coordinate every stakeholder of the S&T ecosystem and to foster cooperation among them. In addition, the NSTC is charged with assessing Cambodia's S&T status (e.g. by conducting national surveys to understand the status on R&D) in order to better implement the NSTMP and keep track of its results.

Other Ministries

Other various ministries are implementing policies to improve the overall Cambodian S&T ecosystem. The Ministry of Education, Youth and Sport is trying to increase S&T awareness; the Ministry of Industry and Handicraft is charged with supporting SMEs; and the Ministry of Labour and Vocational Training is tasked with creating and improving vocational trainings.

II. The Infrastructure of Science and Technology

A. Government R&D Institutes and/or Funding Agencies^{6,7}

In Cambodia, national R&D facilities are very scarce. The majority of facilities are small institutions managed by non-profit and non-governmental organisations. For example, the Cambodian Research Centre for Development was created by an independent association and carries out research in technology transfer, renewable energy, climate change or environmental economics.

The government is willing to upgrade the country's R&D infrastructure to transform Cambodia into a strong S&T nation. Therefore, it supports the Institute of Technology of Cambodia (ITC), which is the main national R&D centre in Cambodia. The ITC focuses on 13 main research fields, among which include:



Agricultural technologies
and engineering



Food Processing



Utilities technologies,
and management



Environmental issues
and climate change

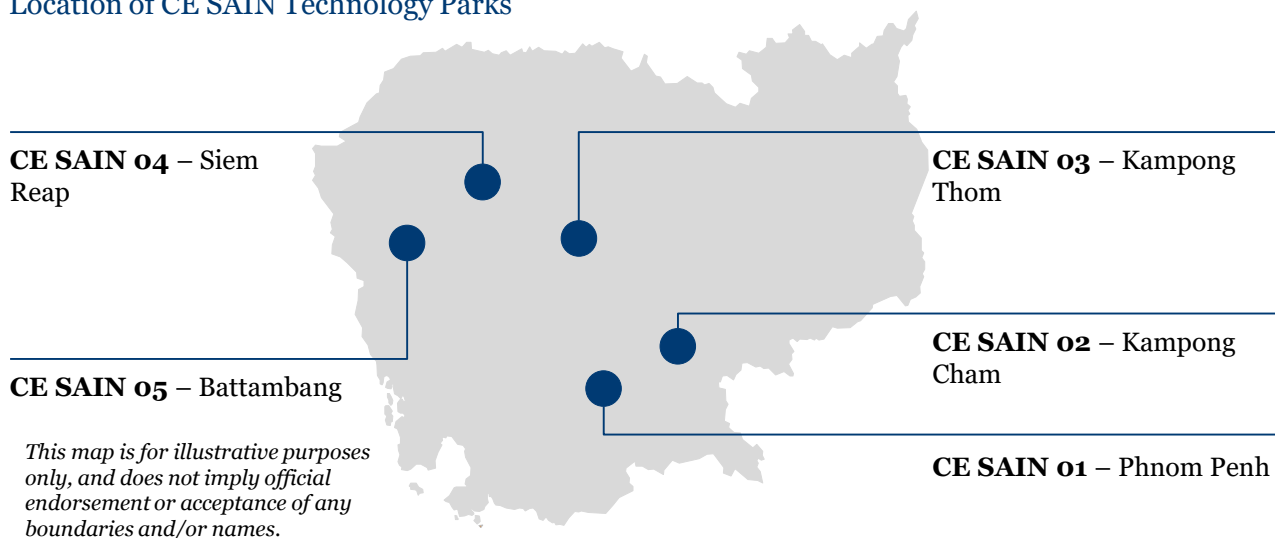
In addition, the government manages the National Institute of Posts, Telecoms and ICT (NIPTICT), which aims to be a major national R&D centre. The NIPTICT mainly focuses on R&D, design and engineering, and technology transfer in ICT.

B. University-based R&D Institutes^{8,9}

Apart from the government, universities are usually important players in the R&D field. Every year, QS Institute publishes a ranking of the top universities in Asia. This ranking is based on six criteria, among which the most important ones are academic reputation (assessing teaching and research quality) and citation per faculty (assessing importance of research outputs). None of the Cambodian universities are listed in this ranking, indicating that the R&D carried out in Cambodia has nearly no impact in the international S&T scene. However, there are two universities in Cambodia that carry out research in S&T fields. The Royal University of Phnom Penh offers degrees in biology, chemistry, physics, mathematics, computer science and environmental science, while the University of Cambodia has a track specialised in S&T which focuses on computer science and information technology (IT). The University of Cambodia also has four different computer laboratories on its campus.

In addition, the Rural University of Cambodia, the leading agricultural university in the country, is establishing Centers of Excellence on Sustainable Agricultural Intensification and Nutrition (CE SAIN). The CE SAIN are technology parks, which try to attract private investors to participate in agricultural R&D to improve the country's food safety.

Location of CE SAIN Technology Parks



C. Private Business Firms (Research Centres)¹⁰

Cambodia lacks major private research and innovation facilities. However, since March 2018, an ICT Innovation Center (IIC) has been under construction near Phnom Penh, on the NIPTICT campus. This project, which will host ICT research laboratories, and startups and co-working spaces for private and public companies, is the first of its type nationwide. The USD 4 million construction fee of the IIC is being indirectly funded by telecommunications companies through the national R&D Fund that the companies contribute to annually. The IIC can therefore be considered as a private R&D centre. Once built, the institute will focus on training an ICT proficient workforce, supporting technology startups, and boosting research and innovation in ICT.

D. Infrastructure Availability for Foreign Investments

As Cambodia lacks strong S&T infrastructure, foreign investors cannot benefit from a high number of investment destination options. Nevertheless, the country is trying to attract more foreign direct investment (FDI) in order to upgrade its research capabilities and meet the objectives of the NSTMP 2014-2020.

III. Priority Areas in Cambodia (major exports)^{11,12}

The Cambodian economy is supported by a proficient garment industry. In 2018, the country's top five exports were:

Top 5 Exports	% of Total Exports (in 2018)
 Apparel and Clothing	64.5%
 Footwear	10.5%
 Leather and Related Products	4.5%
 Electrical Machinery and Equipment	2.7%
 Vehicles	2.5%

Due to the structure of its economy, the country does not have hi-tech capabilities. In 2016, less than 1% of total manufactured exports were labelled hi-tech products (e.g. products with high R&D intensity, such as computers, aerospace products, and pharmaceuticals), compared to around 6% for Myanmar.

IV. Funding for S&T, R&D¹³

Before 2017, Cambodia did not have national R&D funds. In 2017, the Ministry of Posts and Telecommunications created two specific funds that are targeted at developing Cambodia's ICT infrastructure. In order to fund these reserves, each of the 31 telecommunications companies in the country is required to contribute a fixed percentage of its annual gross revenue.

Fund	Description	Mandatory Contribution	Total Fund Reserve (Nov 2018)
R&D Fund Capacity Building, Research and Development Fund	Fund intended to develop: <ul style="list-style-type: none"> • Human capital (e.g. scholarships or trainings); • Research (e.g. in internet of things (IoT) or data science); • Innovation (e.g. laboratories); and • ICT companies (e.g. digitalisation of SMEs). 	1% of annual gross revenues	USD 4.5 million
USO Fund Universal Service Obligation Fund	Fund intended to develop ICT infrastructure and services in rural areas.	2% of annual gross revenues	USD 9 million

V. Human Resources for S&T^{14,15}

Cambodia's S&T labour force is nearly non-existent. According to the latest data available from 2015, the country's ratio of researchers in R&D was 30 per one million people, which adds up to less than 500 full-time researchers nationally. In the 2019 Global Innovation Index, the country ranked 100th out of 126 countries on the criteria "Researchers, FTE/mn pop." below every other ASEAN country (not including Myanmar, Laos, and Brunei, which were not ranked). In addition, Cambodia cannot leverage a strong base of S&T educated people to increase the number of researchers. Indeed, only 15% of the country's tertiary-level students graduated in science and engineering (*Note*).

Note: the figure represents the share of all tertiary-level graduates in natural sciences, mathematics, statistics, information and technology, manufacturing, engineering, and construction as a percentage of all tertiary-level graduates.

VI. Support in Testing and Verification

Usually, support in testing and verification can be obtained from government agencies. However, in Cambodia, there is no dedicated ministry managing S&T related matters, or supervising S&T institutions, to offer these services to private companies. In addition, the ITC and the NIPTICT are still emerging national R&D centres, and therefore, they focus on carrying out research rather than providing additional services.

VII. Intellectual Property (IP) Policy^{16,17}

Cambodia is not ranked in the 2019 IP Index published by the Global Innovation Policy Center, which analyses IP protection in 50 different countries worldwide.

Cambodia has implemented various law concerning IP rights, for example the Law on Copyright (2003), Law on Patents (2003), Law on Trademarks (2002) or the Law on Geographical Indications of Goods (2014). However, the legal framework in the country is still new and in its early years of development. Therefore, the enforcement of IP protection remains a challenge in the country.

Source:

¹ *National Strategic Development Plan 2014 – 2018, Royal Government of Cambodia*

² *Cambodian ICT Masterplan 2020, Korea International Cooperation Agency*

³ *The Global Competitiveness Report 2018, World Economic Forum*

⁴ *Research and Development expenditure (as % of GDP), The World Bank*

⁵ *Ministry of Planning Homepage*

⁶ *Institute of Technology Cambodia homepage*

⁷ *NIPTICT homepage*

⁸ *QS Asia University Rankings 2019, QS World University Rankings*

⁹ *CE SAIN homepage*

¹⁰ *Centre for tech innovation to break ground next month, Khmer Times, 2018*

¹¹ *Trade Map, International Trade Centre*

¹² *High-technology exports as a share of manufactured exports, World Bank*

¹³ *ICT funds collect \$13.5 million, Khmer Times, 2018*

¹⁴ *Researchers in R&D per million people, World Bank*

¹⁵ *Global Innovation Index 2018, INSEAD*

¹⁶ *2019 IP Index, Global Innovation Policy Center, 2019*

¹⁷ *Intellectual Property in Cambodia, Startup Cambodia*

6. Supply Chain Environment

Executive Summary

Cambodia's economy is reliant on traditional industries such as the agriculture, garment, tourism, and construction sectors. Exports in Cambodia are heavily reliant on the garment industry, which mostly operates under the Cut/Make/Trim (CMT) model. Industries in Cambodia suffer from not being able to participate along the whole value chain, often due to the lack of either raw materials or a value-added processing industry. In response, the government is promoting information and communications technology (ICT) development, with the aim of using ICT to assist in the modernisation of industries.

Logistics and transport infrastructure in Cambodia are also lacking, with existing facilities either outdated or in disrepair. However, with the assistance of foreign countries such as Mainland China, Japan, and other Southeast Asian countries, Cambodia is expanding, upgrading, and modernising its infrastructure.



6. Supply Chain Environment

I. Industry Profiles in Cambodia

Breakdown of 2018’s Top 10 Exports^{1,2,3}

Cambodia’s major sectors by gross domestic product (GDP) in 2017 were services (41.9%), industry (32.8%) and agriculture (25.3%).

In Cambodia, the services sector mainly includes tourism, construction, finance, and telecommunications. The major industries are garment, footwear, and leather products. The primary products dominating the agricultural industry are rice, maize, cassava, and sugarcane.

In 2018, Cambodia’s total global shipments amounted to USD 19 billion of which over 90% were contributed by its top 10 exports.

Product Groups	Value	% of Total Exports
1. Apparel and clothing, knitted or crocheted	USD 8,422 million	44.4%
2. Apparel and clothing, not knitted or crocheted	USD 3,809 million	20.1%
3. Footwear and related products	USD 2,001 million	10.5%
4. Leather and leather products	USD 863 million	4.5%
5. Electrical machinery and equipment	USD 514 million	2.7%
6. Vehicles other than railway and trams	USD 471 million	2.5%
7. Cereals	USD 404 million	2.1%
8. Furs and fur products	USD 283 million	1.5%
9. Plastics and related products	USD 242 million	1.3%
10. Edible vegetables	USD 218 million	1.1%

Cambodia’s exports are heavily dominated by the garment industry, making up over 60% of total exports in 2018. Cambodia’s two main exports markets are the EU and the US, respectively accounting for around 40% and 30% of the country’s total garment manufacturing exports.

Other major exports of Cambodia include tanned furs (largest exporter in the world), bicycles (fourth largest globally), and rice (10th largest globally).

II. The Key Supported Industries in Cambodia^{4,5}

Cambodia is one of the last frontier markets in Asia, and also one of Asia's fastest-growing economies, with an average annual GDP growth of over 7% for more than twenty years. In 2018, Cambodia received around USD 3.1 billion in Foreign Direct Investment (FDI), with Mainland China being the country's largest investor.

Exports in Cambodia are heavily dominated by the garment and footwear industries, together accounting for over 70% of exports in 2018. The garment industry is also historically the sector attracting the most FDI in the country out of all manufacturing industries. Other major FDI recipient industries include infrastructure as well as information and communications technology (ICT).

A. Supply Chain Policy for Key Supported Industries and Local Supply Situations^{6,7,8}



Garment

The garment industry is one of the four economic pillars of Cambodia. It accounts for over 60% of exports, and employs over 600,000 workers, making the sector one of the biggest employers in the country. Many major global apparel companies such as Adidas, Gap, H&M, and Uniqlo, purchase from the Cambodian garment industry.

Most of the garment factories in the country operate using the cut-make-trim (CMT) model. The CMT model is similar to the Cut, Make, and Package (CMP) process used in Myanmar garment factories. In the CMT model, all the raw materials, machinery, and designs are imported by overseas customers. The fabrics are then cut and sewn in local factories before exporting to the customers. The main foreign countries dominating the Cambodian garment industry are Hong Kong, Mainland China, Singapore, and Korea. The industry is labour intensive, but only requires low-skilled workers. Therefore, a country like Cambodia, which has a large population living near or below the poverty line with low education, provides the industry with a large pool of low-cost and low-skilled workers.

The CMT model allows Cambodia to take advantage of its low-cost labour force. However, Cambodia does not have an established textile industry, and therefore needs to import most of the raw materials required. This restricts the Cambodian garment industry to only using the CMT model, as it cannot produce apparel domestically, and must rely on foreign companies.



Information and
communication
technology

While the ICT industry in Cambodia is currently relatively weak, the Cambodian government is committed to developing the industry, with the aim of using ICT to assist in modernising and optimising other industries in the country. With that in mind, the government has developed the ICT Masterplan 2020.

Under the ICT Masterplan 2020, the Cambodian government has cooperated with many other countries to improve Cambodia's telecommunications infrastructure. In January 2018, Cambodia launched a programme with Japan which focuses on developing human resources in the ICT sector. In March 2019, the Cambodian and Indian governments signed a memorandum of understanding to exchange ICT knowledge, assist in cybersecurity, and cooperate in development. Cambodian students have also been travelling to Mainland China to learn from Huawei under its "Seeds for the Future" programme. Through cooperating with other countries, the government aims to better train its workforce, and upgrade the country's economy.

III. Key Raw Materials Sourcing Platforms/Channels^{9,10}

Industry exhibitions and trade fairs are often held by the Ministry of Industry and supported by the Ministry of Commerce. For example, the garment industry holds both the Cambodia International Textile & Apparel Accessories Exhibition (CitaTex), and the Cambodia International Textile & Garment Industry Exhibition (CTG) in August. The machinery industry benefits from the Cambodia International Machinery Industry Fair (CIMIF), which covers the automotive, printing, plastics, hardware, electronics, and packaging industries, among others. These exhibitions are all held at the Diamond Island Convention & Exhibition Center in Phnom Penh, and both allows Cambodian companies to showcase their products and for foreign companies to source materials from Cambodia.

IV. Procurement Situation (local and oversea) of Raw Materials

A. Hurdles or Problems Encountered¹¹

Most industries in Cambodia are focused only on one step of the industry's value chain. This is mostly due to the lack of a skilled workforce, and a lack of processing machinery and infrastructure needed to produce more value-added products. For example, the export-focused garment industry primarily operates using the CMT model to take advantage of cheap labour. The garment industry is unable to develop beyond the CMT model due to the inadequacy of the domestic textile industry, resulting in the garment industry relying on imported raw materials. On the other hand, the agriculture industry in Cambodia only produces raw materials. Due to the inadequate domestic agro-processing industry in the country, farmers are only able to sell raw unprocessed products. This makes the domestic industry vulnerable to fluctuating global prices on raw materials, and prevents the country from making better profits from more value-added products.

According to the 2019 report by the World Bank, Cambodia is ranked 138th in the world in terms of ease of doing business, and is ranked eighth out of the ASEAN countries (Hong Kong is ranked fourth globally in the same report). While Cambodia ranks poorly in Starting a Business (185th), Dealing with Construction (179th), and Enforcing Contracts (162nd), it ranks well in Getting Credit (22nd) and Resolving Insolvency (79th).

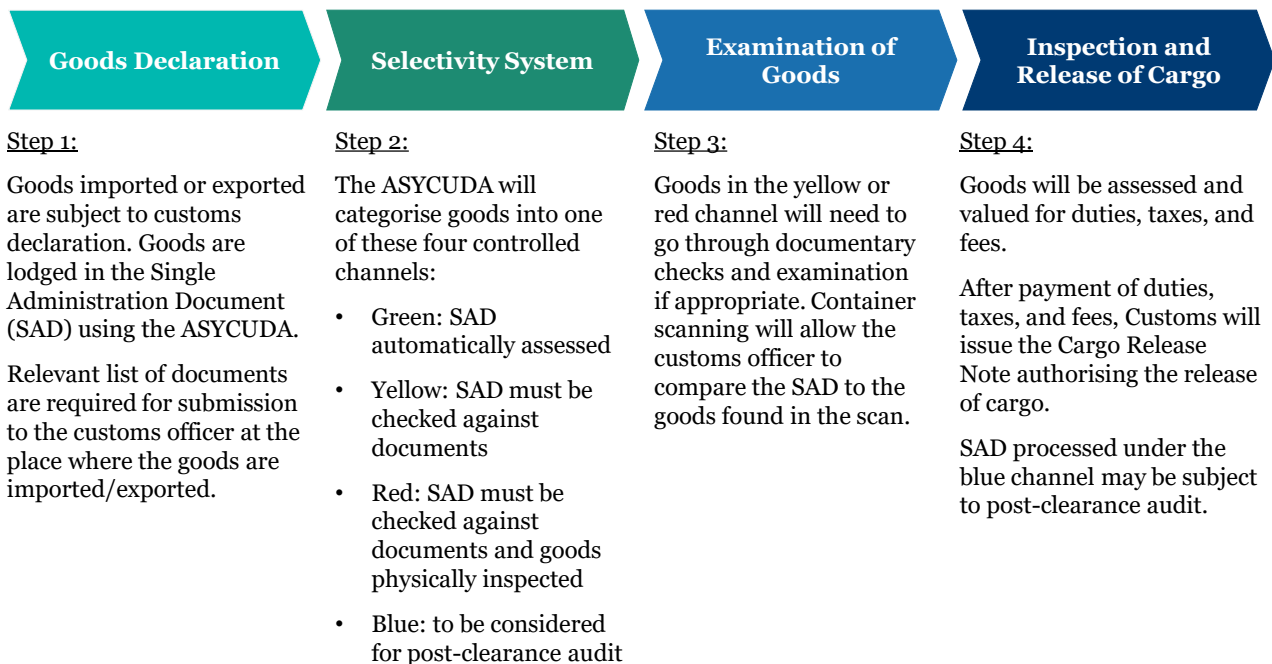
B. Efficiency of Customs and Clearance Process¹²

Cambodia applies two systems of tariff classification. The 8-digit ASEAN Harmonised Tariff Nomenclature (AHTN) is used for trade transactions between Cambodia and the other ASEAN countries, whilst the Harmonized Commodity Description and Coding System (commonly called the HS Code) applies for trade with non-ASEAN countries. For more information regarding tariff classification, please refer to the Customs Tariff of Cambodia 2017 (www.customs.gov.kh/publication-and-resources/customs-tariff-of-cambodia-2017/)

All imports and exports in Cambodia are governed by the Law on Customs, enacted in 2007. The Law on Customs is supplemented by various supporting regulations that specify procedures for different methods of entry or exit of goods into or out of Cambodia.

Importers and exporters in Cambodia must register with a number of government departments in order to be allowed to import and export. Both importers and exporters will need to register with the Department of Business Registration. Cambodia uses the Automated System on Customs Data (ASYCUDA), which requires a Taxpayer Identification Number (TIN). In order to get a TIN, importers and exporters will also need to register with the General Department of Taxation. They will then need to register with the General Department of Customs and Excise, then register the value added tax (VAT) accounts with the General Department of Taxation again.

Businesses operating in the Special Economic Zones (SEZs) will instead need to apply with the Free Zone Management Department, which is part of the General Department of Customs and Excise.

Customs Clearance Process¹³

The following table shows the documents needed for customs declaration in addition to the SAD:

#	Import and Export Goods
1	Invoice
2	Bill of lading or air waybill
3	Packing list
4	Manifest, if necessary
5	Import/export permit or clearance, if necessary
6	Certificate of Origin, if necessary
7	Certificate of Insurance, if necessary
8	Any other specific documents required by specific regulations

For specific regulations regarding the customs clearance process, please refer to the Handbook on Customs Clearance issued by the General Department of Customs and Excise of Cambodia (GDCE) (www.customs.gov.kh/wp-content/uploads/2015/10/Handbook-on-Customs-Clearance-EN-Final-Oct-19.pdf)

V. Logistic Support

A. Infrastructure Conditions (e.g. major airports/ports/highways)^{14,15,16,17,18}

Cambodia suffers from poorly maintained and outdated logistics infrastructure. Many of the country’s transport infrastructures were built during the colonial period by foreign countries, and now suffer from decades of neglect and disrepair. However, the Cambodian government is committed to developing the country’s infrastructure: it is currently implementing the Logistics Master Plan Development, and additionally approved many expansion plans for air, sea, road, and rail transport.



Airports

Cambodia has 11 airports, of which three are international airports: Phnom Penh International Airport (PNH), Siem Reap International Airport (REP), and Sihanoukville International Airport (KOS). The three airports combined handled around 10 million passengers in 2018. This number is expected to grow in the near future due to growing tourism in the country. In 2018, around 30% of the country’s tourists originated from Mainland China.



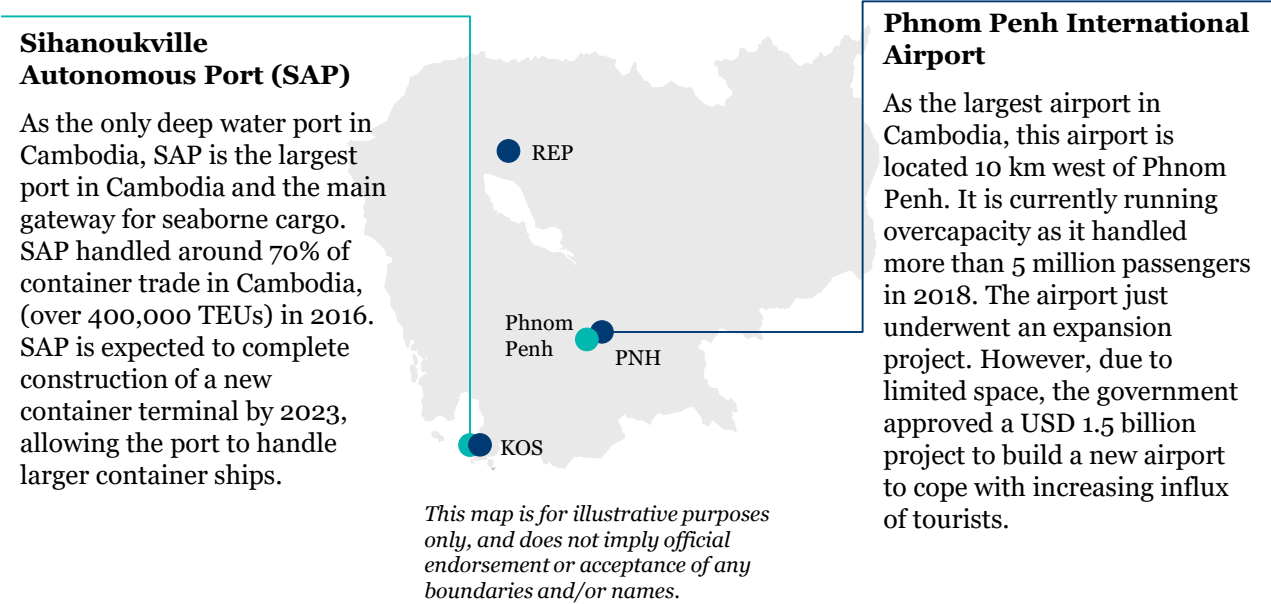
Seaports

Cambodia has two major ports that handle international shipments: Phnom Penh Port, and Sihanoukville Port. Phnom Penh is a river port, while Sihanoukville is a deep water port. Phnom Penh is located at the junction of the Bassac, Mekong, and Tonle Sap rivers, and handled 205,000 TEUs in 2018. The Kampot Port, which began construction in August 2018, is expected to be completed by the end of 2019. It was funded by the Asian Development Bank, and is expected to sustain the increase in tourism in the region.

Waterways are also very important to domestic trade and travel. The Mekong and Tonle Sap rivers provide around 1,750 km of navigable waterways. The rivers are still the main form of transport for many villagers, both in transporting passengers and in transporting cargo.

Locations of Major Airports and Seaports

- International Airports
- Ports





Highways

The road network in Cambodia is over 61,000 km long, but only around 10,000 km (18%) of it is paved. Nevertheless, road transport accounts for over 70% of total cargo traffic in Cambodia. There are nine National Roads, mostly originating from Phnom Penh. Cambodia is also building expressways with the help of Mainland China, as part of Mainland China's Belt and Road Initiative (BRI). The first expressway in Cambodia will be built by the China Road and Bridge Corp. between the capital of Phnom Penh and the export hub of Sihanoukville, and is expected to cost around USD 1.9 billion.



Railways

Cambodia has over 600 km of railways, but most of them are not in use due to years of poor maintenance. Currently, the railway in Cambodia consists of two lines. One line starts in Phnom Penh and ends in Sihanoukville, while the other starts in Phnom Penh and ends in Poipet. The Phnom Penh-Sihanoukville route was reinstated in 2016, and the Phnom Penh-Poipet line was reopened in 2018. A cross-border link from Poipet to Arayprathet in Thailand was inaugurated in April 2019, connecting the two countries by rail for the first time in 45 years.

B. Key Logistics Hubs¹⁹

Currently, most of the logistics infrastructure in Cambodia are concentrated around the capital of Phnom Penh, and the export hub of Sihanoukville. To upgrade the country's poor logistics infrastructure, the government cooperated with the World Bank and the Japan International Cooperation Agency (JICA) to create Logistics Master Plan Development. Under this plan, Cambodia will develop three main economic corridors: one between Phnom Penh and the export hub of Sihanoukville, and two between Phnom Penh and the industrial centres of Poipet and Bavet. The master plan will be accomplished in three stages:

- 1) Short-term (2018 – 2019): enhance transport infrastructure, smoother transits and border points, and simplify customs permit applications and inspections;
- 2) Medium-term (2020 – 2022): reach global standards on infrastructure, internationalised permits and inspections, and harmonising cross-border operations with Thailand and Vietnam; and
- 3) Long-term (2023 – 2025): establish efficient transport networks and hubs to facilitate optimal transport, high connectivity with other countries in the region, and diversified logistics services.

C. Logistics Information Tractability and Transparency²⁰

Cambodia has a relatively poor logistics performance as compared to the other ASEAN countries. In the 2018 World Bank's Logistics Performance Index (LPI), Cambodia was ranked 98th out of 160 countries for the overall LPI, a large drop from the 2016 result (ranked 73rd out of 160). Cambodia ranked ninth among the ASEAN countries.

On a granular level, the LPI score is made up of six elements: (1) Customs; (2) Infrastructure; (3) International shipments; (4) Logistics competence; (5) Tracking and tracing, and (6) Timeliness. Cambodia ranked relatively better in International shipments (71st), but scored poorly in Infrastructure (130th).

Source:

- ¹ *Trade Map, International Trade Centre*
- ² *The World Factbook: Cambodia, Central Intelligence Agency*
- ³ *Cambodia, Observatory of Economic Complexity*
- ⁴ *ASEAN Investment Report 2018, The ASEAN Secretariat*
- ⁵ *Cambodia's Garment Manufacturing Industry, Dezan Shira & Associates, Nov 2018*
- ⁶ *Summary on Cambodian ICT Masterplan 2020, Korea International Cooperation Agency, 2014*
- ⁷ *Government links up with Japan to strengthen ICT sector, Phnom Penh Post, Jan 2018*
- ⁸ *Cambodia, India to cooperate on ICT, Phnom Penh Post, Mar 2019*
- ⁹ *Citatex, Chan Chao International Co., Ltd.*
- ¹⁰ *CIMIF, Chan Chao International Co., Ltd.*
- ¹¹ *PM: Invest more in processing raw materials, Khmer Times, May 2017*
- ¹² *Import and Export Procedures in Cambodia – Best Practices, Dezan Shira & Associates, Jul 2017*
- ¹³ *Handbook on Customs Clearance, General Department of Customs and Excise of Cambodia, Oct 2015*
- ¹⁴ *Airports in Cambodia expect 10 million passengers in 2018, Bangkok Post, Dec 2018*
- ¹⁵ *Cambodia: Opportunities and Challenges in the Logistics Sector, HKTDC, Jun 2017*
- ¹⁶ *Government approves plan to relocate Phnom Penh's airport, Phnom Penh Post, Jan 2018*
- ¹⁷ *Chinese investment in Cambodia is bringing Phnom Penh closer to Beijing – and further from the EU, SCMP, May 2019*
- ¹⁸ *Cambodia – Thailand rail link inaugurated by prime ministers, Railway Gazette, Apr 2019*
- ¹⁹ *Logistics Master Plan Development in the Kingdom of Cambodia, Ministry of Public Works and Transport, Dec 2017*
- ²⁰ *Logistics Performance Index (LPI), The World Bank, 2018*

7. Infrastructure

Executive Summary

Cambodia's infrastructure and industrial estates ecosystem are still developing.

There are currently only three industrial estates and 11 operational Special Economic Zones (SEZs) in the country, which cater mainly to manufacturing companies. The industrial estates and SEZs are mainly concentrated around four strategic locations: Phnom Penh (Cambodia's capital), Sihanoukville (the country's only deep water port), Poipet (near the Thai border) and Bavet (near the Vietnamese border).

Cambodia is forecasted to need an overall of around USD 87 billion to upgrade its infrastructure between 2016 and 2040. Most of the future investments will be carried out via public private partnerships or by foreign companies (mainly Mainland Chinese and Japanese ones). However, by 2040, less than 70% of Cambodia's infrastructure needs is expected to be met.



7. Infrastructure

I. List of Major Industrial Estates and Geographical Locations

A. Availability of Infrastructure, Associated Cost of Usage, and Options for the Major Industrial Estates^{1,2,3}

In Cambodia, there is no official authority managing the development of industrial estates, and therefore, no official source lists the number of operating industrial parks in the country. Overall, it seems that Mainland China and Hong Kong companies looking to expand their manufacturing footprint to Cambodia can choose to locate their operations in the following three industrial parks located around Phnom Penh: Y Seven Industrial Park, Canadia Industrial Park, and Vattanac Industrial Park.

In addition, in Cambodia, most of the Special Economic Zones (SEZs) can be considered as industrial parks as they usually include General Industrial Zones and/or Export Processing Zones. The Council for the Development of Cambodia (CDC), has approved about 45 SEZ projects and 11 are currently operational.

Support and Incentives

When considering establishing in Cambodia's SEZs and/or industrial estates, it is important to consider the availability of utilities, the transportation networks leading to the estate, and the incentives provided by the government.

Utilities

The country's main SEZs and/or industrial estates offer underground water and drainage facilities, and electricity is usually supplied via public transmission. Some SEZs additionally offer accommodation for management staff, along with banks, clinics, or grocery shops.

Transportation

The industrial estates and SEZs located near Phnom Penh will benefit from a privilege access to the established transportation networks such as National Roads.

Government Incentives

Companies choosing to locate their manufacturing operations in Cambodia's SEZs are eligible for fiscal and non-fiscal incentives. The Cambodian Special Economic Zone Board (CSEZB) is in charge of examining the investors and has the power to provide the following incentives, among others:

- Fiscal incentives such as custom duty exemption on import of specific goods (e.g. machinery), 0% value added tax rate or profit tax exemption;
- Non-fiscal incentives such as special customs procedures or non-discriminatory treatments towards foreign employees.

For further details regarding incentives, please refer to section 9, or the CDC's official homepage (www.cambodiainvestment.gov.kh/investment-scheme/investment-incentives.html)

Industrial Estates and SEZ's Location and Regional Implications

Number of SEZ

● Industrial Parks

● SEZ

Vattanac Industrial Park

Hosts mainly garment manufacturers which employ a total of 10,000 workers operating across two parks.

Canada Industrial Park

Hosts around 50 garment, textile, or packaging manufacturers, aiming to export their production to Europe and the US.

Y Seven Industrial Park

Hosts mainly garment manufacturers.

Poi Pet O'Neang

Hosts vehicles or packaging manufacturers.

Neang Kok Koh Kong

Hosts vehicle assembly factories and spare parts manufacturers.

Sihanoukville

The country's largest SEZ, which can host up to 300 factories, is co-developed by Mainland Chinese and Cambodian companies. It is strategically located near Cambodia's only deep water port.

It hosts around 160 companies engaging in motor and bicycle assembly, garment and footwear manufacturing, or plastic production.

Goldfame Pak Shun

Hosts carton, plastic labels printing and knitting factories.

Kamptot

SEZ which harbours a USD 100 million deep seaport project.

Tai Seng Bavet

Import/export-focused SEZ located near the Vietnamese border. It hosts bicycle, footwear and garment manufacturers.

Dragon King

Hosts textile manufacturers and companies engaged in hi-tech industries.

Manhattan

SEZ located near Ho Chi Minh Port, and is therefore tailored for import and export industries. It hosts bicycle, packaging, footwear, and garment manufacturers.

Phnom Penh

One of the country's most developed SEZs, which is a result of a collaboration between Cambodia and Japan. It is located 8km away from Cambodia's capital (Phnom Penh) thus granting companies access to a large pool of workers.

It hosts around 80 companies engaged in motor assembly, metal processing, textile and footwear manufacturing, or food processing.

This map is for illustrative purposes only, and does not imply official endorsement or acceptance of any boundaries and/or names.

Foreign Direct Investment (FDI)^{4,5}

In 2018, Cambodia received around USD 3.1 billion in FDI, a 15% increase compared with USD 2.7 billion in 2017. In 2018, Mainland China was by far the country's leading investor, representing more than 50% of the total FDI, followed by Hong Kong and the US. The top three sectors attracting the most FDI were construction, infrastructure and manufacturing. Within the manufacturing sector, garment attracts the most FDI, but assembly and electronics production are receiving an increasing amount of capital.

Cost of Usage

Companies choosing to locate their manufacturing operations in SEZs or industrial estates are usually charged with three main types of fees: 1) land renting price and land tax, 2) maintenance, and 3) water and other utilities.

The land price in industrial estates varies from one site to another depending on factors such as location, provision of utilities, transportation links, proximity and access to raw materials etc. In Cambodia, the most expensive locations are the two most advanced SEZs: Sihanoukville and Phnom Penh. These SEZs benefit from access to various transportation networks, such as National Roads or ports, and are close to the country's key logistic hubs.

Please refer to Appendix 1 for more details or visit the CDC homepage for information concerning utility, telecommunications and logistic costs (www.cambodiainvestment.gov.kh/why-invest-in-cambodia/investment-environment/cost-of-doing-business/real-estate-cost.html)

Outlook⁶

The Cambodian SEZ ecosystem is still developing. Currently, there are only 11 operating SEZs in Cambodia, while the CDC has approved around 45 development projects. The exact status of each project is not clear. However, it is estimated that the other 34 SEZs are under construction. In the near future, the ecosystem will specifically be linked to investments coming from Mainland China and Japan. For example, the country could benefit from the US-Mainland China trade war by positioning itself as a viable manufacturing destination for companies looking to relocate their operations. In addition, Cambodia is looking to leverage foreign investors' knowledge to create industrial estates and/or SEZs targeting small and medium-sized enterprises (SMEs) and non-garment industries.

B. Land or Building for the Major Industrial Estates⁷

Availability for Foreign Ownership and Terms

Article 16 of the Law on Investment of the Kingdom of Cambodia defines the land ownership and usage restrictions, which apply to foreign investors. Foreign companies are prohibited from owning land for the purpose of carrying out promoted investment activities (please refer to section 8 for more details). Indeed, only Cambodian citizens or legal entities with at least 51% Cambodian ownership are allowed to own land for this purpose. However, foreign investors can sign long-term leases of a maximum period of 70 years, which are renewable.

Application Procedures for Business Operations in SEZs

Usually, Cambodia's SEZs offer onsite one-stop services for application and registration. Various government authorities (e.g. the CDC, Ministry of Commerce, Customs, Camcontrol, and the Ministry of Labour) have representative offices in the SEZs, and the one-stop services centres offer services such as: documentation processing for registration, investment licensing, and export/import permits, or work permits.

II. Potential Infrastructure Shortfall^{8,9}

In the World Economic Forum’s 2018 Competitiveness Report, Cambodia ranked 112nd out of 140 countries for the quality of its infrastructure, which is below every other ASEAN country (except Myanmar which is not ranked in this report). The major problems of the country’s infrastructure are:

- Very low electrification rate (115th), with only 59.7% of population having access to electricity;
- Inefficient air transport services (114th);
- Inefficient train services (109th);
- Poor quality of roads (100th) and poor road connectivity (100th).

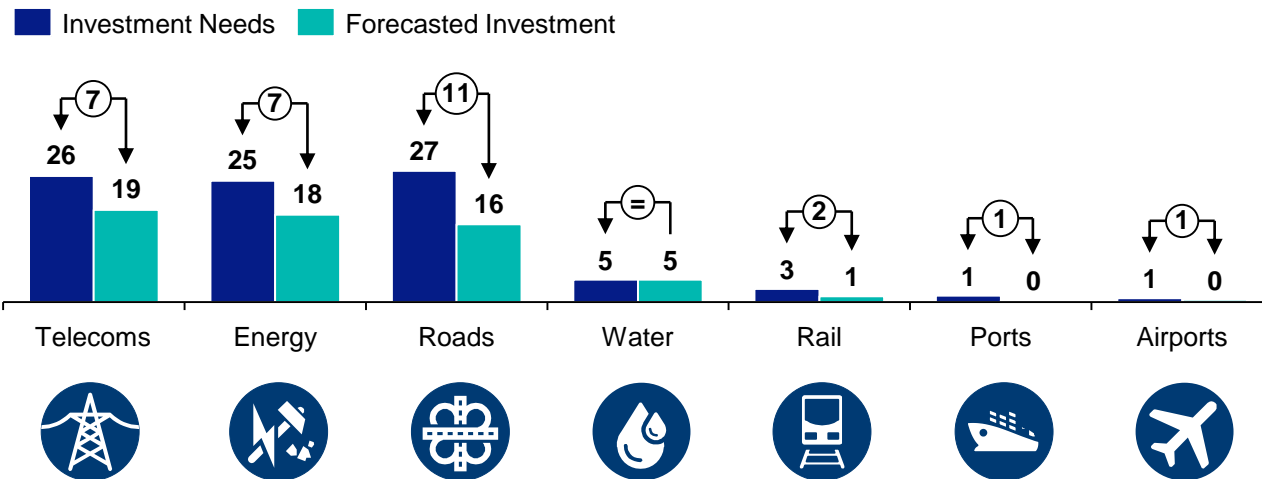
In addition, the development of infrastructure, especially in urban areas, struggles to keep up with the growing population. For example, even in the country’s most advanced infrastructure areas (e.g. Phnom Penh), road congestion is increasingly an issue, with a lack of suitable alternatives such as light rail.

III. Latest and Upcoming Major Local Infrastructure Projects and Spending^{10,11}

Through the Ministry of Public Work and Transport, Cambodia published the Logistic Master Plan Development in 2018, which is meant to address the country’s lack of infrastructure. The plan mainly focuses on upgrading and building new infrastructure in the country’s four major logistics hubs: Phnom Penh (the capital), Sihanoukville port (the country’s only deep seaport) and Bavet and Poipet which are near the borders with Vietnam and Thailand respectively. The total investment budget and list of specific infrastructure projects are not provided in the available Master Plan documents.

According to Global Infrastructure Outlook by G20 in 2017, from 2016 to 2040, around USD 87 billion will be needed to upgrade or build new infrastructure in Cambodia (see chart below for breakdown by sector). Over the period, it is forecasted that the country’s public and private sectors will invest USD 59 billion, therefore covering around 70% of the country’s needs. The main infrastructure that will suffer the most from the lack of investments are: roads (USD 11 billion gap), telecommunications (USD 7 billion gap) and energy (USD 7 billion gap).

Cambodia’s Infrastructure Investment Needs 2016-2040 per Sector (USD billion)



The following section highlights the major infrastructure developments in Cambodia.

Transportation



Roads^{12,13}

It is estimated that by 2040, USD 27 billion will need to be invested on the roads in Cambodia, which represents the construction of around 2,200 km of roads. Currently, there is one expressway project underway in Cambodia, and another one which is being considered by the government:

- The Phnom Penh-Sihanoukville expressway is a USD 1.9 billion project funded by Mainland China. Construction of the new highway, which will span over 190 km and contain four lanes, started in 2019 and is expected to be completed by 2023. Once completed, it will be the country's first expressway.
- The Phnom Penh-Bavet Expressway is currently under consideration. According to the Japan International Cooperation Agency (JICA), the 160 km highway would cost USD 3.8 billion. The Cambodian government has not yet decided whether or not to build it.



Rail¹⁴

It is estimated that between 2009 and 2019, Cambodia spent around USD 227 million to restore and upgrade its Northern and Southern railways. As of August 2019, there are no official undergoing or planned railways projects. However, the Cambodian Prime Minister asked the China Railway Construction Corporation in April 2019 to partner with the local Royal Group of Cambodia in order to further develop the country's railroad network.



Ports¹⁵

In Cambodia, several new or improvement port projects, mostly around Sihanoukville, Kampot and Koh Kong, are underway:

- The Sihanoukville port expansion is a USD 205 million project funded by the JICA. The construction of a new container terminal started in 2019 and is expected to be completed by 2023. This will increase the port's capacity from 700,000 TEUs to around 1.3 million TEUs a year.
- Construction of the Kampot international seaport. The USD 18 million project is funded by the Asian Development Bank (ADB) with the aim of boosting tourism in Cambodia.



Airports^{16,17}

In addition to the completed expansion of the Phnom Penh airport, there are two other major undergoing projects in Cambodia:

- The new Siem Reap Angkor International Airport. The USD 880 million project will create the largest airport in Cambodia. After completion of the first construction phase, the airport will be able to receive 7 million passengers a year.
- The new Dara Sakor International Airport. The Mainland Chinese-funded project (USD 200 million for the first phase) aims to create a new airport in Koh Kong, which should start operating in 2020.

Utilities



Water¹⁸

In order to ensure public health safety, the Cambodian government established the Department of Construction of Sewage Treatment System. It is charged with managing the wastewater treatment systems located in Siem Reap, Battambang and Sihanoukville and study and/or implement additional projects related to this topic. In addition, the ADB is financing projects related to the construction of new/expansion of sewers and wastewater treatment plants in multiple Cambodian cities.



Energy^{19,20,21}

Cambodia is looking to reach 100% electrification rate by 2020. In order to cope with the increasing electricity demand, a coal-fired power plant, and other renewable energy projects are being planned.

- As of June 2019, Royal Group is conducting a feasibility study to build a 700-megawatt coal-fired power plant in Preah Sihanouk province.
- In December 2018, the country's largest hydropower dam started producing electricity. The 400-megawatt dam was built under a Mainland Chinese-Cambodian joint venture and cost around USD 800 million.
- In January 2019, the US company Gideon Group announced its intention to invest USD 488 million to build a 135-megawatt solar plant in Kandal Province.

Telecommunications²²



Cambodia is aiming to boost the telecommunications sector in the country. To do so, the government struck a public private partnership with the Mainland Chinese-owned Southeast Asia Telecommunications (Seatel). The company already invested USD 300 million in Cambodia to install 12,000 km of fibre optic cables across the country. Seatel additionally pledged to invest USD 200 million to provide most Cambodian citizens with affordable high-speed internet.

IV. Availability of Natural Resources^{23,24,25,26,27,28,29,30}

Natural Resource	Details
Natural Vegetation, Forests and Timber	<ul style="list-style-type: none"> There are different landscapes in Cambodia, such as dry forests in the north and northeast, deciduous forests in the eastern highlands and rainforests in the south. Two major factors endangering the Cambodian forests are illegal logging and the growth of rubber plantations.
Agriculture	<ul style="list-style-type: none"> Agriculture accounts for around 25% of Cambodia's GDP and employs the majority of the country's workforce. Rice is the country's major crop and food. Other products include cassava, corn, sugarcane, soybean and coconuts.
Fishing/ Aquaculture	<ul style="list-style-type: none"> Cambodia mainly relies on its inland fisheries which are part of the Mekong River system The usual fish caught in fresh water are perch, carp, lungfish, and smelt. It is estimated that in 2015, the Tonle Sap lake employed 2 million people throughout the entire fishing value chain. Overfishing and environmental degradation are major concerns affecting large-scale fishing in Cambodia's Tonle Sap Lake
Livestock	<ul style="list-style-type: none"> The livestock industry witnessed strong growth in the past years. Between 2015 and 2016, the total animal production grew by 5%, swine grew by 7%, and poultry by 4%. The government estimates that 300,000 tonnes of meat would be needed by 2020.
Water Resources	<ul style="list-style-type: none"> Inland fisheries are an important industry in Cambodia. The country relies more on freshwater (Mekong River and Tonle Sap Lake) than on coastal areas. Around 75% of Cambodia's renewable freshwater comes from other countries (mainly Laos), and the country therefore has a very high dependency ratio.
Minerals	<ul style="list-style-type: none"> The mining industry is still developing in Cambodia: it contributed to around 2.5% of national revenue in 2018, and is expected to contribute 10% in 2023. There are no major industrial-scale extractions of minerals in the country. The industry is composed of small-scale quarries producing construction materials (e.g. limestone, granite, marble, granite) and artisanal miners recovering gold and gemstones.
Coal, Oil and Fossil Fuels	<ul style="list-style-type: none"> In Cambodia, coal accounted for more than 35% of the total yearly electricity production in 2018. The country aims to reach nationwide electrification by 2020. To face the increasing demand, the government has already approved the construction of two new coal-fired power plants (at least three coal power plants are operational in the country). Cambodia has reduced the proportion of imported electricity from 63% in 2011 to 19% in 2017.
Renewable Energy	<ul style="list-style-type: none"> In Cambodia, hydropower accounted for nearly 40% of the total yearly electricity production in 2018. However, the country needs to overcome the challenging dry season during which electricity production drops by 25%. Solar power is expected to grow at a high speed in the near future. Investors from Mainland China, Singapore and the US are in the process of building solar power plants in the country.

Source:

- ¹ *The Council for the Development of Cambodia Homepage*
- ² *Cambodia: SEZs in Focus, HKTDC, 2017*
- ³ *Strengthening connectivity through the southern economic corridor, Japan International Cooperation Agency*
- ⁴ *Cambodia Foreign Investment, Santander*
- ⁵ *Inflow of FDI up in first half, The Phnom Penh Post*
- ⁶ *Cambodia's Investment Outlook for 2019, ASEAN Briefing, 2019*
- ⁷ *Law on the Investment of the Kingdom of Cambodia*
- ⁸ *The Global Competitiveness Report 2018, World Economic Forum*
- ⁹ *Infrastructure development struggles to keep pace with needs of a growing city, The Phnom Penh Post*
- ¹⁰ *Logistics master plan ready for submission, Khmer Times, 2018*
- ¹¹ *Global Infrastructure Outlook 2017, G20*
- ¹² *Feasibility study on new expressway completed, Khmer Times, 2018*
- ¹³ *Sihanoukville highway work to begin, The Phnom Penh Post, 2019*
- ¹⁴ *CRRC of China set to partner Royal Railways to improve railroads in Cambodia, Khmer Times, 2019*
- ¹⁵ *Port of Sihanoukville poised for double digit growth, Khmer Times, 2018*
- ¹⁶ *Shanxi helps construct Cambodia's largest airport, Khmer Times, 2019*
- ¹⁷ *New airport to be operational in 2020, Khmer Times, 2019*
- ¹⁸ *Improving sanitation and wastewater treatment in Cambodia, Ramboll, 2019*
- ¹⁹ *Royal Group to do study on 700 MW power plant, Khmer Times, 2019*
- ²⁰ *Cambodia's biggest hydropower dam now producing electricity, Bangkok Post, 2018*
- ²¹ *Biggest solar project yet gets half billion in funding, Khmer Times, 2019*
- ²² *Telecom Cambodia and Seatel team up to boost telco sector, Khmer Times, 2019*
- ²³ *Encyclopaedia Britannica, Cambodia*
- ²⁴ *Fisheries production and water resources in Cambodia, Open Development*
- ²⁵ *Rising Cambodia's livestock sector a lifeline for farmers' prosperity, The Phnom Penh Post, 2019*
- ²⁶ *Minning in Cambodia, Open Development*
- ²⁷ *Mining industry expected to be viable from late this year, The Phnom Penh Post, 2019*
- ²⁸ *Energy-hungry Cambodia shows no sign of backing down on coal, Eco-Business, 2018*
- ²⁹ *Cambodia's rising renewable energy supply to grow, The Phnom Penh Post, 2019*
- ³⁰ *Cambodia's Renewable Energy Prospects, Leaders in Energy*

8. Types of Industries Encouraged by the Local Government

Executive Summary

The Law on Investment of the Kingdom of Cambodia defines and governs the establishment and benefits of the Qualified Investment Projects (QIPs). QIPs are entitled to incentives and privileges including, but not limited to, tax and customs duty exemptions. Except for the prohibited and restricted industries listed in the Law on Investment, investments in all industries are eligible for QIPs.



8. Types of Industries Encouraged by the Local Government

I. *List of Government Programmes Encouraging Specific Industries*^{1,2,3,4}

In Cambodia, investments in a wide range of industries are promoted. According to the Council for the Development of Cambodia (CDC), Cambodia does not and will not discriminate against any kind of investment, and offers incentives focusing on industries such as agriculture and agro-industries; labour-intensive industries such as garment, tourism, and mining.

The Law on Investment enacted in 1994 governs all investments in Cambodia, and establishes the Qualified Investment Project (QIP) incentive programme, which is the main investment incentive in Cambodia for foreign investors.

Qualified Investment Projects (QIPs)

To encourage and attract foreign investments, Cambodia offers various investment incentives to projects recognised as QIPs. Companies can apply to the CDC for their projects to be recognised as a QIP. QIPs are entitled to various fiscal and non-fiscal benefits as entailed in the Law on Investment. The main two benefits available are profit tax exemption or special depreciation allowance. Businesses may only select one of these two main benefits. For more details on the specific incentives provided to QIPs, please refer to section 9.

Investment projects in any industries except for those listed as prohibited or restricted in the Law on Investment (see the following section) are eligible to qualify as QIPs. Different industries will have different minimum required investment amounts to be eligible for incentives, for example:

- Requiring an investment capital of more than USD 300,000:



Leather and
Related Products



Metals and
Related Products



Electrical and
Electronic
Appliances



Toys and
Sporting Goods



Motor Vehicles

- Requiring an investment capital of more than USD 500,000:



Food and
Beverage



Garment and
Textile



Furniture and
Fixtures



Paper and
Related Products



Rubber and
Plastic Products

For a detailed list of the minimum required capital for different industries, please refer to the CDC's official website (www.cambodiainvestment.gov.kh/investment-scheme/investment-incentives.html).

II. List of Business Activities that Foreign Participation may be Prohibited or Restricted from^{5,6}

The lists of business activities that foreign investors are prohibited from, and activities that are not eligible for incentives are provided in the Negative List in Annex 1 of the Sub-decree on the Implementation of the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia.

Section	Status	List of Prohibited or Restricted Industries
Section One	<ul style="list-style-type: none"> Prohibited by Law and Sub-decrees 	<ul style="list-style-type: none"> Production or processing of psychotropic and narcotic substances; Production of poisonous chemicals, and other goods using chemical substances prohibited by international regulations or the World Health Organization, negatively affecting public health or the environment; Processing and production of electrical power by using any waste imported from a foreign country; and Forestry exploitation business prohibited by the Forestry Law.
Section Two	<ul style="list-style-type: none"> Not eligible for incentives 	<p>46 industries and sectors listed in Section Two of Annex 1 of the Sub-decree including, but not limited to:</p> <ul style="list-style-type: none"> Currency and financial businesses and services, including banks, insurance, financial intermediation, etc.; Professional services; Tourism; Production of tobacco products; Casino or gambling businesses; and Investments not meeting the required minimum capital of the relevant industry.
Section Three	<ul style="list-style-type: none"> Eligible for customs duty exemption, but not for profit tax exemption 	<ul style="list-style-type: none"> Basic telecommunications services; and Exploration of gas, oil and all kinds of mining, including supply bases for gas and oil activities

For a detailed list of industries and sectors that are prohibited or not eligible for incentives, please refer to the Negative List (www.cambodiainvestment.gov.kh/wp-content/uploads/2011/10/Sub-Decree-111-on-Implementation-LOI_050927.pdf)

8. Types of Industries Encouraged by the Local Government

Source:

¹ *Investment Incentives, Council for the Development of Cambodia*

² *Qualified Investment Projects in Cambodia, Tilleke & Gibbins, Nov 2016*

³ *Investment Guide Cambodia: Investment Incentives and Procedures, DFDL, 2017*

⁴ *Law on the Investment of the Kingdom of Cambodia (1994), The National Assembly*

⁵ *Sub-decree on the Implementation of the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia No. 111/ANK/BK (2005), The Royal Government of Cambodia*

⁶ *Prohibited Fields of Investment, Council for the Development of Cambodia*

9. Key Government Incentives

Executive Summary

To promote investments and development in Cambodia, the Cambodian government has set up the Council for the Development of Cambodia (CDC). The CDC is responsible for recognising and providing tax and non-tax investment incentives to Qualified Investment Projects (QIPs).

The Cambodian government has also created 11 operational Special Economic Zones (SEZs) to attract foreign businesses to establish their manufacturing bases in Cambodia.



9. Key Government Incentives

I. Eligibility on Incentive Programmes for Foreign Investments^{1,2,3,4}

Qualified Investment Projects (QIPs)

All investments in Cambodia are governed by the Law on Investment enacted in 1994, and relevant sub-decrees. The Law on Investment also established the Council for the Development of Cambodia (CDC), which is responsible for promoting investments and development in the country.

The main incentive programme in Cambodia is the QIP incentives. Projects that are recognised as QIPs by the CDC will receive either profit tax exemption or special depreciation allowance, among other benefits, depending on specific project criteria. Investors should apply to the CDC for their projects to be granted QIP status, which will be granted on a case-by-case basis. The application fee for QIP status will be KHR 7 million (around USD 1,700).

Application Processes

Submission of Investment Proposal to the CDC

Time required: N/A

- Complete the Application Form (*Note*)
- Pay the application fee



Issuance of Conditional Registration Certificate (CRC) or Letter of Non-compliance

Time required: 3 working days

- The CRC provides the authorisations required to operate the QIP, and the incentives that the QIP is qualified for
- The Letter of Non-compliance provides the reasons why the proposed project was not accepted
- Should a CRC or Letter of Non-compliance not be issued within 3 days, the CRC is considered automatically approved



Obtaining Relevant Licenses and Issuance of a Final Registration Certificate (FRC)

Time required: within 28 working days

- The CDC will obtain the relevant licenses from the ministries on behalf of the applicant
- The FRC will be issued after all licenses are obtained
- The FRC issuance date is the commencement date of the QIP

Note: The Application Form is provided in Annex 2 of the Sub-decree on the Implementation of the Amendment to the Law on Investment (www.cambodiainvestment.gov.kh/wp-content/uploads/2011/10/Sub-Decree-111-on-Implementation-LOI_050927.pdf)

Incentives⁵

QIPs are eligible for different incentives depending on whether they are located within a Special Economic Zone (SEZ) or not. For the incentives available to businesses located in an SEZ, please refer to the next subsection on SEZs. QIPs not located in an SEZ may be eligible for the following tax and non-tax incentives:

Category	Incentives
Tax Incentives	<ul style="list-style-type: none"> • Profit tax exemption for 3 to 9 years OR 40% special depreciation allowance on the value of tangible properties used in production or processing; • Customs duty exemption on import of production equipment and construction materials; and • 100% exemption on export tax.
Non-tax Incentives	<ul style="list-style-type: none"> • Preferential treatment when hiring foreign employees; • Permission to hire as many foreigners as necessary for the QIP provided that they are required for the job; • Permission to bring into Cambodia the spouses and dependents of foreign employees of the QIP; and • Ability to enter into land leases for unlimited terms.

II. Scope of Special Economic Zone Schemes and Geographical Location^{2,5,6,7}

Special Economic Zones (SEZs)

The SEZ scheme in Cambodia was established through Sub-decree No. 147 on the Organization and Functioning of the CDC issued in 2005. Supporting sub-decrees include Sub-decree No. 148 on the Establishment and Management of the Special Economic Zone which governs the SEZs, and a Law on the Special Economic Zones that was drafted in 2008, but has not yet been enacted.

SEZs provide additional incentives for investors on top of the QIP incentives, and aim to provide established infrastructure and utilities to attract foreign investors. The CDC will provide incentives for both developers of SEZs in Cambodia, and foreign investors in SEZs. For more information on the application process, costs and available infrastructure in SEZs, please refer to section 7.

Zone Developer Incentives

In order to develop an SEZ, the developer must have at least 50 hectares of land, and provide sufficient utilities, road systems, and other necessary infrastructure. The SEZ must be approved by the CDC in order to be eligible for the incentives, which include:

- Profit tax exemption of up to nine years;
- Import duty and customs duty exemption on equipment, machinery, and construction materials;
- Temporary admission to import transport and machinery used in construction;
- Permission to transfer all income from the SEZ to banks in other countries; and
- Land concession to establish the SEZ, and ability to lease land to zone investors.

Zone Investor Incentives

Businesses with recognised QIPs that are approved to be located in SEZs may be eligible for additional investment incentives, including:

- Any tax incentives that the project may be eligible for as a QIP;
- 0% value added tax on all imports used for production of goods that are exported;
- Expedited import and export procedures; and
- Permission to transfer all income from the SEZ to banks in other countries.

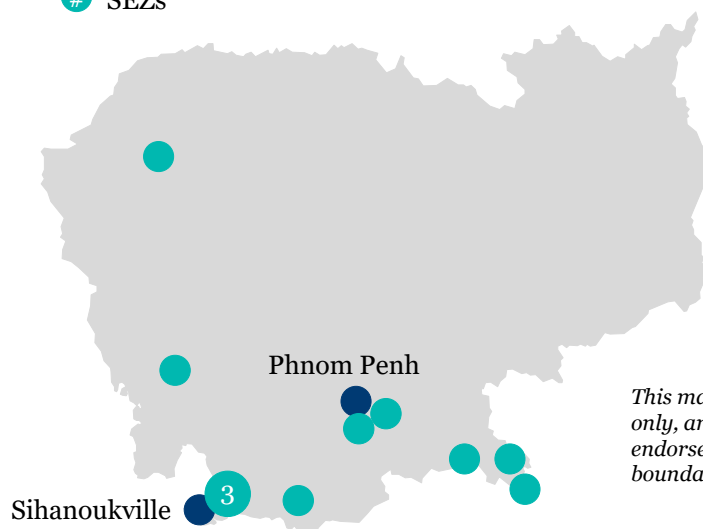
Geographical Location of SEZs

The SEZs in Cambodia are mainly located near the country's capital of Phnom Penh, the main port in Sihanoukville, and in the border regions with Thailand and Vietnam.

Map of SEZs in Cambodia

● Major Cities

● SEZs



This map is for illustrative purposes only, and does not imply official endorsement or acceptance of any boundaries and/or names.

Source:

- ¹ *Sub-decree on the Implementation of the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia No. 111/ANK/BK (2005), The Royal Government of Cambodia*
- ² *Investment Application Procedures, Council for the Development of Cambodia*
- ³ *Law on the Investment of the Kingdom of Cambodia (1994), The National Assembly*
- ⁴ *Law on Amendment to the Law on Investment of the Kingdom of Cambodia (2003)*
- ⁵ *Investment Incentives, Council for the Development of Cambodia*
- ⁶ *Qualified Investment Projects in Cambodia, Tilleke & Gibbins, Nov 2016*
- ⁷ *Sub-decree on the Establishment and Management of the Special Economic Zone No. 148/ANK/BK (2005), The Royal Government of Cambodia*

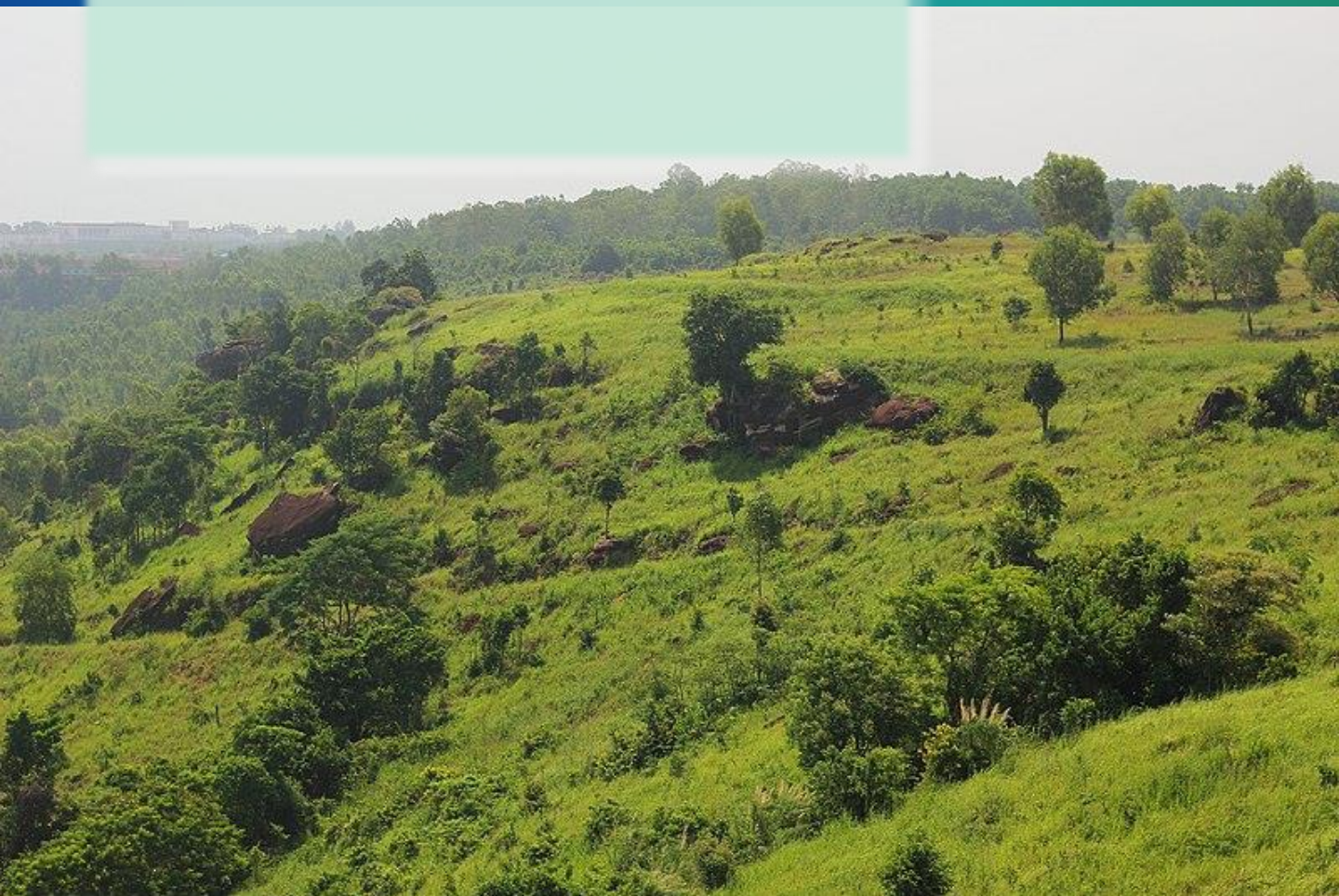
10. Environmental Requirements

Executive Summary

The Ministry of Environment (MOE) is the primary regulatory body responsible for environmental protection in Cambodia. The Law on Environmental Protection and Natural Resources Management is the primary environmental law in Cambodia. Any foreign businesses wishing to invest or do business in Cambodia must abide by the Law.

Factories in Cambodia may encounter environmental hurdles or problems, such as historical pollution, and license requirements.

There are environmental organisations and agencies in Cambodia that can provide relevant environmental supporting services to those companies requiring assistance.



10. Environmental Requirements

I. Environmental Laws and Regulations in Cambodia

Established in 1993, the Ministry of Environment (MOE) is the main body for environmental policies and standards setting in Cambodia. It also coordinates management of environmental issues together with other departments and institutions.

Law on Environmental Protection and Natural Resources Management is the fundamental environmental law in Cambodia. It widely covers the environmental issues from environmental protection, environmental impact assessment management, to public participation and access to information.

A. The Main Environmental Protection Administrations in Cambodia^a

Ministry of Environment (MOE)

The MOE is responsible for implementation and development of policies, legislation, environmental planning, and environmental education. It is also responsible for the management of natural resources and conservation that are necessary for sustainable development.

The responsibilities and main duties of the MOE are as follows:

- Prepare specific legislation for environmental protection and natural resources management;
- Implement the environmental legal instruments throughout the country;
- Facilitate the public participation in the decision making process of environmental issues and natural resource utilisation;
- Assess the status of water environment and natural resources (current status and future trend), based on existing data/information;
- Collect and collate related data/information about water quality at public water areas as well as pollution sources; and
- Issue effluent water quality standard.

B. The Main Environmental Legislation in Cambodia

Law on Environmental Protection and Natural Resources Management^{2,3}

The Law on Environmental Protection and Natural Resources Management is the main environmental law in Cambodia focusing on the environmental and natural assets management and protection. The law addresses the area of national and regional environmental plans, environmental impact assessment management, and public participation and access to information and management of natural resources. The objectives of this law are as follows:

- Protect and promote environmental quality and public health through the prevention, reduction, and control of point sources and non-point sources of pollution;
- Assess the environmental impact of all proposed projects prior to the issuance of a decision by the Royal Government of Cambodia;
- Ensure the rational and sustainable conservation, development, management, and use of the natural resources of the Kingdom of Cambodia;
- Encourage and enable the public to participate in environmental protection and natural resource management; and
- Suppress any acts that cause harm to the environment.

Pollution Control

The prevention, reduction, and control of airspace, water and land pollution, noise and vibration disturbances, as well as waste, toxic substances, and hazardous substances, shall be determined by Sub-decree following a proposal of the MOE.

The MOE may enter to inspect on site in the areas, premises, buildings, or any means of transportation or place, etc. in collaboration with the concerned ministries, in case these sources cause negative effects on the environmental quality.

Environmental Impact Assessment (EIA)

It requires every prescribed private and public project/activity should carry out the EIA to prevent and intercept the environmental pollution.

The MOE requires an Initial Environmental Impact Assessment (IEIA) report for review, and then determine whether a Full Environmental Impact Assessment report (FEIA) is required. After the evaluation of MOE, the IEIA/FEIA report shall be submitted to the Royal Government or the Council for the Development of Cambodia (CDC) for decision.

Penalties

Any person who violates the rule of this law, the MOE shall issue a written order requiring such person to:

- Correct his/her/its offending activities immediately or within a specified period; or
- Stop his/her/its activities, until the offence is corrected; or
- Immediately clean up the pollution.

And any person who refuses to allow access or obstructs the inspection officials from entering to examine or carry out an inspection shall be subject to an administrative fine in cash of between KHR 500 to 1 million.

Other Regulations against Pollutions

Cambodia has also issued environmental laws such as Law on Water Resources Management, Law on Forestry, Protected Area Law, etc. In addition, emissions and disposal of air and noise pollution, water pollution, soil pollution, wastes and hazardous materials are clearly regulated by the relevant laws, regulations, and standards. There are corresponding penalties for violation of such laws and regulations.

A detailed list of environmental laws and regulations in Cambodia can be found in Appendix 2.

C. Main Environmental Related Joint Announcements and Statements which HK and Mainland China Have Issued with Cambodia

China and the Association of Southeast Asian Nations (ASEAN) have made a series of statements and plans to further enhance the environmental cooperation, such as Joint Statement of China and ASEAN Leaders on Sustainable Development, China-ASEAN Environmental Protection Cooperation Strategy 2016-2020 and so on.

Main Environmental-Related Joint Announcements and Statements^{4,5}

Statements	Impact	Detail
Joint Statement of China and ASEAN Leaders on Sustainable Development	Encourage cooperation in conservation of biodiversity and the environment, in clean production, and in environmental awareness.	Clause 6 & 8
China-ASEAN Environmental Protection Cooperation Strategy 2016-2020	Establish the China-ASEAN Environmental Protection Cooperation Centre to enhance environmental cooperation. It also improves the sharing of knowledge and experiences, and encourages factories to comply with the environmental laws and regulations.	Clause 45, 47, 53, 54

D. The Main Environmental Permits in Cambodia^{6,7}

Cambodia has enacted laws and announced numerous environmental regulations, specifying which environmental permits are required.

Environment Impact Assessment (EIA)

An EIA is required for prescribed projects/activities in Cambodia, which are specified in Sub-decree No. 72 on Environmental Impact Assessment Process (1999).

For the list of projects/activities that require an EIA, please refer to Appendix 3.

Effluent Discharge Permit

In Cambodia, the discharge or transport of wastewater from certain types of pollution sources to other places for any purpose is subject to prior permit from the MOE. There are two categories of pollution sources, which have different requirements on applying the effluent discharge permit:

- Category I: the effluent discharge permit must be applied for if the wastewater exceeds 10 m³/day (not including the amount of water volume used for cooling the engine);
- Category II: the effluent discharge permit must be applied for on any condition.

For a list of the classification of pollution sources prescribed by the MOE, please refer to Appendix 4.

II. Environmental Situations in Cambodia

A. Hurdles or Problems Encountered and Resolutions

Before Land Acquisition	Pre-construction Period		Operation Period
Historical Pollution Issues	License Requirements		Environmental Pollution Issues
Environmental Due Diligence (EDD) checks for existing soil and groundwater pollution, which can help investors avoid liability for historical pollution	EIA	Effluent Discharge Permit (subject to project characteristic)	Each industry has different characteristics of pollutants, and will require appropriate monitoring and environmental protection equipment

Before Land Acquisition: Historical Pollution Issues

Soil and groundwater of the targeted land may have been polluted by previous land users. Companies may be liable for historical pollution, or be negatively impacted in the future, if such issues are not identified or the responsibilities are not clarified.

Resolutions

EDD can help by systematically identifying the environmental risks and responsibilities before investment or expansion of the site. An EDD will typically take around two months to complete, but may not be required for every project. The Processes are as below:



Environmental Due Diligence (EDD)

- Supporting agency selection: There are no license requirements from local environmental departments on third party agencies providing EDD services. Companies may hire a capable third party service to conduct an EDD where necessary;
- Phase I Environmental Site Assessment: The EDD provider will conduct a limited environmental, health and safety compliance assessment supporting the due diligence for the industrial transaction;
- Phase II Environmental Site Assessment: Based on the results from Phase I, the EDD provider will conduct the actual sampling, monitoring or testing of the soil, air, groundwater, and building materials, in order to evaluate the potential presence of contaminants in the scope;
- Results: The EDD provider will identify significant potential environmental risks in a report.

EDD Case

SLP Environmental Consultants was appointed to conduct Environmental Due Diligence (EDD) assessments for a portfolio of land holdings located in Southern Cambodia. The client was considering the acquisition of the sites. An assessment was required for transaction risk management process, as to whether there were any potential environmental liabilities associated with the ownership of any of the study sites. The assessments also included an appraisal of the existing infrastructure and services in the study sites and their capacity to support redevelopment on the study sites.

For a list of organisations/agencies providing EDD services in Cambodia, please refer to Section 10.III.A.

Pre-construction Period: Environmental Impact Assessment (EIA)⁸

The local environmental laws have stipulated the activities of industries which are required to conduct an EIA, typically they are not allowed to operate without meeting the requirements.

Resolutions



EIA

According to the Guidebook on Environmental Impact Assessment in the Kingdom of Cambodia, EIA reports can be prepared by the project owners themselves or independent consulting company.

EIA Processes:

- Supporting agency selection: Hiring an independent consulting company to prepare an IEIA report (or do this by the project owners themselves);
- Submission: Submitting the IEIA report to the MOE for review, and the MOE will determine whether a FEIA report is required;
- Approval: The Royal Government or the CDC will review the IEIA/FEIA report and grant a final approval within 30 working days.

For the list of projects/activities that require an EIA, please refer to Appendix 3.

EIA Case

To meet the requirements of Law on Environmental Protection and Natural Resources Management, a local cement company appointed Phnom Penh International Consultants to conduct Environmental Impact Assessment on its new construction project. The EIA report includes study on water resource, air and land around the site, as well as a social economic survey according to Guidebook on Environmental Impact Assessment. The construction project got approval from the Royal Government. As a result, construction of the new site was commenced on schedule.

For a list of organisations/agencies providing EIA supporting services in Cambodia, please refer to Section 10.III.B.

Pre-construction Period: Effluent Discharge Permit⁷

The factories with pollution sources of Category I and Category II shall apply for an Effluent Discharge Permit from the MOE before discharging or transporting the effluent.

Resolutions



Effluent Discharge
Permit

- Related Organisation: Ministry of Environment (MOE);
- For the new sources of pollution located in Phnom Penh, the permit should be applied for 40 days in advance, while the new sources of pollution located in other provinces or cities should apply for the permit 60 days in advance;
- For the functioning sources of pollution located in Phnom Penh, the permit should be applied for 30 days in advance, while the functioning sources of pollution located in other provinces or cities should apply for the permit 40 days in advance.

For the list of the classification of pollution sources prescribed by the MOE, please refer to Appendix 4.

Operation Period: Environmental Pollution Problems

During the operation period, companies may face environmental pollution problems resulting from non-compliant environmental management or equipment failure:

- Wastewater: Excessive pollutants in wastewater causing soil or groundwater pollution;
- Air emission: Industrial exhaust emissions that are not in compliance, causing air pollution;
- Hazardous waste disposal: Non-compliant disposal of hazardous wastes leads to soil or groundwater contamination, resulting in subsequent penalties; and
- Noise pollution: Noise pollution caused by the operation of machinery and equipment.

Resolutions



Environmental
Monitoring

The MOE is mainly responsible for the control of environmental pollution problems. In the case of such problems, the following measures can be taken:

- Hiring third party service providers to conduct regular monitoring or to help with disposal of hazardous wastes;
- Enhancing environmental awareness of related workers;
- Improving relevant equipment in use; and
- Optimising the manufacturing process.

For the list of organisations/agencies providing waste disposal services and other related services in Cambodia, please refer to Section 10.III.C.

B. Study on Key Manufacturing Industries in which HK/Mainland China Companies Have Invested in Cambodia

Potential Environmental Issues ^a	Electronics	Garment & Clothing	Watches & Jewellery	Toys & Games	Hi-tech ^b
Historical Soil Pollution or Groundwater Pollution	✓	✓	✓	✓	✓
Lack of Relevant Environmental Related Licenses	✓	✓	✓	✓	✓
Wastewater Causing Soil or Groundwater Pollution	✓	✓	✓	✓	✓
Industrial Exhaust Emissions Causing Air Pollution	✓	✓	✓	—	—
Disposal of Hazardous Wastes Leading to Soil or Groundwater Contamination	✓	✓	—	✓	—
Noise Pollution Caused by the Operation of Machinery and Equipment	✓	✓	✓	✓	—

✓ indicates that the factory may face the environmental issues in the industry.

—" indicates that the factory is less likely to face the environmental issues in the industry.

Note:

- "Environmental issue" indicates any environment related problems factories may have faced during the pre-approval period, construction period and operation period.
- Hi-tech in this table mainly includes industries producing electronic components, and components and accessories used for new power generators and renewable generators, etc.

C. Comparison of Industrial Effluent/Emission Standards Between Cambodia and Mainland China

Please refer to the below legend for the understanding of all the comparison tables in this section.

Values in brackets refers to the limit of effluent discharged into water sources serving tap water supply in China and protected public water area in Cambodia, while the values outside the brackets refers to the limit of effluent discharged into water sources not serving tap water supply in China and public water area and sewer in Cambodia.

For the Mainland China standards in the electronic and textile industries, values are the limitation of effluent discharged into environment directly.

“↓” indicates the requirement of Mainland China is stricter than Cambodia.

“↑” indicates the requirement of Cambodia is stricter than Mainland China.

“=” indicates the requirement of Mainland China is the same as Cambodia.

“-” indicates there is no requirement in the standard.

“N/A” indicates that there is no comparison available due to the lack of a standard from one country.

The following tables list out the common pollutants in various industries. For a complete list, please refer to the Notes section below each table for relevant standards.

All standards listed below are applicable to factories in industrial areas. There are no official specialised requirements/standards for non industrial areas in Cambodia at the moment, i.e. residential areas. If there are plans to build or operate factories in such areas, it is recommended to confirm with the local environmental department for specific regional requirements.

Electronics (Part 1/5)

The water and air pollutants are the main pollutants in the electronics industry. The following table compares the effluent and emission standards of Cambodia and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Cambodia ^a	Mainland China ^b	
Electronics	Water Pollutants mg/L (Except pH)	pH	5.0-9.0 (6.0-9.0)	6.0-9.0	↓ (=)
		Total suspended solids	80 (50)	50	↓ (=)
		COD	100 (50)	80	↓ (↑)
		Nitrate (NO ₃)	20 (10)	-	N/A
		Ammonia	7.0 (5.0)	10/20 ^c	↑ (↑)/↑ ^c (↑ ^c)
				5	↓ (=)
				20	↑ (↑)
				10	↑ (↑)
				5	↓ (=)
				5	↓ (=)
		Total nitrogen	-	20/30 ^c	N/A
				15	N/A
				30	N/A
				15	N/A
				15	N/A
				15	N/A

Electronics (Part 2/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Cambodia ^a	Mainland China ^b	
Electronics	Water Pollutants mg/L (Except pH)	Phosphate (PO ₄)		6.0 (3.0)	-	N/A
		Total phosphorus	Special electronic materials	-	0.5/1.0 ^c	N/A
			Electrical units		0.5	N/A
			Printed circuit boards		1.0	N/A
			Semiconductor devices		1.0	N/A
			Display device and photoelectron components		0.5	N/A
			Electron terminals products		0.5	N/A
		Sulphide (as Sulphur)	Special electronic materials	1.0 (0.2)	-	N/A
			Electrical units		-	N/A
			Printed circuit boards		1.0	= (↑)
			Semiconductor devices		1.0	= (↑)
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Copper	Special electronic materials	1.0 (0.2)	0.5	↓ (↑)
			Electrical units		0.5	↓ (↑)
			Printed circuit boards		0.5	↓ (↑)
			Semiconductor devices		0.5	↓ (↑)
			Display device and photoelectron components		0.5	↓ (↑)
			Electron terminals products		-	N/A

Electronics (Part 3/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Cambodia ^a	Mainland China ^b	
Electronics	Water Pollutants mg/L (Except pH)	Zinc	Special electronic materials	3.0 (1.0)	1.5	↓ (↑)
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		1.5	↓ (↑)
			Display device and photoelectron components		1.5	↓ (↑)
			Electron terminals products		-	N/A
		Cadmium	Special electronic materials	0.5 (0.1)	0.05	↓ (↓)
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.05	↓ (↓)
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Total chromium	Special electronic materials	-	1.0	N/A
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.5	N/A
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Hexavalent chromium	Special electronic materials	0.5 (0.05)	0.2	↓ (↑)
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.1	↓ (↑)
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Trivalent chromium		1.0 (0.2)	-	N/A

Electronics (Part 4/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Cambodia ^a	Mainland China ^b	
Electronics	Water Pollutants mg/L (Except pH)	Arsenic	Special electronic materials	1.0 (0.1)	0.3	↓ (↑)
			Electrical units		0.3	↓ (↑)
			Printed circuit boards		-	
			Semiconductor devices		0.2	↓ (↑)
			Display device and photoelectron components		0.2	↓ (↑)
			Electron terminals products		-	N/A
		Lead	Special electronic materials	1.0 (0.1)	0.2	↓ (↑)
			Electrical units		0.1	↓ (=)
			Printed circuit boards		-	N/A
			Semiconductor devices		0.2	↓ (↑)
			Display device and photoelectron components		0.2	↓ (↑)
			Electron terminals products		-	N/A
		Nickel	Special electronic materials	1.0 (0.2)	0.5	↓ (↑)
			Electrical units		0.5	↓ (↑)
			Printed circuit boards		0.5	↓ (↑)
			Semiconductor devices		0.5	↓ (↑)
			Display device and photoelectron components		0.5	↓ (↑)
			Electron terminals products		-	N/A
		Cyanide	Special electronic materials	1.5 (0.2)	0.2	↓ (=)
			Electrical units		0.2	↓ (=)
			Printed circuit boards		0.2	↓ (=)
			Semiconductor devices		0.2	↓ (=)
			Display device and photoelectron components		0.2	↓ (=)
			Electron terminals products		-	N/A

Electronics (Part 5/5)

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Cambodia ^a	Mainland China ^b	
Electronics	Water Pollutants mg/L (Except pH)	Special electronic materials	0.5 (0.1)	0.3	↓ (↑)
		Electrical units		0.3	↓ (↑)
		Printed circuit boards		0.3	↓ (↑)
		Semiconductor devices		0.3	↓ (↑)
		Display device and photoelectron components		0.3	↓ (↑)
		Electron terminals products		-	N/A
		Barium	7.0 (4.0)	-	N/A
		Tin	8.0 (2.0)	-	N/A
		Iron	20 (1.0)	-	N/A
		Boron	5.0 (1.0)	-	N/A
		Manganese	5.0 (1.0)	-	N/A
		Mercury	0.05 (0.002)	-	N/A
		Selenium	0.5 (0.05)	-	N/A
		Molybdenum	1.0 (0.1)	-	N/A
	Air Pollutants mg/m ³	TVOC	-	150	N/A
		NMHC	-	100	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Small industrial factories intermingling in residential areas	75 (6:00 - 18:00) 70 (18:00 - 22:00) 50 (22:00 - 6:00)	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

- Cambodia Standards: Effluent Standard for Pollution Sources Discharge Wastewater to Public Water Areas or Sewer⁷, Maximum Allowable Standard of Pollution Substance for Immobile Sources in Ambient Air⁹, Maximum Standard of Noise Level Allowable in the Public and Residential Areas (dB (A))⁹.
- Mainland China Standards: Emission Standard of Pollutants for Electrical Industry¹⁰, and Emission Standard for Industrial Enterprises Noise at Boundary¹¹.
- The value suitable for enterprises producing electrode foil of aluminum electrolytic capacitor.

Garment & Clothing

Water pollutants and air pollutants were the main pollutants from wool scouring, printing and dyeing, degumming and washing processes in the garment & clothing industry. The following table compares the effluent and emission standards between Cambodia and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Cambodia ^a	Mainland China ^b	
Garment & Clothing	Water Pollutants mg/L (Except pH, temperature, and colour)	pH	5.0-9.0 (6.0-9.0)	6.0-9.0	↓ (=)
		Total suspended solids	80 (50)	50	↓ (=)
		COD	100 (50)	80	↓ (↑)
		BOD ₅	80 (30)	20	↓ (↓)
		Temperature ^c	45	-	N/A
		Colour ^d	-	50	N/A
		Detergents	15 (5)	-	N/A
		Nitrate (NO ₃)	20 (10)	-	N/A
		Ammonia	7.0 (5.0)	10	↑ (↑)
		Total nitrogen	-	15	N/A
		Phosphate (PO ₄)	6.0 (3.0)	-	N/A
		Total phosphorus	-	0.5	N/A
		Chlorine dioxide	-	0.5	N/A
		AOX	-	12	N/A
		Sulphide (as Sulphur)	1.0 (0.2)	0.5	↓ (↑)
		Aniline	-	Not be detected	N/A
		Hexavalent chromium	0.5 (0.05)	Not be detected	↓ (↓)
		Cyanide	1.5 (0.2)	-	N/A
	Air Pollutants mg/m ³	NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Small industrial factories intermingling in residential areas	75 (6:00 - 18:00) 70 (18:00 - 22:00) 50 (22:00 - 6:00)	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

- Cambodia Standards: Effluent Standard for Pollution Sources Discharge Wastewater to Public Water Areas or Sewer⁷, Maximum Allowable Standard of Pollution Substance for Immobile Sources in Ambient Air⁹, Maximum Standard of Noise Level Allowable in the Public and Residential Areas (dB (A))⁹.
- Mainland China Standards: Discharge Standard for Water Pollutants in Textile Dyeing and Finishing Industry¹², Integrated Emission Standard of Air Pollutants¹³, and Emission Standard for Industrial Enterprises Noise at Boundary¹¹.
- The unit for temperature is °C.
- The method of measuring Colour in China is dilution method, and the value refers to the dilution factor.

Watches & Jewellery

Water pollutants and air pollutants from washing process and air pollutants from polishing process were the main pollutants in the watches & jewellery industry. The following table compares the effluent and emission standards between Cambodia and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Cambodia ^a	Mainland China ^b	
Watches & Jewellery	Water Pollutants mg/L (Except pH)	pH	5.0-9.0 (6.0-9.0)	6.0-9.0 (6.0-9.0)	↓ (=)
		Total suspended solids	80 (50)	150 (70)	↑ (↑)
		COD	100 (50)	150 (100)	↑ (↑)
		BOD ₅	80 (30)	30 (20)	↓ (↓)
		Nitrate (NO ₃)	20 (10)	-	N/A
		Ammonia	7.0 (5.0)	25 (15)	↑ (↑)
		Cyanide	1.5 (0.2)	0.5 (0.5)	↓ (↑)
		Hexavalent chromium	0.5 (0.05)	0.5 (0.5)	= (↑)
		Grease and oil	15 (5.0)	15 (10)	- (↑)
		Petroleum	-	10 (5)	N/A
	Air Pollutants mg/m ³	NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Small industrial factories intermingling in residential areas	75 (6:00 - 18:00) 70 (18:00 - 22:00) 50 (22:00 - 6:00)	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

- Cambodia Standards: Effluent Standard for Pollution Sources Discharge Wastewater to Public Water Areas or Sewer⁷, Maximum Allowable Standard of Pollution Substance for Immobile Sources in Ambient Air⁹, Maximum Standard of Noise Level Allowable in the Public and Residential Areas (dB (A))⁹.*
- Mainland China Standards: Integrated Wastewater Discharge Standard¹⁴, Integrated Emission Standard of Air Pollutants¹³, and Emission Standard for Industrial Enterprises Noise at Boundary¹¹.*

Toys & Games

Water pollutants from the washing process, the air pollutants resulting from production and storage of polymers and the precursors process are the major types of pollution in the toys & games industry. The following table compares the effluent and emission standards between Cambodia and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Cambodia ^a	Mainland China ^b	
Toys & Games	Water Pollutants mg/L (Except pH)	pH	5.0-9.0 (6.0-9.0)	6.0-9.0 (6.0-9.0)	↓ (=)
		Total suspended solids	80 (50)	150 (70)	↑ (↑)
		COD	100 (50)	150 (100)	↑ (↑)
		BOD ₅	80 (30)	30 (20)	↓ (↓)
		Nitrate (NO ₃)	20 (10)	-	N/A
		Ammonia	7.0 (5.0)	25 (15)	↑ (↑)
		Sulphide (as Sulphur)	1.0 (0.2)	1.0 (1.0)	= (↑)
		Cyanide	1.5 (0.2)	0.5 (0.5)	↓ (↑)
		Hexavalent chromium	0.5 (0.05)	0.5 (0.5)	= (↑)
		Grease and oil	15 (5.0)	15 (10)	- (↑)
		Petroleum	-	10 (5)	N/A
		Phenols	1.2 (0.1)	-	N/A
		Volatile phenols	-	0.5 (0.5)	N/A
	Air Pollutants mg/m ³	NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Small industrial factories intermingling in residential areas	75 (6:00 - 18:00) 70 (18:00 - 22:00) 50 (22:00 - 6:00)	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

- Cambodia Standards: Effluent Standard for Pollution Sources Discharge Wastewater to Public Water Areas or Sewer⁷, Maximum Allowable Standard of Pollution Substance for Immobile Sources in Ambient Air⁹, Maximum Standard of Noise Level Allowable in the Public and Residential Areas (dB (A))⁹.*
- Mainland China Standards: Integrated Wastewater Discharge Standard¹⁴, Integrated Emission Standard of Air Pollutants¹³, and Emission Standard for Industrial Enterprises Noise at Boundary¹¹.*

Hi-tech (Part 1/4)

Water pollutants and air pollutants from the chemical cleaning process are the major types of pollution in the hi-tech industry. The following table compares the effluent and emission standards of Cambodia and Mainland China:

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Cambodia ^a	Mainland China ^b	
Hi-tech	Water Pollutants mg/L (Except pH)	pH		5.0-9.0 (6.0-9.0)	6.0-9.0	↓ (=)
		Total suspended solids		80 (50)	50	↓ (=)
		COD		100 (50)	80	↓ (↑)
		Nitrate (NO ₃)		20 (10)	-	N/A
		Ammonia	Special electronic materials	7.0 (5.0)	10/20 ^c	↑ (↑)/↑ ^c (↑ ^c)
			Electrical units		5	↓ (=)
			Printed circuit boards		20	↑ (↑)
			Semiconductor devices		10	↑ (↑)
			Display device and photoelectron components		5	↓ (=)
			Electron terminals products		5	↓ (=)
		Total nitrogen	Special electronic materials	-	20/30 ^c	N/A
			Electrical units		15	N/A
			Printed circuit boards		30	N/A
			Semiconductor devices		15	N/A
			Display device and photoelectron components		15	N/A
			Electron terminals products		15	N/A
		Phosphate (PO ₄)		6.0 (3.0)	-	N/A
		Total phosphorus	Special electronic materials	-	0.5/1.0 ^c	N/A
			Electrical units		0.5	N/A
			Printed circuit boards		1.0	N/A
			Semiconductor devices		1.0	N/A
			Display device and photoelectron components		0.5	N/A
			Electron terminals products		0.5	N/A
		Sulphide (as Sulphur)	Special electronic materials	1.0 (0.2)	-	N/A
			Electrical units		-	N/A
			Printed circuit boards		1.0	= (↑)
			Semiconductor devices		1.0	= (↑)
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A

Hi-tech (Part 2/4)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Cambodia ^a	Mainland China ^b	
Hi-tech	Water Pollutants mg/L (Except pH)	Copper	Special electronic materials	1.0 (0.2)	0.5	↓ (↑)
			Electrical units		0.5	↓ (↑)
			Printed circuit boards		0.5	↓ (↑)
			Semiconductor devices		0.5	↓ (↑)
			Display device and photoelectron components		0.5	↓ (↑)
			Electron terminals products		-	N/A
		Zinc	Special electronic materials	3.0 (1.0)	1.5	↓ (↑)
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		1.5	↓ (↑)
			Display device and photoelectron components		1.5	↓ (↑)
			Electron terminals products		-	N/A
		Cadmium	Special electronic materials	0.5 (0.1)	0.05	↓ (↓)
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.05	↓ (↓)
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Total chromium	Special electronic materials	-	1.0	N/A
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.5	N/A
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Hexavalent chromium	Special electronic materials	0.5 (0.05)	0.2	↓ (↑)
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.1	↓ (↑)
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A

Hi-tech (Part 3/4)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Cambodia ^a	Mainland China ^b	
Hi-tech	Water Pollutants mg/L (Except pH)	Trivalent chromium		1.0 (0.2)	-	N/A
		Arsenic	Special electronic materials	1.0 (0.1)	0.3	↓ (↑)
			Electrical units		0.3	↓ (↑)
			Printed circuit boards		-	N/A
			Semiconductor devices		0.2	↓ (↑)
			Display device and photoelectron components		0.2	↓ (↑)
			Electron terminals products		-	N/A
		Lead	Special electronic materials	1.0 (0.1)	0.2	↓ (↑)
			Electrical units		0.1	↓ (=)
			Printed circuit boards		-	N/A
			Semiconductor devices		0.2	↓ (↑)
			Display device and photoelectron components		0.2	↓ (↑)
			Electron terminals products		-	N/A
		Nickel	Special electronic materials	1.0 (0.2)	0.5	↓ (↑)
			Electrical units		0.5	↓ (↑)
			Printed circuit boards		0.5	↓ (↑)
			Semiconductor devices		0.5	↓ (↑)
			Display device and photoelectron components		0.5	↓ (↑)
			Electron terminals products		-	N/A
		Cyanide	Special electronic materials	1.5 (0.2)	0.2	↓ (=)
			Electrical units		0.2	↓ (=)
			Printed circuit boards		0.2	↓ (=)
			Semiconductor devices		0.2	↓ (=)
			Display device and photoelectron components		0.2	↓ (=)
			Electron terminals products		-	N/A

Hi-tech (Part 4/4)

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Cambodia ^a	Mainland China ^b	
Hi-tech	Water Pollutants mg/L (Except pH)	Special electronic materials	0.5 (0.1)	0.3	↓ (↑)
		Electrical units		0.3	↓ (↑)
		Printed circuit boards		0.3	↓ (↑)
		Semiconductor devices		0.3	↓ (↑)
		Display device and photoelectron components		0.3	↓ (↑)
		Electron terminals products		-	N/A
		Barium	7.0 (4.0)	-	N/A
		Tin	8.0 (2.0)	-	N/A
		Iron	20 (1.0)	-	N/A
		Boron	5.0 (1.0)	-	N/A
		Manganese	5.0 (1.0)	-	N/A
		Mercury	0.05 (0.002)	-	N/A
		Selenium	0.5 (0.05)	-	N/A
		Molybdenum	1.0 (0.1)	-	N/A
	Air Pollutants mg/m ³	TVOC	-	150	N/A
		NMHC	-	100	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Small industrial factories intermingling in residential areas	75 (6:00 - 18:00) 70 (18:00 - 22:00) 50 (22:00 - 6:00)	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

- Cambodia Standards: Effluent Standard for Pollution Sources Discharge Wastewater to Public Water Areas or Sewer⁷, Maximum Allowable Standard of Pollution Substance for Immobile Sources in Ambient Air⁹, Maximum Standard of Noise Level Allowable in the Public and Residential Areas (dB (A))⁹.
- Mainland China Standards: Integrated Wastewater Discharge Standard¹⁴, Integrated Emission Standard of Air Pollutants¹³, and Emission Standard for Industrial Enterprises Noise at Boundary¹¹.
- The value suitable for enterprises producing electrode foil of aluminum electrolytic capacitor.

Food & Beverage, Chemicals & Plastics

Food & beverage industry is one with some obvious characteristic pollutants, such as COD, TSS, and other organic substances in the wastewater. There are special standards in Mainland China focusing on targeted industries such as Discharge Standard of Water Pollutants for Sugar Industry, Discharge Standard of Water Pollutants for Meat Packing Industry, etc.

Compared with other industries, chemicals & plastics industry involves more significant potential environmental risk. Mainland China has established special standards focusing on industries such as Emission Standards of Pollutants for Inorganic Chemical Industry, Emission Standard of Pollutants for Nitric Acid Industry, Emission Standard of Pollutants for Sulfuric Acid Industry, etc.

In Cambodia, both food & beverage and chemicals & plastics industries should be in compliance with the general environmental standards.

General Industries

General industries refer to those industries which do not produce massive or characteristic pollutants (such as the logistics & transportation industry, etc.). Such industries should be in compliance with the general environmental standards available in both countries.

The following table compares the general effluent/emission standards of Cambodia and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Cambodia ^a	Mainland China ^b	
General Industries	Water Pollutants mg/L (Except pH)	pH	5.0-9.0 (6.0-9.0)	6.0-9.0 (6.0-9.0)	↓ (=)
		Total suspended solids	80 (50)	150 (70)	↑ (↑)
		COD	100 (50)	150 (100)	↑ (↑)
		BOD ₅	80 (30)	30 (20)	↓ (↓)
		Ammonia	7.0 (5.0)	25 (15)	↑ (↑)
		Sulphide (as Sulphur)	1.0 (0.2)	1.0 (1.0)	= (↑)
		Formaldehyde	-	2.0 (1.0)	N/A
	Air Pollutants mg/m ³	NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Noise limits for mall industrial factories intermingling in residential areas	75 (6:00 - 18:00) 70 (18:00 - 22:00) 50 (22:00 - 6:00)	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

- Cambodia Standards: Effluent Standard for Pollution Sources Discharge Wastewater to Public Water Areas or Sewer⁷, Maximum Allowable Standard of Pollution Substance for Immobile Sources in Ambient Air⁹, Maximum Standard of Noise Level Allowable in the Public and Residential Areas (dB (A))⁹.
- Mainland China Standards: Integrated Wastewater Discharge Standard¹⁴, Integrated Emission Standard of Air Pollutants¹³, and Emission Standard for Industrial Enterprises Noise at Boundary¹¹.

III. The Main Local Supporting Organisations/Agencies in Cambodia

Cambodia faces significant challenges with regards to the management of waste and water. More attention by NGOs from both abroad and at home are drawn on environmental management of Cambodia.

To ensure environmental compliance and to maintain a good relationship with the public, the investor should pay attention to the environment survey, license application and must meeting the local discharge standards in design-build and operation periods.

The following tables list out the main local organisations and agencies providing relevant environmental-related support services.

A. Environmental Due Diligence Services in Cambodia

Agency/ Organisation	Service Coverage	Contact
PwC	<ul style="list-style-type: none"> Environmental Due Diligence; Environmental and Social Risk Management; Environmental and Health and Safety (EHS) Regulatory Compliance Assessments; and Independent Assurance, etc. 	+855 (0) 23 860606
SLP Environmental	<ul style="list-style-type: none"> Environmental Due Diligence; Technical Assistance & Advisory Services; and Environmental & Social Impact Assessment, etc. 	+ 66 (0) 2168 7016 (ASEAN Headquarter)
Only Solutions	<ul style="list-style-type: none"> Environmental Due Diligence; Environmental Impact Assessment; and Social and Environmental Auditing Services, etc. 	+855 (0) 12 333758

B. EIA Supporting Services in Cambodia (Part 1/2)

Agency/ Organisation	Service Coverage	Contact
Phnom Penh International Consultants	<ul style="list-style-type: none"> Primary Study on Environmental Impact Assessment; Soil Management; Feasibility Studies and Detailed Design Engineering Services; and Social, Opinion and Marketing Research, etc. 	+ 855 (0) 88 3875878
Sustinat Green	<ul style="list-style-type: none"> Environmental Impacts Assessment; Environmental Management Plan; Environmental Monitoring Report; and Life-Cycle Assessment and Cleaner Production, etc. 	+ 855 (0) 23 981456

B. EIA Supporting Services in Cambodia (Part 2/2)

Agency/ Organisation	Service Coverage	Contact
Only Solutions	<ul style="list-style-type: none"> • Environmental Due Diligence; • Environmental Impact Assessment; and • Social and Environmental Auditing Services, etc. 	+855 (0) 12 333758
CAVAC	<ul style="list-style-type: none"> • Environmental Impact Assessment; • Development and Implementation of Environmental Management Plan (EMP) including Monitoring Requirements; and • Monitoring and Evaluation, etc. 	info@cavackh.org

C. Wastes Disposal Services in Cambodia

Agency/ Organisation	Service Coverage	Contact
CINTRI Cambodia	<ul style="list-style-type: none"> • Collection and Transportation of Waste; and • Premium Quality Garbage, etc. 	+855 23 726573

Source:

¹ *Government Agencies Related to Water Environment: Cambodia, WEPA 2019*

² *Legislative Framework: Cambodia, WEPA 2019*

³ *Law on Environmental Protection and Natural Resource Management, 1996*

⁴ *Joint Statement of China and ASEAN Leaders on Sustainable Development, 2010*

⁵ *China-ASEAN Environmental Protection Cooperation Strategy 2016-2020, 2017*

⁶ *Sub-decree No. 72 on Environmental Impact Assessment Process, 1999*

⁷ *Sub-Decree No.27 on the Control of Water Pollution ,1999*

⁸ *Guidebook on Environmental Impact Assessment in the Kingdom of Cambodia, MOE 2012*

⁹ *Sub-Decree on the Control of Air Pollution and Noise Disturbance, 2000*

¹⁰ *Emission Standard of Pollutants for Electrical Industry, 2nd edition for suggestion*

¹¹ *Emission Standard for Industrial Enterprises Noise at Boundary, 2008*

¹² *Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry, GB 4287-2012*

¹³ *Integrated Emission Standard of Air Pollutants, GB 16297-1996*

¹⁴ *Integrated Wastewater Discharge Standard, GB 8978-1996*

¹⁵ *Protected Area Law, 2008*

¹⁶ *Law on Water Resources Management, 2007*

¹⁷ *Law on Forestry, 2002*

Appendix

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| <i>Appendix 1</i> | <i>Land and Factory Rental Cost in the Main SEZs</i> |
| <i>Appendix 2</i> | <i>List of the Main Environmental Laws/Regulations and Standards in Cambodia</i> |
| <i>Appendix 3</i> | <i>Projects/Activities that Require EIA (Issued with Sub-decree No. 72 on Environmental Impact Assessment Process (1999))</i> |
| <i>Appendix 4</i> | <i>Types of Pollution Sources Requiring Permission from the Ministry of Environment before Discharging or Transporting Their Wastewater (Issued with Sub-Decree No.27 on the Control of Water Pollution (1999))</i> |

Appendix 1

Land and Factory Rental Cost in the Main SEZs

SEZ	Land Rental Cost (USD/sq.m)	Factory Rental Cost (USD/month)
Sihanoukville	USD 65 - 28	USD 1.6
Phnom Penh	USD 55	USD 2.5
Poipet	USD 40	N/A
Koh Kong	USD 28	USD 1.6 – 2.0
Manhattan	USD 25	USD 2
Dragon King	USD 25	N/A
Tai Seng Bavet	USD 22	USD 1.6

Appendix 2

The Main Environmental Laws/Regulations in Cambodia

Ministry of Environment	Ministry of Water Resources and Meteorology	Ministry of Agriculture Forestry and Fisheries
Law on Environmental Protection and Natural Resource Management, 1996 ³	Law on Water Resources Management, 2007 ¹⁶	Law on Forestry, 2002 ¹⁷
Protected Area Law, 2008 ¹⁵		

The Main Environmental Ambient Standards in Cambodia

Ambient Standards	1	Ambient Air Quality Standard ⁹
	2	Maximum Allowable Concentration of Hazardous Substance in Ambient Air ⁹
	3	Noise Control Standard at Workshop, Factory and Industry ⁹
	4	Water Quality Standard in Public Water Areas for Bio-diversity Conservation ⁷
	5	Water Quality Standard in Public Water Areas for Public Health Protection ⁷

The Main Environmental Effluent Standards in Cambodia

Effluent Standards	1	Maximum Allowable Standard of Pollution Substance for Immobile Sources in Ambient Air ⁹
	2	Gas Emission Standard of Mobile Sources ⁹
	3	Maximum Standard of Noise Emission Level Allowable for Vehicles on Public Roads ⁹
	4	Standard of Sulfur, Lead, Benzene, and Hydrocarbon Permitted in Fuel and Coal ⁹
	5	Maximum Standard of Noise Level Allowable in the Public and Residential Areas (dB (A)) ⁹
	6	Effluent Standard for Pollution Sources Discharge Wastewater to Public Water Areas or Sewer ⁷

Appendix 3

Projects/Activities that Require EIA (Issued with Sub-decree No. 72 on Environmental Impact Assessment Process (1999))⁶ (Part 1/2)

Industries	Projects/Activities	Scale
Food & Beverage	Food processing and caned	> 500 tons/year
	All fruits drinks manufacturing	> 1,500 Liters/day
	Fruit manufacturing	> 500 tons/year
	Orange juice manufacturing	All sizes
	Wine manufacturing	All sizes
	Alcohol and Beer brewery	All sizes
	Water supply	> 10,000 users
	Tobacco manufacturing	> 10,000 boxes/day
	Tobacco leave processing	> 350 tons/year
	Sugar refinery	> 3,000 tons/year
	Rice mill and cereal grains	> 3,000 tons/year
	Fish, soy bean, chili, tomato sources	> 500,000 liters/year
Garment & Clothing	Textile and dyeing factory	All sizes
	Garment washing, printing and dyeing	All sizes
	Leather tanning and glue	All sizes
	Sponge rubber factory	All sizes

Appendix 3

Projects/Activities that Require EIA (Issued with Sub-decree No. 72 on Environmental Impact Assessment Process (1999))⁶ (Part 2/2)

Industries	Projects/Activities	Scale
Chemicals & Plastics	Plastic factory	All sizes
	Tire factory	> 500 tons/year
	Rubber factory	> 1,000 tons/year
	Battery industry	All sizes
	Chemical production industries	All sizes
	Chemical fertilizer plants	> 10,000 tons/year
	Pesticide industry	All sizes
	Painting manufacturing	All sizes
	Fuel chemical	All sizes
	Liquid, powder, solid soaps manufacturing	All sizes

Appendix 4

Types of Pollution Sources Requiring Permission from the Ministry of Environment before Discharging or Transporting Their Wastewater (Issued with Sub-Decree No.27 on the Control of Water Pollution (1999))⁷ (Part 1/2)

Industries	Type of Pollution Sources	Category
Food & Beverage	Canned food and meat manufacturing	I
	Canned vegetable and fruit manufacturing	
	Aquatic production processing	
	Frozen manufacturing	
	Flour manufacturing	
	Sugar manufacturing	
	Pure drinking water manufacturing	
	Soft drink manufacturing and brewery	
	Wine and alcohol manufacturing	
	Feed mill manufacturing	
	Oil and fat manufacturing	
	Yeast manufacturing	
	Cake and sweet manufacturing	
	Cigarette manufacturing	
Garment & Clothing	Garment manufacturing without chemical washing	II
	Leather manufacturing	

Appendix 4

Types of Pollution Sources Requiring Permission from the Ministry of Environment before Discharging or Transporting Their Wastewater (Issued with Sub-Decree No.27 on the Control of Water Pollution (1999))⁷ (Part 2/2)

Industries	Type of Pollution Sources	Category
Chemicals & Plastics	Plastic manufacturing	I
	Gelatin and Glue manufacturing	
	Acetylene derivative manufacturing	II
	Soap and detergent manufacturing	
	Inorganic pigment manufacturing	
	Chemical organic substance manufacturing	
	Chemical organic substance manufacturing	
	Solvent (for cleaning) manufacturing	
	Pesticide manufacturing	
Electronics	Battery manufacturing	
	Electronic manufacturing	

Glossary – Section 1 to 9 Operational Requirements

ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
AHTN	ASEAN Harmonised Tariff Nomenclature
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated System on Customs Data
CDC	Council for the Development of Cambodia
CE SAIN	Center of Excellence on Sustainable Agricultural Intensification and Nutrition
CIFRS	Cambodian International Financial Reporting Standards
CIT	Corporate Income Tax
CMT	Cut-Make-Trim
CPP	Cambodia's People Party
CSEZB	Cambodian Special Economic Zone Board
DTA	Double Tax Agreement
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDCE	General Department of Customs and Excise
GDP	Gross Domestic Product
GDT	General Department of Taxation
IAS	Investment Approval Scheme
ICT	Information and Communications Technology
IIC	ICT Innovation Center

IP	Intellectual Property
ITC	Institute of Technology of Cambodia
JICA	Japan Investment Cooperation Agency
KHR	Cambodia Riel
KICPAA	Kampuchea Institute of Certified Public Accountants and Auditors
LPI	Logistics Performance Index
MLVT	Ministry of Labour and Vocational Training
MOC	Ministry of Commerce
MOP	Ministry of Planning
NIPTICT	National Institute of Posts, Telecom and ICT
NSDP	National Strategic Development Plan
NSSF	National Social Security Fund
NSTC	National Science and Technology Council
NSTMP	National Master Plan of Science and Technology
QIP	Qualified Investment Projects
R&D	Research and Development
RCEP	Regional Comprehensive Economic Partnership
RS	Rectangular Strategy
S&T	Science and Technology
SAD	Single Administration Document
SEZ	Special Economic Zone
TEU	Twenty-foot Equivalent Unit
TIN	Taxpayer Identification Number
TVET	Technical Vocational Education and Training

USD	United States Dollar
VAT	Value Added Tax

Glossary – Section 10

Environmental Requirements

AOX	Absorbable Organic Halogen
ASEAN	Association of Southeast Asian Nations
BOD	Biochemical Oxygen Demand
CDC	Council for the Development of Cambodia
COD	Chemical Oxygen Demand
EDD	Environmental Due Diligence
EIA	Environmental Impact Assessment
FEIA	Full Environmental Impact Assessment
IEIA	Initial Environmental Impact Assessment
MOE	Ministry of Environment
NMHC	Non-methane Hydrocarbon

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