

CAMBODIA
INVESTMENT GUIDEBOOK

2013

Council for the Development of Cambodia

MAP OF CAMBODIA



Department of Public Information
Cartographic Section

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A street in Phnom Penh



The port of Sihanoukville

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LIST OF ABBREVIATION

ACCSQ	ASEAN Consultative Committee on Standards and Quality	ICSID	International Centre for Settlement of Investment Disputes
ADB	Asian Development Bank	IDA	International Development Association
AFA	ASEAN Federation of Accountants	IDRC	International Development Research Center
AFTA	ASEAN Free Trade Agreement	IEC	International Electrotechnical Commission
AII	Asian Insurance International	IFC	International Finance Corporation
AJCEP	ASEAN-Japan Comprehensive Economic Partnership	IFDA	International Fund for Agricultural Development
APO	Asian Productivity Organization	IFRS	International Financial Reporting Standards
BLT	Build-Lease-Transfer	ILO	International Labour Organization
BOO	Build-Own-Operate	IMF	International Monetary Fund
BOOT	Build-Own-Operate-Transfer	IMO	International Maritime Organization
BOT	Build-Own-Transfer	INTERPOL	International Criminal Police Organization
ASEAN	Association of Southeast Asian Nations	IPO	Initial Public Offering
CAA	Cambodia Angkor Air Ltd	IPP	Independent Power Producers
CAMS	Cambodia Airport Management Services Ltd.	IPR	Intellectual Property Rights
CAMINCO	Cambodia Insurance Company	ISC	Institute of Standards of Cambodia
CASs	Cambodian Accounting Standards	ISIC	United Nations International Standard Industrial Classification of Economic Activities
CC	Change in Chapter	ISO	International Organization for Standardization
CDC	Council for the Development of Cambodia	ITTO	International Tropical Timber Organization
CEPT	Common Effective Preferential Tariff	ITU	International Telecommunication Union
CESS	Cambodia Energy Sector Strategy	JETRO	Japan External Trade Organization
CFRSs	Cambodian Financial Reporting Standards	JICA	Japan International Cooperation Agency
CIB	Cambodian Investment Board	KHR	Khmer Riels
CJCC	Cambodia-Japan Cooperation Center	KICPAA	Kampuchea Institute of Certified Public Accountants and Auditors
C/O	Certificate of Origin	KRX	Korea Stock Exchange
C.P.	Cambodia Post	Lao PDR	Lao People's Democratic Republic
CPI	Consumer Price Index	LDC	Least Developed Country
CPP	Cambodian People's Party	LEPNRM	Law on Environment Protection and Natural Resource Management
CRC	Conditional Registration Certificate	MAFF	Ministry of Agriculture, Forestry and Fisheries
CSA	Cambodian Standards on Auditing	MAI	Myanmar Air
CSX	Cambodia Securities Exchange	MEF	Ministry of Economy and Finance
CSEZB	Cambodian Special Economic Zone Board	MFN	Most Favored Nation
CTH	Change of Tariff Heading	MIGA	Multilateral Investment Guarantee Agency
CVI	Cambodia-Vietnam Insurance Company Plc.	MIME	Ministry of Industry, Mines and Energy
DPWS	Department of PoTable Water Supply, MIME	MLMUPC	Ministry of Land Management, Urban Planning and Construction
DRHC	Department of Rural Health Care, MRD	MLVT	Ministry of Labor and Vocational Training
DRWS	Department of Rural Water Supply, MRD	MOC	Ministry of Commerce
EAC	Electricity Authority of Cambodia	MOFA	Ministry of Foreign Affairs
EBA	Everything-But-Arms Initiative	MOWRAM	Ministry of Water Resources and Meteorology
EDC	Electricite Du Cambodge	MPTC	Ministry of Posts and Telecommunications
EIA	Environmental Impact Assessment	MRD	Ministry of Rural Development
ELC	Economic Land Concessions	NAC	National Accounting Council
EMF	Export Management Fee	NBC	National Bank of Cambodia
EMS	Express Mail Service	NCCA	National Center of Commercial Arbitration
EPA	Economic Partnership Agreement	NGO	Non Government Organization
EPZ	Export Promotion Zone	NIS	National Institute of Statistics of Cambodia
EU	European Union	NL	Northern Line
FAO	Food and Agriculture Organization	NR	National Road
FDI	Foreign Direct Investment	NSDP	National Strategic Development Plan
FIU	Financial Intelligence Unit	NSSF	National Social Security Fund
FRC	Final Registration Certificate	PAS	Port Authority of Sihanoukville
FTA	Free Trade Agreement	PCA	Post Clearance Audit
GDCE	General Department of Customs and Excise	PMIS	Provincial-Municipal Investment Sub-Committee
GDE	Gross Domestic Expenditures	PPA	Power Purchase Agreement
GDP	Gross Domestic Product	PPIA	Phnom Penh International Airport
GMAC	Garment Manufacturers Association in Cambodian	PSR	Product Specific Rule
GMS	Great Mekong Sub-region	PPWSA	Phnom Penh Water Supply Authority
GNI	Gross National Income	QIP	Qualified Investment Project
GSP	Generalized System of Preferences	REE	Rural Electricity Enterprises
GVA	Gross Value Added	REF	Rural Electrification Fund
HCMC	Ho Chi Minh City		
IBRD	International Bank for Reconstruction and Development		

RGC	Royal Government of Cambodia
ROO	Rules of Origin
RVC	Regional Value Content
RWSS	Rural Water Supply and Sanitation
SAD	Single Administrative Document
SCA	Société Concessionnaire des l'Aéroports
SECC	Securities and Exchange Commission of Cambodia
SEZ	Special Economic Zone
SEZ TSC	Special Economic Zones Trouble Shooting Committee
SL	Southern Line
SMEs	Small and Medium Enterprises
SPZ	Special Promotion Zone
SRIA	Siem Reap International Airport
SRP	Sam Rainsy Party
SRWSA	Siem Reap Water Supply Authority
SSCA	State Secretariat of Civil Aviation
TBT	Technical Barriers to Trade
UN	United Nations
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
UPU	Universal Postal Union
US	United States
USTR	Office of the United States Trade Representative
VAT	Value-added Tax
VNM	Value of Non-originating Materials
VoIP	Voice over Internet Protocol
WB	World Bank
WCO	World Customs Organization
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

I BASIC INFORMATION ON CAMBODIA

I-1 Geography and Climate

Geography

Cambodia is situated on the southwestern part of the Indochina peninsula. It shares a 2,615 km boarder with Vietnam (1,270 km), Thailand (805 km), and Laos (540 km). Its total area is 181,035 square kilometers, which is about half the area of Japan.

Climate

Cambodia has a tropical monsoon climate with two seasons: a wet season from May to October and a dry season from November to May. The annual average temperature is about 27.7 degrees centigrade, and the average temperature exceeds 30 degrees centigrade in the hottest months, April and May.

I-2 Political System

Cambodia is a constitutional monarchy. The present King, His Majesty Norodom Sihamoni, acceded to the throne on 29 October 2004. The Constitution stipulates that Cambodia adopts a policy of liberal democracy and pluralism, and that the Cambodian people are masters of the country. The Constitution also sets out that the power of the Legislative, Executive and Judicial branches shall be separated. (Article 51) The country has a bicameral legislature, which consists of the National Assembly and the Senate. The election of National Assembly for 4th

mandate was held on 27th July 2008 in which the Cambodian People’s Party (CPP) won landslide victory and currently occupied 90 seats, followed by Sam Rainsy Party (SRP), Human Right Party, FUNCINPEC and Norodom Ranaridh Party which won 26 seats, 3 seats, 2 seats and 2 seats respectively. The election of National Assembly for 5th mandate will be held on July 28, 2013.

Cambodia’s Senate election is held once in six years. The Election for the Senate members of 3rd legislature was held on 29th January 2012. According to the official results released by the National Election Committee, the CPP gained 46 seats and SRP gained 11 seats. Remaining 4 seats were appointed by the King and the National Assembly (each 2 seats).

Above all, the CPP has formed the Royal Government with FUNCINPEC Party and Samdech Akka Moha Sena Padei Techo HUN SEN has been elected as the Prime Minister OF the Kingdom of Cambodia.

I-3 Legal System

Legal hierarchy

In the current legal system in Cambodia, the hierarchy of laws and regulations is understood as shown in Table I-3-1.

Legislation process

The process of legislation by a member of the National Assembly is shown in the flow chart in Figure I-3-1. After the adoption by the National

Table I-3-1 Legal Hierarchy in Cambodia

1) The Constitution: The Supreme Law of the Kingdom of Cambodia
2) Treaties and Convention: According to Article 26 of the Constitution, the King shall sign and ratify international treaties, both multilateral and bilateral, and conventions, following the approval of the National Assembly and Senate. After such ratification, international treaties and conventions shall become laws and may be used as the basis for judicial decisions.
3) Laws (Chhbab): Laws adopted by the National Assembly
4) Royal Kram (Preah Reach Kram) and Royal Decree (Preah Reach Kret): To be issued under the name of the King for executing his constitutional powers
5) Sub-Decree (Anu-Kret): To be signed by the Prime Minister after adoption by the Cabinet Meeting. In case the sub-decree has not been adopted by the Cabinet Meeting, countersignature by the Minister(s) in charge shall be required. The Prime Minister can use this in exercising his own regulatory powers.
6) Ministerial Order (Prakas): To be issued by members of the government in exercising their own regulatory powers.
7) Decision (Sechkdei Samrech): Individual decision of the Prime Minister and Decision (Prakas-Deika) of a Minister or a Governor, which is used in exercising his own regulatory powers.
8) Circular (Sarachor): In general, to be issued by the Prime Minister as head of government, and by a minister as an official of the ministry either to explain or clarify certain legal regulatory measures or to provide instructions
9) Provincial Deka (Arrete): To be used by a provincial governor within the geographical limits of his province

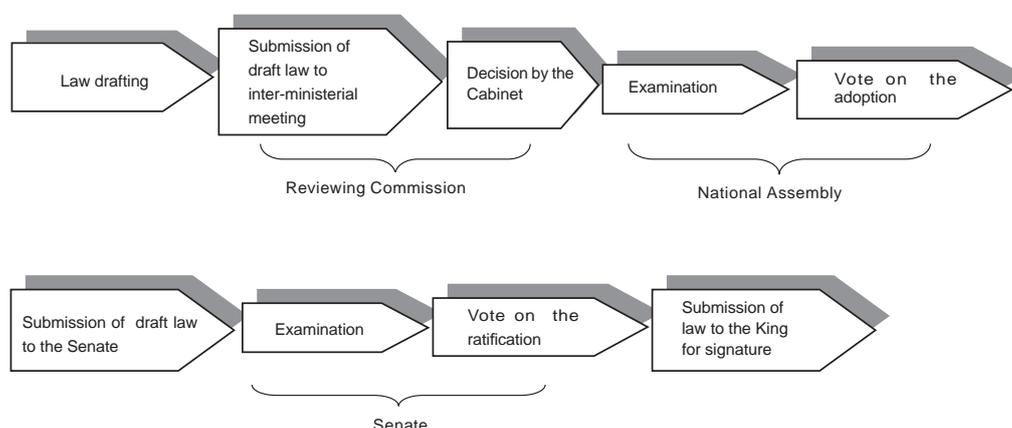


Figure I-3-1 Process of Legislation by Member of National Assembly

Assembly, the Senate reviews the law, followed by the Royal Kram of the King to promulgate the Law.

The preliminary review will be undertaken by the Private Sector Working Group, the Judicial Council and the Economic, Social and Cultural Council before the draft law is sent to Cabinet for examination.

I-4 International Relations

Foreign Policies

The Constitution declares a policy of permanent neutrality and non-alignment for Cambodia. The Kingdom of Cambodia follows a policy of peaceful co-existence with its neighbors and with all other countries throughout the world, shall not invade any country, or interfere in any other country's internal affairs, directly or indirectly, and shall solve all problems peacefully with due respect for mutual interests. The Kingdom of Cambodia shall not join in any military alliance or military pact that is incompatible with its policy of neutrality (Article 53).

Membership in Major International Organizations

Cambodia joined the UN in 1955. After the prolonged civil war was ended in the early 1990's, the pace at which Cambodia joined various international economic organizations picked up. Table I-4-1 shows some of the Cambodia's membership in international organizations to which Cambodia belongs. In addition, Cambodia is also a member of FAO, IMF, Interpol, UNCTAD, UNESCO, UNIDO, WHO, etc.

Table I-4-1 Membership of Major International Organizations

Organization	Member Since
Food and Agriculture Organization of the United Nations	1950
International Telecommunication Union (ITU)	1952
United Nations (UN)	1955
International Criminal Police Organization (INTERPOL)	1956
International Civil Aviation Organization	1956
International Maritime Organization (IMO)	1961
Asian Development Bank (ADB)	1966
Universal Postal Union (UPU)	1969
International Bank for Reconstruction and Development (IBRD)	1970
International Development Association (IDA)	1970
International Fund for Agricultural Development (IFAD)	1992
World Intellectual Property Organization (WIPO)	1995
International Finance Corporation (IFC)	1997
Multilateral Investment Guarantee Agency (MIGA)	1999
Association of Southeast Asian Nations (ASEAN)	1999
International Labour Organization (ILO)	1999*
World Customs Organization (WCO)	2001
World Trade Organization (WTO)	2004
Asian Productivity Organization (APO)	2004
International Centre for Settlement of Investment Disputes (ICSID)	2005
Asia-Pacific Telecommunity	2007
International Tropical Timber Organization (ITTO)	2009

Note: * Cambodia ratified six fundamental conventions of the ILO in 1999.

Source: Ministry of Foreign Affairs and International Cooperation

I-5 Social Climate

Population

According to the 2008 Population Census, Cambodia's population was 13.4 million with annual growth rate of 1.54%. Phnom Penh, the capital and the largest city, has a population of 1.3 million. Percentage of urban population is 19.5% and density of population per square kilo meters is 75. "Report of Population Projection of the 2008 Population Census" projects the population of major provinces in 2012 as shown in Table I-5-1.

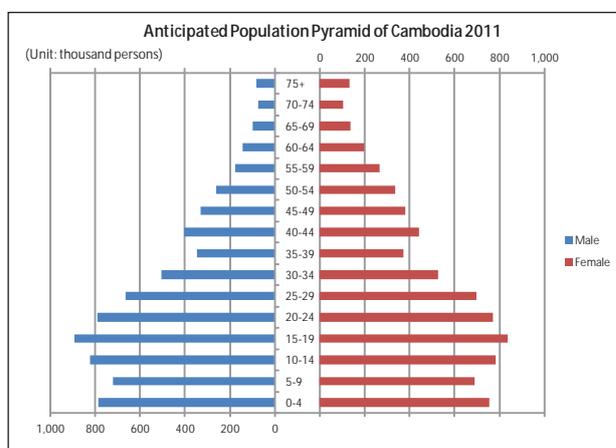
Table I-5-1 Projected Population in 2012: Top Ten Provinces and National Total

Rank	Province	Projected Population in 2012	% to Total Population
1	Kampong Cham	1,745,184	11.8
2	Phnom Penh	1,637,473	11.1
3	Kandal	1,383,298	9.4
4	Battambang	1,148,444	7.8
5	Siem Reap	1,023,990	6.9
6	Prey Veng	980,811	6.7
7	Takeo	879,328	6.0
8	Kampong Speu	775,704	5.3
9	Banteay Meanchey	760,770	5.2
10	Kampong Thom	673,247	4.6
	Cambodia Total	14,741,414	100.0

Percentage of national population by age and sex group in 2011, projected in 2008 Census, was as follows.

- Children (0-14 age): 31.4%,
- Economically productive age group (15-64): 64.3 %
- The elderly population (65+): 4.3%.

(Source: General Population Census 2008¹, NIS)



Source: General Population Census 2008, NIS

Figure I-5-1 Anticipated Population Pyramid of Cambodia 2011

Ethnic groups

The majority are Khmer (90 %). Small ethnic groups include Cham, Vietnamese and Chinese.

Religion

Buddhism is established as a national religion by the Constitution (Article 43, The Constitution) and 90 % of the population is Buddhist. Other religions practiced in Cambodia include Islam, Christianity and others.

Language and literacy

The official language is Khmer. The adult literacy rates in 2008 were 77.6 % in total, 85.1 % for males, and 70.9 % for females. (Source: General Population Census 2008, NIS)

Education system

The educational system in Cambodia consists of primary school (grade 1 to 6), junior high school (grades 7 to 9), senior high school (grades 10 to 12) and university and other institutions of higher education. Compulsory education is until grade 9.

The situation of schools at various grades in 2011-2012 is shown in Table-I-5-2.

Note 1: General Population Census of Cambodia 2008: National Report on Final Census Results, which was released in September 2009.

Table I-5-2 Schools, Students, Teaching Staff in Cambodia

	# of Schools	# of Classes	Enrolment	Repeaters	Teaching Staff
Pre-school	2,575	4,006	121,306	-	3,881
Primary School	6,849	58,594	2,142,464	127,068	45,296
Lower Secondary (Grade 7-9)	1,597	12,251	541,417	10,005	27,067
Upper Secondary (Grade 10-12)	426	6,750	318,165	7,472	10,160

Source: Education Statistics and Indicators_2011-2012, Ministry of Education, Youth and Sport, Cambodia

The percentages of enrollment and completion by education level in 2011 are shown in Table I-5-3.

Table I-5-3 School Enrollment Rate and Completion Rate in 2011

Education Level	Gross Enrollment Rate ²	Net Enrollment Rate ³	Completion Rate ⁴
Primary school (grade 1 to 6)	123.3	96.4	89.75
Junior high school (grade 7 to 9)	55.0	35.1	42.13
Senior high school (10 to 12)	30.6	19.6	27.83

Source: Education Statistics and Indicators_2011-2012, Ministry of Education, Youth and Sport, Cambodia

The school attendance situation by age group in March 2008 is also shown in the Table I-5-4.

Table I-5-4 School Attendance by Age Group in 2008

Attendance Status	Age Group	Male	Female	Total	% to Total Population by Age
Never	5-6	220,596	208,957	429,553	73.1
	7 - 12 yrs	142,220	126,264	268,484	14.6
	13 - 15 yrs	42,044	38,615	80,659	7.6
	16 - 18 yrs	47,134	51,798	98,932	9.9
	19-22 yrs	65,973	95,215	161,188	14.4
Now	5-6 yrs	79,924	78,474	158,398	26.9
	7 - 12 yrs	796,487	759,211	1,555,698	84.3
	13 - 15 yrs	449,000	405,870	854,870	81.0
	16 - 18 yrs	281,019	220,812	501,831	50.3
	19-22 yrs	146,674	91,897	238,571	21.2
Past	5-6 yrs	0	0	0	0.0
	7 - 12 yrs	10,935	9,686	20,621	1.1
	13 - 15 yrs	56,119	63,792	119,911	11.4
	16 - 18 yrs	182,576	215,044	397,620	39.8
	19-22 yrs	342,803	380,598	723,401	64.4
Total	5-6 yrs	300,520	287,431	587,951	100.0
	7 - 12 yrs	949,642	895,161	1,844,803	100.0
	13 - 15 yrs	547,163	508,277	1,055,440	100.0
	16 - 18 yrs	510,729	487,654	998,383	100.0
	19-22 yrs	555,450	567,710	1,123,160	100.0

Source: General Population Census 2008,
NIS: <http://celade.cepal.org/khmnis/census/khm2008/>

As for higher education, there are 97 higher education institutions consisting of 38 public institutions and 59 private institutions in Cambodia. 57 of them are under the Ministry of Education, Youth and Sport Performance (MoEYS)'s supervision. As can be seen from the Table I-5-5, there are 207,666 bachelor level students in 2011, which increased by 19.9% comparing to 2010. Both the numbers of master degree and doctorates also slightly increased from 2010 to 2011.

Table I-5-5 The Number of Higher Educational Level Students in 2010 and 2011

	2010			2011		
	Male	Female	Total	Male	Female	Total
Bachelor						
The number of students	102,310	70,954	173,264	124,203	83,463	207,666
Sex ratio	59.0%	41.0%	100.0%	59.8%	40.2%	100.0%
Master degree						
The number of students	10,544	2,343	12,887	11,487	2,787	14,274
Sex ratio	81.8%	18.2%	100.0%	80.5%	19.5%	100.0%
Doctorates						
The number of students	926	55	981	950	56	1,006
Sex ratio	94.4%	5.6%	100.0%	94.4%	5.6%	100.0%

Source: Education Congress Report_2011-2012, Ministry of Education, Youth and Sport, Cambodia

Currency

Although the official national currency is the Riel, US dollars are commonly used in business and commercial transactions.

Public holidays

Public holidays in 2013 are as shown in Table I-5-6.

Table I-5-6 Public Holidays in Cambodia in 2013

1 January	: International New Year's Day
7 January	: Victory Day Over Genocide Regime
25 February	: Meaka Bochea Day
8 March	: International Women's Day
14, 15, 16 and *17 April	: Khmer New Year's Days
1 May	: Labour Day
13, 14, 15 May	: King Norodom Sihamoni's Birthday
24 May	: Visaka Bochea Day
28 May	: Royal Plowing Day
1 and *3 June	: International and Cambodian Children's Day
18 June	: Queen Norodom Monineath Sihanouk's Birthday
24 September	: Constitution Day
3,4,5 and *7 October	: Pchum Ben Day
15 October	: Tribute Day of His Majesty the late King Father Norodom Sihanouk of Cambodia
23 October	: Paris Peace Agreement Day
29 October	: Coronation's Day of King Norodom Sihamoni
9 and *11 November	: Independence day
16,17,18 and *19 November	: Water Festival
10 December	: International Human Rights day

Note: Any holiday falling on the weekend (Saturday or Sunday) shall move to the following day of next week. However, if the holidays fall on both Saturday and Sunday, only one day shall be carried over into the next

Note 2: Gross Enrolment Rate : The number of pupils or students enrolled in a given level of education, regardless of age, expressed as a percentage in the age group for the same level of education.

Note 3: Net enrolment Rate: The number of pupils or students in the age group for the given level of education enrolled in that level, expressed as a percentage of the total population in that age group.

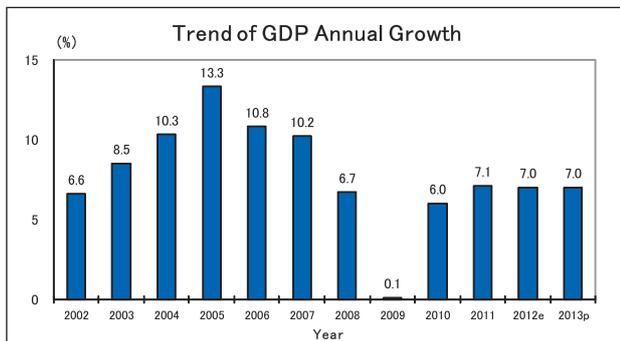
Note 4: Completion Rate to Primary Education: The number of new pupils in grade 6 in that year, expressed as a percentage in total number of population aged 11,

II ECONOMIC OVERVIEW OF CAMBODIA

II-1 Economic Situation

GDP

The Cambodian economy maintained a high growth of more than 10% p.a. for four consecutive years between 2004 and 2007, with the record high of 13.3% in 2005. Although the GDP growth rate dropped to 0.1% in 2009 as the result of world economic recession, it recovered to 6.0% in 2010 and 7.1% in 2011 mainly through its renewed exports and tourism sector. According to the MEF’s forecast, the growth rates are estimated to be approximately 7.0% in 2012 and 2013 (Figure II-1-1).



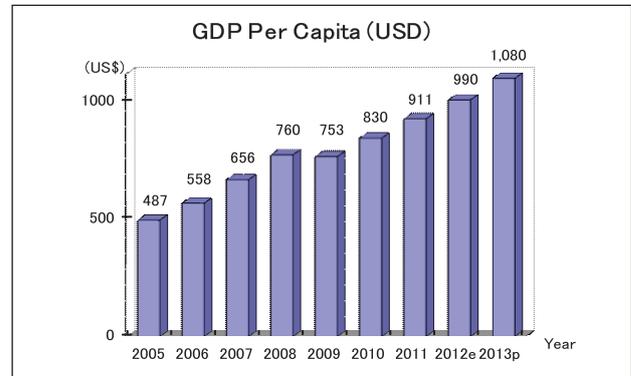
Note: "e" stands for "Estimate", "p" stands for "Projection"
Source: Ministry of Economy and Finance (MEF), Cambodia

Figure II-1-1 Trend of GDP Annual Growth

Per capita GDP has also steadily increased since 1998 when the Riel greatly depreciated against the dollar. Per capita GDP in 2011 reached USD 911, an increase of approximately 87.1% from USD 487 in 2005. It is projected to reach USD 990 in 2012 and USD 1,080 in 2013 respectively, according to the MEF’s forecast. (Figure II-1-2)

GDP contribution by industrial sector

The composition of GDP by industrial sector is as shown in Figure II-1-3. One of the characteristics of changes between 2006 and 2012 is that the ratio of industry has decreased from 26.2% to 21.9%, while the ratio of agriculture, forestry and fisheries increased from 30.1% to 36.8%.



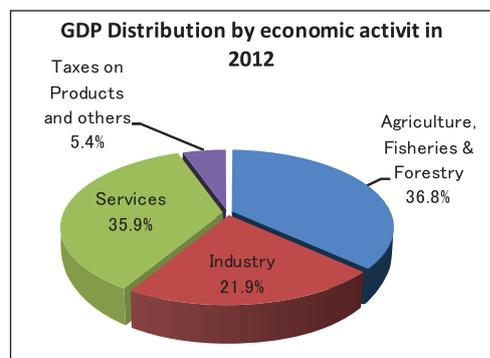
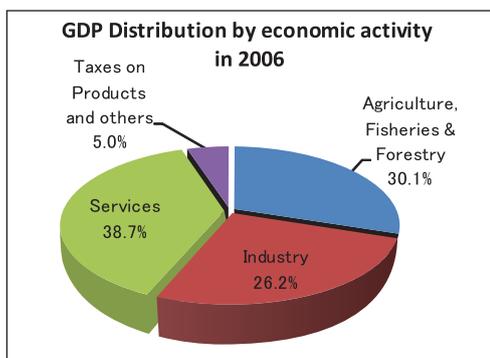
Note: "e" stands for "Estimate", "p" stands for "Projection"
Source: Ministry of Economy and Finance (MEF), Cambodia

Figure II-1-2 GDP Per Capita

As for "Agriculture", the crops’ gross value added (GVA) dropped to 4.3% in 2011, although it grew at the highest record of 8.2% in 2007. "Livestock & Poultry" recorded the growth of 5% in 2009 but growth ratio became lower to 0.2% in 2011 and it is projected to be 0.1% in 2012. The growth ratio of "Fisheries" and "Forestry & Logging" sharply dropped in 2010. While the growth ratio of "Fisheries" recovered in 2011 to 3.1%, that of "Forestry and Logging" has still remained in the minus growth rate of -0.1% in 2011 and -0.8% in 2012.

The "Textile, Apparel & Footwear" and "Construction", which occupied 76% share in 2007, have been the major players for fast growth of the sector. These subsectors, however, were seriously suffered from the financial crisis of 2008. Industry’s growth decreased to 4.0% in 2008 and -9.5% in 2009 but it recovered to 13.6% in 2010 and 14.5% in 2011 respectively. According to MEF’s forecast, the growth rate of "Industry" will be remained at 10% to 12% in next few years.

"Services" occupied 35.9% share in GDP in 2012 with heavy dependency on the "Trade" and "Transport & Communication". "Hotel & Restaurant" which have been benefited from tourism and infrastructure development remained high growth ratio constantly until 2012, except for 2009. While the growth rates of "Real Estate and Business" were sharply dropped to -2.5% in 2009 and -15.8% in 2010 due to world economic crisis of 2008, the rate recovered to 3.9% in 2011 and expected to be around 8.9% in 2012. The comparison of industrial structure with other Southeast Asian nations, as shown in Table II-1-3, indicates that Cambodia is still at the initial stage of industrialization together with Laos and Myanmar.



Note: Figures of 2012 are the estimated value.
Source: Ministry of Economic and Finance, Cambodia

Figure II-1-3 Composition of GDP by Economic Activity

Table II-1-1 GDP Growth Rate by Economic Activity, 2006-2012

Growth Rate of GDP (%)							
	2006	2007	2008	2009	2010	2011	2012e
Agriculture, Fisheries & Forestry	5.5	5	5.7	5.4	4	3.1	1.8
Crops	5.3	8.2	6.6	5.8	5.7	4.3	1.8
Livestock & Poultry	8.2	3.7	3.8	5	2.1	0.2	0.1
Fisheries	3.8	0.8	6.5	6	2.4	3.1	3.5
Forestry & Logging	7	1.1	0.9	1.1	0.2	-0.1	-0.8
Industry	18.3	8.4	4	-9.5	13.6	14.5	11.9
Manufacturing	17.4	8.9	3.1	-15.5	29.6	16.2	11.2
<i>Textile, Apparel & Footwear</i>	20.4	10	2.2	-9	18.5	19.9	12.6
Construction	20	6.7	5.8	5	-25.5	7.9	15.6
Services	10.1	10.1	9	2.3	3.3	5	7.5
Trade	7.1	9.5	9.4	4.2	7.5	4.4	7.8
Hotel & Restaurant	13.7	10.2	9.8	1.8	11.2	6.6	9.5
Transport & Communication	2.1	7.2	7.1	3.9	8	5.8	6.1
Real Estate & Business	10.9	10.7	5	-2.5	-15.8	3.9	8.9
Other Services	17.2	12.1	12	2.9	4.2	3.2	4.1
Taxes on Products	7.6	45.7	9.1	6.1	0.1	6.7	5.6
GDP	10.8	10.2	6.7	0.1	6	7.1	7

Note: Figures of 2012 are the estimated value.

Source: Ministry of Economic and Finance, Cambodia

Table II-1-2 Breakdown of Industry in GDP, 2006-2012 (Unit: Billion Riel)

	2006	2007	2008	2009	2010	2011	2012e
Mining	115	135	165	196	279	330	379
Manufacturing	5,541	6,074	6,441	6,208	6,913	7,900	8,758
<i>Food, Beverages & Tobacco</i>	664	757	924	978	1,071	1,163	1,241
<i>Textile, Apparel & Footwear</i>	3,869	4,234	4,315	3,938	4,403	5,192	5,855
<i>Wood, Paper & Publishing</i>	171	203	239	252	273	296	317
<i>Rubber Manufacturing</i>	181	148	153	168	219	243	272
<i>Other Manufacturing</i>	657	732	811	872	947	1,006	1,073
Electricity, Gas & Water	164	195	212	230	252	270	294
Construction	1,995	2,338	2,572	2,694	2,845	3,029	3,300
Total Industry	7,816	8,741	9,389	9,327	10,289	11,529	12,731

Note: Figures of 2012 are the estimated value.

Source: Ministry of Economic and Finance, Cambodia

Table II-1-3 Composition of GDP of Selected Southeast Asian Countries in 2011, Unit: (%)

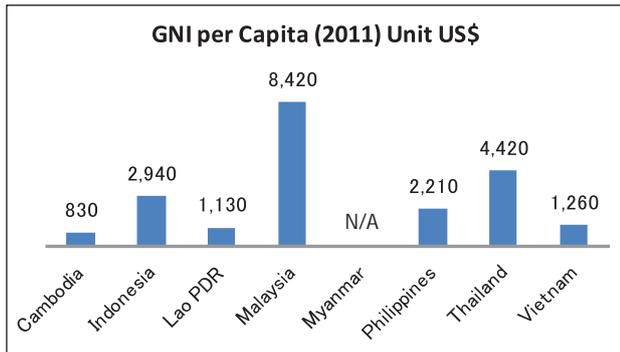
Country	Agriculture	Industry	Service
Cambodia	36.7	23.5	39.8
Indonesia	14.7	47.2	38.1
Laos	30.3	27.7	42.0
Malaysia	12.0	40.7	47.3
Myanmar	36.4	26.0	37.6
Philippines	12.8	31.5	55.7
Singapore	0.0	26.6	73.4
Thailand	10.9	40.1	49.0
Vietnam	22.0	40.3	37.7

The figures of Laos, Myanmar and Vietnam are for 2010.

Source: Asian Development Bank (ADB), Key Indicators 2012

GNI per capita

According to ADB’s data, Cambodia’s GNI per capita from 2002 to 2011 had increased by approximately 58 US dollars on annual average and reached 830 US dollars in 2011. Although the figure of Cambodia is still among the lowest in the region (Figure II-1-4), people with the purchasing power to buy high-end products are now found in Phnom Penh City. Although the size of Cambodian market seems to be still small, investors can access to the ASEAN integrated market once the ten ASEAN member countries reduce all import tariffs, which is scheduled for implementation by 2015.



Source: Asian Development Bank (ADB), Key Indicators 2012

Figure II-1-4 GNI Per Capita of ASEAN

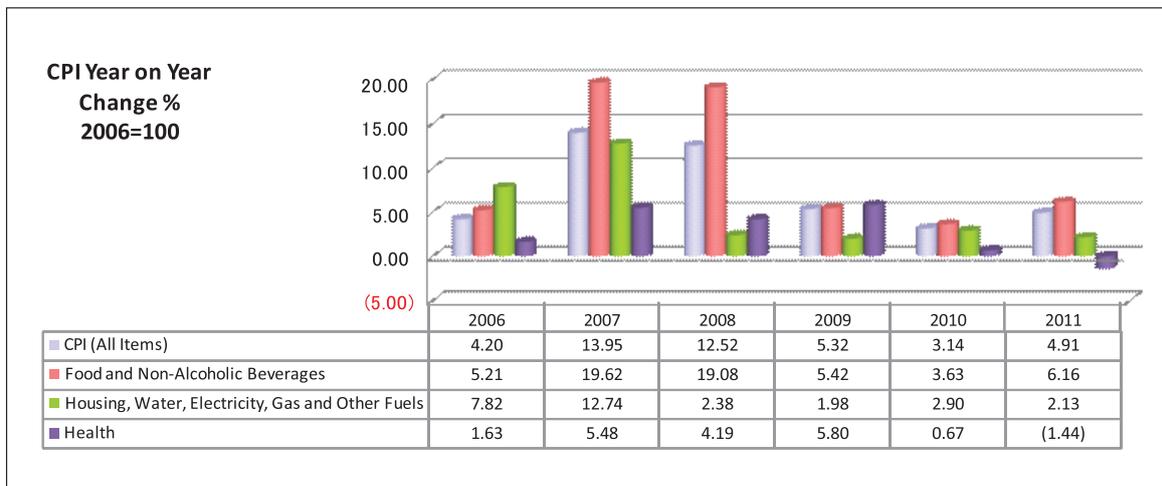
Consumer Price Index (CPI)

The Government’s policy is that inflation rate should not exceed 5% annually. As shown in Figure II-1-5, although the inflation rate jumped up to 14.0% in 2007 and 12.5% in 2008, it dropped to 5.3% in 2009, 3.1% in 2010 and 4.9% in 2011. The government claimed that the sudden increase of CPI in 2007 was mostly due to a drastic change in composition of commodity basket for weighing of CPI. In addition, the Government also claimed the sharp hike of foods prices at the rates of 19.6% in 2007 and 19.1% in 2008 was caused by the escalation in the price of petroleum products on the world market, which contributed to the rise in transportation costs. “Housing”, which increased by 12.7% in 2007, has been showing modest growth and “Health”, which showed increase of 4-5% between 2007 and 2009, decreased its increasing rate to -1.44% in 2011.

Figure II-1-6 shows the inflation rate for all items from 2008 to September 2012. After reaching the highest level at 35.6% in May 2008, the inflation rate turned to decrease and started the deflation from March 2009 finally reaching the lowest level at -5.7% in May 2009. After turning to the inflation in November 2009, the inflation rate has fluctuated between 1.3% and 7.1%. In the second half of 2012, the inflation rate has remained at around 2%. In general, the inflation rate remained stable in the past few years comparing to the sudden and sharp fluctuations occurred in 2008 and 2009.

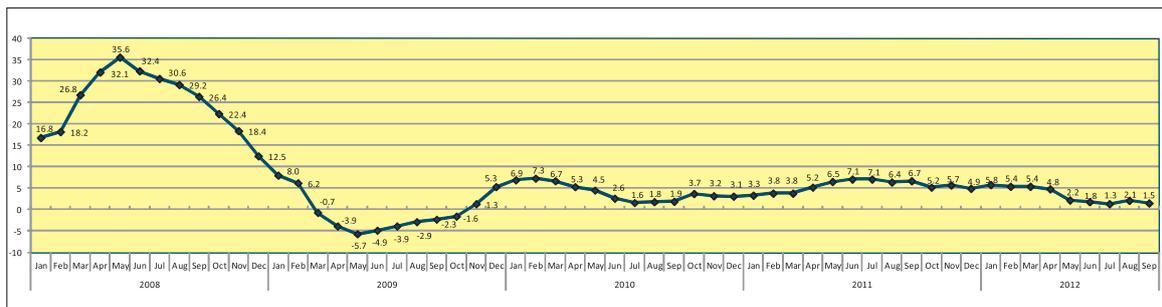
Indices of economic freedom

According to “2012 Index of Economic Freedom” by the Heritage Foundation in the US, Cambodia’s overall economic freedom score is 57.6 which is ranked at 102nd out of 179 countries and 17th out of 41 countries in the Asia-Pacific region. As shown in Figure II-1-7, the country scores noticeably



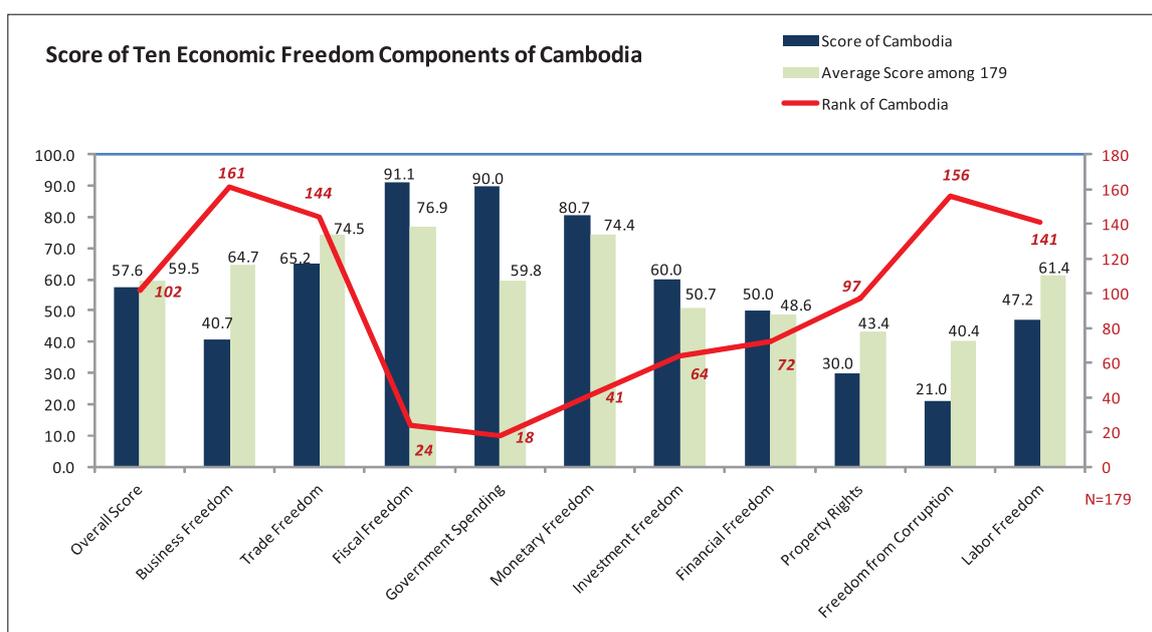
Source: National Bank of Cambodia

Figure II-1-5 CPI Year on Year Change



Source: National Institute of Statistics

Figure II-1-6 CPI All Items from 2008 to 2012(Index: 2006=100)



Note: The larger the number, the freer the business climate in a country.
Source: Heritage Foundation

Figure II-1-7 Scores of Ten Economic Freedom Components of Cambodia

well in fiscal freedom, government spending and monetary freedom. Low rates for income and corporate tax contribute to a low overall tax burden, giving the country a high fiscal freedom score. Other institutional weakness still holds down Cambodia's overall economic freedom score, however. Cambodia's business freedom, trade freedom and labor freedom, property rights, and freedom from corruption all receive notably low scores.

II-2 Investment Trend

FDI trend

Investment projects, which are approved by the Council for the Development of Cambodia (CDC) to be granted investment incentives and guarantee, consist of projects by Cambodian capital and those by foreign capital. Those projects are called "Qualified Investment Projects (QIPs)" under the Law on Amendment to the Law on Investment of 2003.

In 1995, one year after the enactment of the Law on Investment 1994, the fixed asset investment amount approved by the CIB (CDC) totaled 2.3 billion dollars. From 1994 to 2006, the annual average of twelve years was

Table II-2-1 Investments Approved by CDC by Major Countries (1994 - September 2012)

Million USD

Country	1994-2006 Total		2007	2008	2009	2010	2011	2012 1-9	1994-2012.9 Total	
		Rank								Rank
Cambodia	4,341	-	1,323	3,932	3,753	391	1,930	261	15,931	-
China	1,581	2	180	4,371	893	694	1,193	230	9,142	1
Korea	1,361	3	148	1,238	121	1,027	146	150	4,191	2
Malaysia	1,960	1	241	3	7	167	235	0	2,614	3
UK	107	11	26	6	0	0	2,238	25	2,429	4
USA	428	5	3	671	1	36	144	5	1,290	5
Vietnam	81	12	139	21	210	115	631	84	1,281	6
Taiwan	576	4	40	21	27	92	82	78	916	7
Thailand	384	6	108	74	178	2	0	120	866	8
Singapore	271	8	2	52	272	37	14	83	732	9
HKG	248	9	26	0	7	30	331	56	697	10
Russia	279	7	0	102	235	0	0	0	617	11
Israel	0	14	2	300	0	2	0	0	304	12
France	208	10	35	6	50	0	0	3	303	13
Japan	22	13	113	8	5	0	6	2	157	14
Others	269	-	305	84	127	222	393	26	876	-
Total	12,116	-	2,656	10,889	5,859	2,691	7,012	1,123	42,346	-

Source: CIB (CDC)

932 million dollars, and during the following five years (2007 to 2011), the average amount became approximately 6.2 times larger as 5.8 billion dollars. In 2012, the fix asset investment amount approved by the CIB (CDC) reached 1.1 billion dollars until September. From 1994 to September 2012, the cumulative investment approved by CIB (CDC) is 42.3 billion dollars¹. Table II-2-1 shows the investment approval trend in Cambodia.

As shown in Table II-2-2, the FDI ratio among the total investment amount approved by the CIB (CDC) between 1994 and 2006 was approximately 64%. Such FDI ratio dropped to approximately 36% in 2009 and increased to 85% in 2010. Consequently, overall FDI ratio was approximately 62% of the total approved investment amount from 1994 to September 2012.

Table II-2-2 Investment Fixed Assets by Source of Investment:
1994-September 2012

	Million USD			
	Foreign (a)	Cambodia	Total (b)	FDI ratio: (a)/(b) %
1994 - 2006	7,775	4,341	12,116	64%
2007	1,333	1,323	2,656	50%
2008	6,597	3,932	10,889	64%
2009	2,106	3,753	5,859	36%
2010	2,300	391	2,691	85%
2011	5,082	1,930	7,012	72%
2012 (Jan - Sep)	862	261	1,123	77%
Total	26,415	15,931	42,346	62%

Source: CIB (CDC)

Table II-2-3 Investment Approved by CIB by Sector: 1994 - September 2012

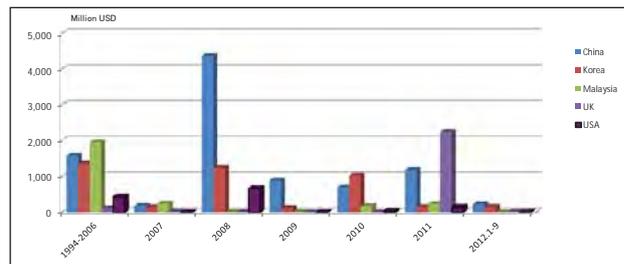
	Million USD				
	Agriculture	Industries	Services	Tourism	Total
1994-2006	849	4,133	3,971	3,163	12,116
2007	141	568	697	1,250	2,656
2008	107	714	1,292	8,776	10,889
2009	590	958	410	3,901	5,859
2010	554	946	1,059	132	2,691
2011	725	2,869	658	2,760	7,012
2012(1-9)	418	633	21	51	1,123
2006-2012(9)	2,325	6,688	4,137	16,870	30,230
Total (1994-2012.9)	3,384	10,821	8,108	20,033	42,346
Percentage	7.99%	25.55%	19.15%	47.31%	100.00%

Source: CIB (CDC)

Table II-2-4 The Number of Approved QIPs by CIB (1994-2012.9)

SECTOR	2007	2008	2009	2010	2011	2012 (Jan-Sep)
Agriculture	8	6	19	23	24	16
Industries	94	65	65	74	113	102
Energy	6	6	6	4	0	1
Food Processing	1	1	2	4	1	2
Garment/Textile	37	37	24	41	84	67
Machine/ Metal/ Electronics	1	0	1	2	3	1
Mining	4	4	7	2	3	1
Plastic	2	2	1	2	0	4
Shoes	2	2	7	8	8	9
Wood Processing	0	0	4	1	0	1
Others	13	13	13	10	14	16
Services	14	9	4	2	3	2
Construction/ Infrastructure	6	4	4	2	2	2
Services	3	5	0	0	1	0
Tourism	13	20	12	3	8	4
Hotel	6	0	1	1	2	2
Tourism	14	20	11	2	6	2
Total	129	100	100	102	148	124

Source: CIB (CDC)



Source: CIB (CDC)

Figure II-2-1 Investment by Leading Countries

In terms of the cumulative FDIs by country approved in the period of around 19 years ending at September 2012, the largest amount of 9.1 billion US dollars came from China. The second biggest FDI provider is Korea followed by Malaysia. The other major sources of FDI are UK, USA, Vietnam, Taiwan, and Thailand. Figure II-2-1 shows the investment approval trend by five leading countries.

Industrial sub-sector

As for the composition by industrial sector, the tourism sector accounts for 47% of the cumulative investment amount as of September of 2012, while the amount of investment in the tourism sector has been changing drastically every year owing to the presence or absence of large scale investment projects and high amount approved in 2008 and 2009. Investment in industries has been increasing gradually from 2006 to 2011. Investment amount in the

Note 1 : The quoted figures do not include the followings.

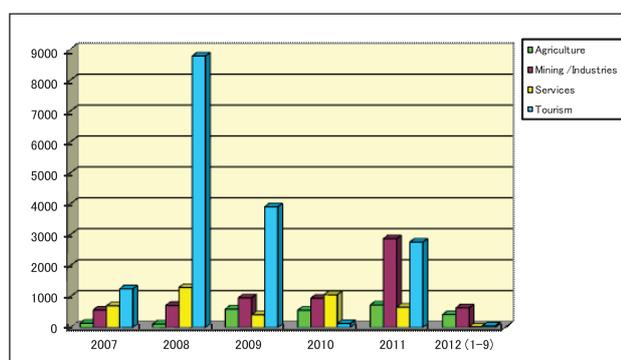
- The QIPs locating in the SEZ, including the SEZ development projects
- The QIPs that the PMIS approved (Less than 2 million USD)
- Non-QIPs that have been registered with MOC

Table II-2-5 The Investment Amount of Approved QIPs by CIB (1994-2012.9)

Unit: Million USD

SECTOR	2007	2008	2009	2010	2011	2012 (Jan-Sep)
Agriculture	141	107	590	554	725	418
Industries	568	714	958	946	2,869	633
Energy	37	494	668	589	0	33
Food Processing	229	4	12	36	26	9
Garment/Textile	205	146	93	134	398	376
Machine/ Metal/ Electronics	2	0	2	8	9	8
Mining	31	5	15	92	31	5
Plastic	5	6	15	92	31	5
Shoes	26	12	28	48	35	92
Wood Processing	7	0	16	2	0	5
Others	26	47	122	31	2,370	85
Services	697	1,292	410	1,059	658	21
Construction/ Infrastructure	606	191	410	1,059	658	21
Services	91	1,101	0	0	91	0
Tourism	1,250	8,776	3,901	132	2,760	51
Hotel	3	0	17	4	283	35
Tourism	1,247	8,776	3,884	128	2,477	16
Total	2,656	10,889	5,859	2,691	7,012	1,123

Source: CIB (CDC)



Source: CIB (CDC)

Figure II-2-2 Investment Trend by Sector (2006-2012.9)

agriculture sector has remained stable except for 2008. Investment in the service sector was dropped in 2009 due to the decrease of investment in the construction sector damaged by the economic crisis, but recovered in 2010. (Table II-2-3, II-2-4, II-2-5 and Figure II-2-2)

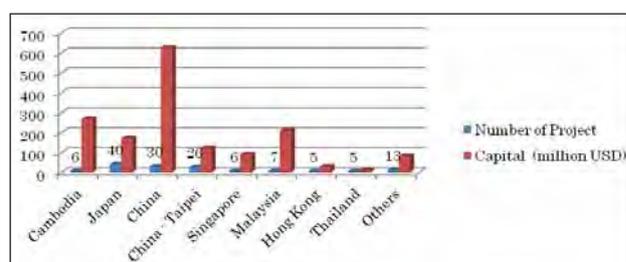
Investment trend in SEZ

During 7 years until now since the issuance of "Sub-Decree No.148 ANKr. BK on the Establishment and Management of the Special Economic Zones" dated on December 29, 2005, 138 QIPs have been approved to locate in the SEZs and the approved investment has amounted to USD1.6 billion. Table II-2-6 and Figure II-2-3 show the investment records of QIP in the SEZ from 2005 to December 2012.

Table II-2-6 QIP in Cambodian SEZs by Country (2005-2012.12)

	Country	No. of QIP	Approved Investment Amount (USD)
1	China	30	625,324,310
2	Cambodia	6	267,077,825
3	Malaysia	7	210,867,583
4	Japan	40	172,600,613
5	Taiwan	26	120,787,783
6	Singapore	6	89,540,846
7	South Korea	2	55,326,462
8	Hong Kong	5	29,830,805
9	Thailand	5	10,624,299
10	Vietnam	4	7,278,194
11	Others	7	18,277,197
	Total	138	1,607,535,917

Source: Cambodia Special Economic Zone Board



Source: Cambodia Special Economic Zone Board

Figure II-2-3 Number of QIP and Approved Investment Amount (December 2005- December 2012)

Among the investment into the SEZs, China, Cambodia and Malaysia occupy the top 3 shares but the QIP of those countries include a gigantic investment project in a power generation plants. The remaining projects other than 4 projects in power generation are all in the manufacturing fields. The number of approved QIP in manufacturing is 134 out of total 138 QIPs and the approved investment amount is USD 554million. In the manufacturing field, Japan occupies the top share both in number of the projects and the approved investment amounts. The share of Japan, Taiwan and China exceeds 70% of the QIP in the manufacturing projects in SEZs. The major manufacturing projects in the SEZs are the production of plastic products, packing materials, garments and footwear. Besides, it is worth pointing out that the production of auxiliary products for the garment has begun in the SEZs and I may lead to build up the widely-based supporting industries which will enable the Cambodia's garment industry to produce more value-added garments. The most important tendency observed in

Table II-2-7 Manufacturing QIPs in SEZs by Country (2005 – 2012.12)

	Country	No. of QIP	Approved Investment Amount (USD)
1	Japan	40	172,600,613
2	Taiwan	26	120,787,783
3	China	29	82,324,310
4	South Korea	2	55,326,462
5	Singapore	5	35,840,846
6	Hong Kong	5	29,830,805
7	Malaysia	6	15,467,583
8	Thailand	5	10,624,299
9	Vietnam	4	7,278,194
10	Cambodia	5	5,743,782
11	Others	7	18,277,197
	Total	134	554,101,874

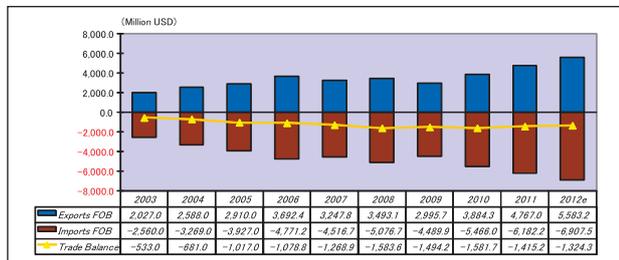
Source: Cambodia Special Economic Zone Board

the Cambodia’s SEZs is that the production of export products such as small-size motor, wire harness, other electric and electronics products, etc., which are new to Cambodia, has begun by Japanese firms in the SEZs and it is expected to contribute to diversify the Cambodian industries. The number of manufacturing QIPs and their approved investment amounts by country are as shown in Table II-2-7.

II-3 Trade

Trade balance

As shown in Figure II-3-1, the trade performance of Cambodia had shown the increasing trend over until 2008. While the trade volume dropped in 2009 due to the global financial crisis, it has been recovering since 2010. Cambodia continuously records a trade deficit. After the gap suddenly widened in 2005, it has been relatively stable at around USD 1.4 - 1.5 billion per year between 2006 and 2011. The amount of export in 2012 is expected to exceed 5.5 billion USD increased by 17% from 2011, while the import amount is estimated to increase by 12% in 2012 reaching 6.9 billion USD.

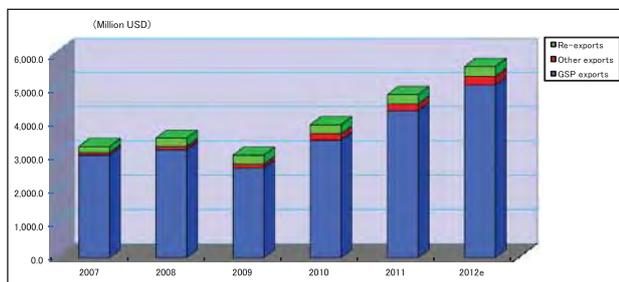


Note: "e" stands for "Estimate"
Source: Ministry of Economic and Finance, Cambodia

Figure II-3-1 Trade Balance: 2003 – 2012

Export trend

Cambodia’s exports have continuously shown a steady growth up to the present, except 2009. According to the MEF’s statistics, exports reached approximately 4.8 billion US dollars in 2011 (Figure II-3-1). As seen in the Figure II-3-2, The GSP export component, the main product, the garments, for two major exporting markets US and EU, occupies the large share among three components and accounts for approximately two-third of total exports. Although GSP exports decreased in 2009, it has been back to the growth trend in 2010 and 2011. Export of other products also shows the similar tendency. On the other hand, re-export products continuously increased from 2006 until 2012.



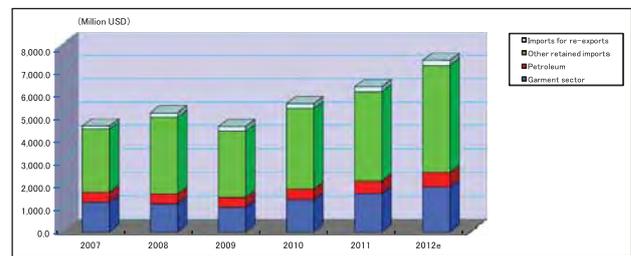
Note: "e" stands for "Estimate"
Source: Ministry of Economic and Finance, Cambodia

Figure II-3-2 Exports 2007 - 2012

Import trend

The growth of Cambodian imports has been much higher than growth of exports. As shown in the Figure II-3-3, although the import dropped in 2009, it recovered in 2010 and has shown continuous growth until 2012. The total amount of import was approximately 6.1 billion in 2011 and it is expected to be 7.3 billion US dollar in 2012. The garment sector is still

expected to be the main importing source in 2012 accounting for 26.2% of total imports.



Note: "e" stands for "Estimate"
Source: Ministry of Economic and Finance

Figure II-3-3 Imports 2007 - 2012

GSP

Cambodia is one of the beneficiaries of the Generalized System of Preferences (GSP) schemes operated by the developed countries. Under these schemes, import tariffs on many products from the beneficiary countries are exempted or reduced if requirements such as rules of origin are fulfilled. Table II-3-1 shows the relations between the beneficiaries in Asia and three major markets: Japan, the US and the EU. Since Cambodia is categorized as a least developed country (LDC), it is entitled to additional preferences, under which more of its products are subject to duty-free or tariff reductions. For example, Japan gives Cambodia tariff preferences on imports of 3,490 articles plus an additional 2,200 articles including apparel and footwear as shown in Table II-3-2.

Table II-3-1 Matrix of GSP Beneficiaries and Major Markets

Beneficiaries in Asia	Preference-giving countries (three major markets)		
	Japan	The US	The EU (Until 2013)
Bangladesh	X (LDC)	X (LDC)	X (LDC)
Cambodia	X (LDC)	X (LDC)	X (LDC)
China	X		X
Indonesia	X	X	X
Lao PDR	X (LDC)		X (LDC)
Malaysia	X		X
Myanmar	X (LDC)		(Withdrawn from the GSP list in 1997)
Philippines	X	X	X
Thailand	X	X	X
Vietnam	X		X

Note : "LDC" indicates the least developed countries benefiting from additional preferences compared with other developing countries.
Source: GSP List of Beneficiaries (MOFA of Japan, July 2011), GSP Guidebook (USTR, May 2011), Information Notice (on Amendment made by Regulation (EU) No 512/2011 of the European Parliament and of the EU Council dated on 11 May 2011)

Table II-3-2 Number of Articles Subject to Preferences under GSP schemes

	Japan	The US	The EU
For all developing countries	3,490	3,400	6,300
Additional only for LDCs including Cambodia	2,200	1,400	All other articles, except arms and ammunition (EBA), with few exceptions

Source: MOFA of Japan, USTR and EU

III BUSINESS OPERATING ENVIRONMENT

III-1 Regulatory Framework Relating to the Business Operations

To improve the business and investment climate and to comply with WTO regulations and keep its promises made upon the accession to WTO, the RGC has been putting emphasis on updating laws and regulations and introducing the new laws and regulations in the field of investment, trade and business. The major laws and regulations enacted or issued in such fields since 2007 are shown in Table III-1-1.

Other major business-related laws and regulations are shown in APPENDIX I, “List of Investment and Business Related Laws and Regulations”.

During the period, the most vital issue in terms of regulatory framework relating to business was the enactment of the Law on Implementation of Civil Code on May 31, 2011. By enacting the Law on Implementation of Civil Law, the Civil Code became effective from 20 December 2011.

Table III-1-1 Recently Enacted or Issued Laws and Regulations Relevant to Investment and Business (2007 – 2012)

Area	Names of Laws and Regulations	Enactment Date
a) Basic/Governmental	Decision #21 (RGC) on Declaration of Date of the Election of the National Assembly for the 5th Legislature of the National Assembly	May-12
	Sub-Decree #68 (RGC) on General Process of Delegating Functions and Resources to Sub-National Administration	May-12
	Law on the Implementation of the Civil Code	May-11
	Sub-Decree #71 (RGC) on Addition to General Statutes of Public Enterprises	Apr-11
	Sub-Decree #57 (RGC) on Establishment of Cambodia Post as Public Enterprise	Jun-10
	Anti-Corruption Law	Apr-10
	Criminal Code	Nov-09
	Civil Code	Dec-07
	Law on Criminal Procedure	Aug-07
	Law on Education	Dec-07
b) Business	Notification #437 on Clarification on Responsibility for Tax Liabilities on Sale or Transfer of Businesses in Cambodia	Apr-12
	Inter-ministerial Prakas on Sub-contract Management in Garment, Textile, and Footwear Industry	Jun-11
	Law on the System of Units	Aug-09
	Sub-Decree #124 (RGC) on Organization and Functioning of National Center of Commercial Arbitration	Aug-09
	Law on Tourism	Jun-09
	Notice #0569 (MOC) on Change of Certificate regarding Enrollment in the Commercial Register of New Form and filling in an Annual Declaration of Commercial Companies	Feb-09
	Law on Insolvency	Dec-07
	Law on Standards	Jun-07
	Law on Secured Transactions	Jun-07
c) Trade	Prakas #288 (MEF) on Authorization to Use Schedule for Reducing Import Goods of Cambodia under the ASEAN Trade in Goods Agreement	Mar-11
	Prakas #001 MOC/SM 2011 (MOC) on Modification of Certificate of Origin (CO) Issuance Procedure	Jan-11
	Inter-Ministerial Prakas #515 (MEF & MAFF) on Implementation of Trade Facilitation Through Risk Management	Jul-10
	Prakas #346 (MAFF) on Procedure for Plant Quarantine Inspection	May-10
	Inter-Ministerial Prakas #996 (MEF & MIME) on Implementation of Trade Facilitation through Risk Management	Nov-09
	Inter-Ministerial Prakas #995 (MEF & MOH) on Implementation of Trade Facilitation through Risk Management	Nov-09
	Royal Kram N RKM 1009 021 on Adopting the Agreement on Comprehensive Economic Cooperation among ASEAN and Korea	Oct-09
	Royal Kram NS RKM 1009-018 on Promulgation of Law adopting Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China	Oct-09
	PRAKAS #906 (MEF) on Creation and Implementation of Private Sector Partnership Scheme with the Customs Administration	Oct-09
	Prakas #734 (MEF) on Special Customs Procedures for Implementing in Special Economic Zones	Sep-08
	Prakas #388 MEF.CE on Post Clearance Audit	22-May-08
	Prakas #108 on Refund of Customs Duties and Taxes	Feb-08
	Prakas #116 on Customs Bonded Warehouse	Feb-08
Law on Customs	Jul-07	
d) Investment	Law on Approval of the Agreement on Investment of the Framework Agreement on Comprehensive Economic Cooperation between the ASEAN and China	Aug-10
	Law adopting the Agreement on the ASEAN Comprehensive Investment Agreement	Oct-09
	Law adopting the Agreement on Comprehensive Economic Partnership among ASEAN and Japan	Oct-09
	ASEAN Comprehensive Investment Agreement	Dec-08

Area	Names of Laws and Regulations	Enactment Date
e) Agriculture & Fishery	Order #01 on Measures to Strengthen and Increase Effectiveness of ELC Management_120507	May-12
	Sub-Decree #36 (RGC) on Contractual Agricultural Production	Feb-11
	Sub-Decree #58 (RGC) on Mechanisms and Procedures for Implementing the Law on Bio-safety	Jun-10
	Sub-Decree #18 on Procedures for Fishing Lot Investments, Public Auctions, Leases and Fishing Fees	Jan-10
	Prakas # 002 (MAFF) on List of Maximum Residue Limits of Pesticide in Fruit and Vegetables	Jan-07
f) Transportation	Law on the Adoption of Agreement between Cambodia and Vietnam on Waterway Transportation	Jun-10
	Sub-Decree #164 (RGC) on Termination of the Legal Status of the Royal Railway of Cambodia	Oct-09
	Sub-Decree #163 (RGC) on Creation of Department of Railway under Supervision of the Ministry of Public Works and Transport	Oct-09
	Sub-Decree #106 (RGC) on Establishment of the National Airline Company	Jul-09
	Sub-Decree #124 (RGC) on Granting Concession of Cambodian Royal Railway	Sep-07
g) Land and Infrastructure	Law on Civil Aviation of the Kingdom of Cambodia	Jan-08
	Sub-Decree #112 (RGC) on Establishment of Department of Cadastral Information Technology of the Ministry of Land Management, Urban Planning and Construction	Aug-12
	Sub-Decree #77 (RGC) on Creation of Committee for Land Management and Urban Planning for the Capital, Provinces-Municipalities, Districts-Khans	Aug-12
	Royal Decree # NS/RKT/0212/079 on Establishment of National Committee for Managing and Developing Coastal Areas of Cambodia	Feb-12
	Notification #006 (MEF) on Implementation of Tax Collection on Real Estate	May-11
	Sub-Decree #82 (RGC) on Determination of Proportion and Method for Calculating the Number of Private Units that may be owned by Foreigners	Jul-10
	Prakas #494 on Creation of Real Estate Evaluation Commission for Tax on Real Estate	Jul-10
	Law on Providing Foreigners with Ownership Rights in Private Units of Co-Owned Buildings	May-10
	Law on Expropriation	Feb-10
	Prakas #1222 on Real Estate Development Business Management	Dec-09
	Instructional Circular #14 (MLMUPC) on Implementation of Procedures for Sporadic Land Registration	Sep-09
	Sub-Decree No 126 (RGC) on Management and Use of Co-owned Buildings	Aug-09
	Law on Concession	Oct-07
h) Finance	Sub-Decree #114 (RGC) on the Mortgage and Transfer of the Rights over a Long -Term Lease or an Economic Land Concession	Aug-07
	Law on Water Resource Management	Jun-07
	Prakas #008.11 on Code Conduct of Securities Firms and Securities Representatives	Jun-11
	Prakas #006.11 on Implementation of Operating Rules of Securities Market	May-11
	Prakas #004.11 on the Implementation of Listing Rules	May-11
	Sub-Decree #70 on Tax Incentives in Securities Sector	Apr-11
	Prakas #12-010-206 (NBC) on Anti-Money Laundering related to All Entities Not Regulated by NBC	Dec-10
	Prakas #013.10 on Corporate Governance for Listed Public Enterprise	Dec-10
	Prakas #7-10-172 (NBC) on the Internal Control of Bank and Financial institutions	Sep-10
	Prakas on the Prime Principle of the Operating Rules of a Securities Market	March 2011
	Prakas #002 on Corporate Governance for Listed Companies	Dec-09
	Prakas #001 on Public Issuance of Equity Securities	Dec-09
	Prakas #009 on licensing of securities firms and securities representatives	Nov-09
	Law on Financial Lease	Jun-09
	Law on the Issuance and Trading of Non-government Securities	Oct-07
Law on Combating Money Laundering and Terrorist Financing	Jun-07	
Law on State Securities/Bonds	Jan-07	
i) Labor	Sub-Decree #136 (RGC) on Adjustment to Commission for Solving Issues Related to All Strikes and Demonstrations 120905	Sep-12
	Notification #041/11 (MLVT) on the Decision of Labor Advisory Committee on Seniority Bonus	Mar-11
	Notification #132 (MOLVC) on Employment Risk Contribution Payment of Garment and Footwear for 2011	Dec-10
	Sub-Decree #108 (RGC) on Determination of Rates and Procedures for Selecting Disabled Persons for Employment	Aug-10
	Law on the Protection and the Promotion of the Rights of Persons with Disabilities	Aug-09
	Sub-Decree #67 (RGC) on Creation and Putting into Operation of the National Agency for Occupations and Labor	April 27 2009
	Law on Amendment to Articles 139 and 144 of the Labor Law	Jul-07
Sub-Decree # 16 (RGC) on Creation of National Social Security Fund	Mar-07	
j) Others	Sub-Decree #57 (RGC) on Establishment of Cambodia Post as Public Enterprise	Jun-10

Source: JICA Study Team on the Institutional Strengthening of Investment Promotion in Cambodia

The Law on Implementation of Civil Code aims to protect the sustainability of legal relations in civil matters and to guarantee proper application of the Civil Code. As a result, a number of provisions in the existing Cambodian laws will be abrogated or amended. The Law stipulates the following three principles for applying the Civil Code.

- 1) The Civil Code shall not apply to matters occurring before the Date of its Application. However, a continuing legal relations occurring before the Date of Application and still existing after the Date of Application shall be enforced pursuant to the Civil Code from the Date of Application. (Non-retroactivity)
- 2) The effect of legal provisions or customs in Cambodia before the Date of Application of the Civil Code shall not be disrupted after the Date of Application. (Continuity)
- 3) Above two principles shall not prevent fair implementation of the Civil Code to matters occurring before the Date of Application in the event that there are no applicable legal provisions or customs or existence of such provisions/customs is obscured. (Legal consistency)

The other issues or areas progressed, promoted and/or improved by new legislation during the period were as follows.

- Governance: Anti-Corruption
- Trade: Multilateral trade agreement scheme, Trade Facilitation through Risk Management
- Real Estate: Foreign ownership of private units of co-owned buildings, Collection of property tax
- Finance: Security market and trade
- Labor and employment: Workers' wage and bonus, Employment of disabled

III-2 Civil Code and Related Law

Civil Code

Although "Civil Code of Cambodia" was promulgated on 8 December 2007, its implementation has been suspended by Article 1305 until the separate law would designate the date of application and determine the items necessary for application of the Code including transitional measures regarding application of the Code. As the Law on the Implementation of Civil Code was promulgated on 31 May 2011, the Civil Code itself became applicable from 20 December 2011.

As from the date of application of Civil Code, the old Civil Code which was promulgated on February 25, 1920 and was continually amended until April 17, 1975 has no further effect. "Law on Family and Marriage" also became ineffective, except the provisions of Article 76 and 77 and provisions from Article 79 to 81 of that law, which shall remain effective after the Date of Application until otherwise provided by other laws. "Sub Decree No. 38 on Contract and Other Non-Contractual Liability" became ineffective from the date of application of Civil Code, except provisions from Article 83 to 88 of that Sub Decree, which shall remain effective after the date of application until otherwise provided by other laws.

Among the provisions of Civil Code, the most of business-related provisions are included in BOOK 3 "REAL RIGHTS", BOOK 4 "OBLIGATIONS", BOOK 5 "PARTICULAR TYPES OF CONTRACTS/TORTS" and BOOK 6 "SECURITY". The major provisions of each Book are summarized as follows. For the full text of Civil Code, refer to "Civil Code" in "Law and Regulations" of CDC Website (www.cambodiainvestment.gov.kh).

Book Three "REAL RIGHTS"

General Provisions

Definition of thing: Under this Code, a thing is a corporeal object or substance comprising a gas, liquid or solid¹ (Article 119).

Movables and immovables: Things are divided into movables and immovables. An immovable comprises land or anything immovably fixed to land, such as a building or structure, crops, timber, etc. A movable is anything that is not an immovable (Article 120).

Component of a land (principle rule): Things attached to land or comprising a part thereof, particularly buildings or structures immovably constructed on land, etc. are components of the land unless they are severed from the land, and may not, except as otherwise provided by law, be the subject of rights separate from those applicable to the land (Article 122).

Component of a land (exceptional rule): Where the holder of a right [to occupy or use] a land of another has constructed buildings or structures, etc. on the land in the course of exercising such right, those constructed, etc. shall not become components of the land. The same shall apply to those things that are attached on the land for a purpose of temporary nature (Article 123). These buildings and other structures built on land by a right-holder, etc. shall be deemed components of the right [to occupy or use] the land of another (Article 124).

Definition of real right: A real right is the right to directly control a thing, and may be asserted against all persons (Article 130).

Types of real rights: The following real rights are established by this Code (Article 132).

1. Ownership
2. Possession
3. Usufructuary real rights: (a) Perpetual lease, (b) Usufruct, (c) Right of use/right of residence, (d) Servitude
4. Security rights: (a) Right of retention, (b) Statutory lien, (c) Pledge, (d) Hypothec, (e) Transfer of title for security purpose.

Creation, transfer and alternation of real rights by agreement: The creation, transfer and alternation of a real right shall take effect in accordance with those agreed upon between the parties (Article 133).

Perfection: Except for a right of possession, a right of retention, a right of use, and a right of residence, the creation, assignment and alteration of a real right pertaining to an immovable cannot be asserted against a third party unless the right is registered. The transfer of a real right regarding a movable cannot be asserted against a third party unless the movable has been delivered (Article 134).

Requisite of transfer of title by agreement pertaining to an immovable: Notwithstanding Article 133 and 134, transfer of title by agreement pertaining to an immovable, shall come into effect only when the transfer of right is registered (Article 135).

Ownership

Definition of ownership: Ownership refers to the right of an owner to freely use, receive income and benefits from and dispose of the thing owned, subject to applicable laws and regulations (Article 138).

Scope of ownership of land: Ownership of land extends to the areas above and below the surface of the land to the extent that the owner derives benefit there from, subject to applicable laws and regulations (Article 139).

Acquisition of ownership over immovable: Ownership over an immovable may be acquired not only via contract, inheritance or other causes set forth in this Section IV but also based on the provisions set forth in this Code and other laws (Article 160).

* Refer to the Article 160 – Article 186 for provisions regulating the Acquisition of Ownership of Immovables.

Note 1 : In this translation, while the different terms such as 'good' and 'property' are used in different contexts to maintain consistency with standard English-language legal usage, they have the same meaning, and are substantively identical.

Acquisition of ownership over movable: Ownership over a movable may be acquired not only via contract, inheritance or other causes set forth in this Section IV but also based on the provisions set forth in this Code and other laws (Article 187).

Bona fide acquisition of ownership of movable: A transferee who commences in good faith and without negligence the possession of a movable upon receiving the delivery of the movable under a valid contract transferring the ownership of the movable, the person shall acquire ownership of such movable even where the transferor does not have the ownership thereof. However, this shall not apply where the transferor still maintains the direct possession over the movable (Article 193).

** Refer to the Article 187 – Article 201 for provisions regulating the Acquisition of Ownership of Movables.*

Possessory Rights

Definition of possession: “Possession” refers to the holding of a thing. “Holding” means the state of controlling a thing as a matter of fact, whether directly or indirectly (Article 227).

Direct possession and indirect possession: A thing may be possessed indirectly through another person. A person directly holding a thing is referred to as a direct possessor, and a person holding a thing indirectly through another person is referred to as an indirect possessor (Article 228).

Assignment of possession (Article 229):

- (1) Possession is assigned by delivery of the thing in possession. This form of assignment of possession is referred to as “actual delivery”.
- (2) Possession may be assigned without actual transfer, by agreement of the parties alone. In this case, the assignee of possession acquires the indirect possession through [the direct possession of] the assignor. This form of assignment of possession is referred to as “assignment of possession by agreement” [in Khmer “agreement on possession”].
- (3) If the assignee of possession currently actually holds the thing directly, possession may be assigned by agreement of the parties alone. In this way, the assignor of possession loses the indirect possession that he had through the holder of the thing. This form of assignment of possession is referred to as “summary delivery”.
- (4) A person who possesses a thing indirectly through another person may assign possession to a third party by agreement with such third party and notice to this effect to the person in direct possession. This form of assignment of possession is referred to as “assignment of possession by direction”.

** Refer to the Article 227 – Article 243 for provisions regulating the Possessory Rights.*

Perpetual Leases

Definition of perpetual leases: “Perpetual lease” refers to a long-term lease of immovable for a term of not less than 15 years (Article 244).

Formation of perpetual lease: A perpetual lease shall not be valid unless it is established by writing. A perpetual lease that is not in writing shall be deemed to be a lease without a prescribed period, and may be terminated at any time by either party unilaterally in accordance with Article 615 (Notice of cancellation of lease without fixed term) (Article 245).

Requirements for perfection of perpetual lease: Unless the perpetual lessee registers the perpetual lease, it cannot be held up against third parties. If the ownership of the immovable that is the subject of a perpetual lease is assigned, a registered perpetual lease may be held up against the transferee. The provisions of Article 598 shall apply to the perpetual lease without register up to 15 years (Article 246).

** Conditions for perfection of lease of immovable (Article 598)*

- (1) A lease of an immovable may be held up against a subsequent acquirer of any real right over the immovable by virtue of the fact that the lessee has occupied, and continuously used and profited from the leased immovable.
- (2) A lessee actually occupying a leased property may exercise the same rights as the owner to demand return [of a dispossessed thing], for removal of disturbance and/or for prevention of disturbance, against an infringement of the lease rights.

Term of perpetual lease: The term of a perpetual lease may not exceed 50 years. If a perpetual lease is established with a term exceeding 50 years, it shall be shortened to 50 years. A perpetual lease may be renewed; provided that the renewed term may not exceed 50 years counting from the date of renewal (Article 247).

Perpetual lessor’s right of cancellation: If the perpetual lessee fails to pay the stipulated rental for three years, the perpetual lessor may cancel the perpetual lease (Article 250).

Perpetual lessee’s right of cancellation: If no profit can be derived from the immovable for 3 years on account of unforeseeable circumstances or force majeure, or there is no prospect of future profit exceeding the annual rental on account of damage to part of the immovable, the perpetual lessee may cancel the perpetual lease (Article 251).

Assignment, etc. of perpetual leases (Article 252):

- (1) Perpetual leases may be assigned with or without consideration, or otherwise disposed.
- (2) The perpetual lessee may sublease the subject of the perpetual lease.
- (3) A perpetual lease may be inherited.

Termination of perpetual lease (Article 254):

- (1) Upon termination of a perpetual lease, the perpetual lessor cannot demand that the perpetual lessee restore the immovable to its original condition unless the perpetual lessee has destroyed the immovable or fundamentally changed its nature.
- (2) Upon termination of a perpetual lease, the lessor shall acquire the ownership over any improvements and any structures installed on the immovable by the perpetual lessee without having to pay compensation to the perpetual lessee.
- (3) A special agreement may be made at variance with paragraphs (1) and (2); provided that such special agreement cannot be held up against third parties unless it is registered.

** Refer to the Article 244 – Article 255 for provisions regulating the Perpetual Lease.*

Usufruct

Definition of usufruct (Article 256):

- (1) “Usufruct” refers to the rights to use and enjoy the profits of the immovable of another person, for a period that may not exceed the life of the usufructuary.
- (2) The usufructuary has the right to use the immovable that is the subject of the usufruct for its intended purposes, and to enjoy the natural fruits and the legal fruits arising from the immovable.

Formation of usufruct: A usufruct may be created in writing or otherwise (Article 258).

Requirements for perfection of usufruct: Unless a usufruct is registered, it cannot be held up against third parties. Where the ownership of the immovable that is the subject of a usufruct is assigned, the usufruct may be held up against the transferee if it is registered (Article 259).

Term of usufruct: A specified term may be provided for a usufruct, or it

may be provided that it will continue until the occurrence of a certain event. If no term is specified for a usufruct, it shall be deemed to continue until the death of the usufructuary.

Assignment of usufruct, etc.: The usufructuary may assign the usufruct with or without consideration, or otherwise dispose it.

Lease of usufruct immovable: The usufructuary may lease out the immovable that is the subject of the usufruct for a fixed term not exceeding 3 years. The term of the lease may be renewed; provided that this term may not exceed 3 years (Article 264).

** Refer to the Article 256 – Article 273 for provisions regulating the Usufruct.*

Right of Use and Right of Residence

Definition of right of use and right of residence (Article 274):

- (1) “Right of use” refers to the right to collect the fruits of immovable, to the extent of the needs of the right holder and his family.
- (2) Right of residence refers to the right to occupy part of the building(s), to the extent required for residence by the right holder and his family.

Formation of rights of use and rights of residence: Rights of use and rights of residence may be created in writing or otherwise. The owner may at any time give notice of the extinguishment of a right of use or right of residence that is not in writing (Article 276).

Requirements for perfection of rights of use and rights of residence: Unless the holder of a right of use or right of residence actually uses his/her right, it cannot be held up against third parties. Even though the ownership of the immovable that is the subject of a right of use or right of residence is assigned, the right may be held up against the transferee if it is actually used or resided (Article 277).

Assignment of usufruct, etc.: Holders of rights of use or rights of residence are not permitted to assign or otherwise dispose such rights. Holders of rights of use or rights of residence are not permitted to lease out the immovable that is the subject of such rights (Article 280).

** Refer to the Article 274 – Article 284 for provisions regulating the Right of Use and Right of Residence.*

Easements

Definition of easement: An “easement” is the right to use the land of another for the benefit of one’s own land, in accordance with the purpose specified in the contract of creation; provided that an easement may not be created that contravenes public order (Article 285).

Formation of easement: An easement may be created by writing or otherwise (Article 286).

Requirements for perfection of easement: Unless an easement is registered, it cannot be held up against third parties (Article 287).

Scope of persons entitled to enjoy the benefit of an easement: In addition to the owner of the dominant land, a lessee, perpetual lessee, usufructuary or holder of a right of use or right of residence over the dominant land is entitled to enjoy the benefit of an easement, except where otherwise provided in the contract creating the easement (Article 288).

Prescription of the term of easement (Article 296):

- (1) Where a term is prescribed in the contract that creates the easement, the easement shall be extinguished at the expiry of such term.
- (2) Where a term is not prescribed in the contract of creation of easement, the owner of the servient land may apply to the court for

extinguishment of the easement. The court shall decide whether to extinguish the easement or not, by considering the facts such as the circumstances of the creation, the execution in the past, existence or inexistence of the consideration.

** Refer to the Article 285 – Article 305 for provisions regulating the Easements.*

Rights created by concession

The provisions of the Civil Code relating to perpetual leases shall apply mutatis mutandis to land rights created by concession, within the scope of the conditions applying to such concession, except where otherwise provided by special law (Article 307).

Book Four “OBLIGATIONS”

General Provisions

Definition of obligation: An obligation is a legal relationship that connects a particular person with a specified person by having the particular person to assume a certain duty with respect to the specified person. The person assuming the duty shall be called the “obligor” and the person receiving the benefit of performance of such duty shall be called the “obligee” (Article 308).

Causes of obligation: An obligation may arise from a contract, unilateral legal act management of affairs without mandate, unjust enrichment, tortious act, or provision of law. An obligation arising from a contract or unilateral legal act is an obligation created based on the intention of [one or both] parties. An obligation arising from management of affairs without mandate, unjust enrichment, tortious act or provision of law is an obligation created by law (Article 309).

Definition of declaration of intention: A declaration of intention is an expression of intention made by a party with the intent to create a legal effect. The declaration of intention shall become effective when the notice thereof reaches to the other party (Article 310).

Definition of contract: A contract is the matching of intentions held by two or more parties to create, change or extinguish an obligation (Article 311).

Definition of unilateral legal act: A unilateral legal act is an act that creates, changes or extinguishes an obligation through the unilateral expression of an intention to dispose of property or through the exercise of a right granted by contract or provision of law (Article 313).

Legal interest rate: With respect to an interest-bearing obligation, the interest rate shall be 5 % per annum, unless otherwise agreed to between the parties (Article 318).

Interest on interest: Where the payment of interest is in arrears for one year or more, if the obligor fails to pay such interest after receiving a demand of payment from the obligee, the obligee may include the amount of such interest in the principal (Article 319).

** Refer to the Article 313 – Article 324 for provisions regulating the Types and States of Obligations.*

Conditions, Time and Period

Meaning of conditions: The contracting party may impose conditions with regard to the occurrence or extinguishment of the effect of the contract. With regard to a unilateral legal act, conditions may be imposed only when the conditions are not unduly detrimental to the other party. Conditions are events, which occur in the future and are uncertain (Article 325).

Disposition of right subject to condition: A right that is subject to a condition may be the object of an inheritance, disposition or security interest.

Furthermore, an obligation subject to a condition may be succeeded to in accordance with the provisions regarding inheritance, etc. (Article 326).

Meaning of time: If an effect of a contract is subject to a commencement time, the contract does not come into effect until such time has arrived. If a performance of a contract is subject to a commencement time, the obligee may not require the obligor to perform the obligation before such time has arrived. If an effect of a contract is subject to a termination time, it shall be ceased when such time arrives (Article 329).

Designation of period: A period may be designated in terms of hours, minutes or seconds, or in terms of days, weeks, months or years (Article 332).

Calculation of period established in terms of seconds, minutes or hours: If a period has been fixed in terms of hours, minutes or seconds, it shall be computed from the first moment to the last moment (Article 333).

Calculation of period established in terms of days, weeks, months or years: If a period has been established in terms of days, weeks, months or years, the first day of such period shall not be included in the computation; provided, however, that this shall not apply if the period begins at midnight. In cases mentioned above, the period shall terminate at the end of the last day of the period. If the last day of a period falls on a national holiday, Sunday or any other holiday established by laws or ordinances, the period shall terminate at the end of immediately following business day (Article 334).

** Refer to the Article 325 – Article 335 for provisions regulating the Conditions, Time and Period.*

Formation of Contract

Formation of contract via offer and acceptance: A contract comes into effect when an offer and an acceptance thereof conform to each other. A contract in which one of the parties bears a duty to transfer or to acquire ownership on an immovable, shall come into effect only when such contract is made by notarial document (Article 336).

Definition of offer and acceptance: An offer is an invitation to enter into a contract based on the offerer's intention to be legally bound by the other party's acceptance thereof. An offer shall take effect when it reaches the other party. An acceptance is an expression of intention by the party who receive an offer, to agree it. An acceptance shall take effect when it reaches to the party who made the offer (Article 337).

Formation of contract on receipt of acceptance: A contract shall be formed when the notice of acceptance is received by the offerer (Article 340).

** Refer to the Article 336 – Article 355 for provisions regulating the Formation of Contract, Defective Declaration of Intention and Validity of Contract.*

** Refer to the Article 356 – Article 363 for provisions regulating the Invalidity and Rescission.*

Agency

Definition of agency: Agency is defined as a relationship wherein where a representative enters into a contract with another party by stating that he is acting on behalf of a principal within the scope of the agency authorization, the effects of the contract are imputed directly to the principal (Article 364).

Creation of agency authorization: An agency authorization can be created by contract between the principal and the agent or by law (Article 365).

Limitations on agency authorization: An agent is not entitled to conduct acts with respect to which the interests of the principal conflict with the interests of the agent, even where such acts are otherwise within the scope of the agency authorization. However, this shall not apply where

the principal consents thereto (Article 367).

Agency without authorization: Where a person conducts an act as agent for another without having an agency authorization, the effects of that act shall not be attributable to the putative principal. However, this provision shall not apply where the act is ratified by the putative principal (Article 369).

Agency by estoppel: Where an agent executes a contract outside the scope of the agency authorization, and the other party believed without negligence that the agent was authorized to enter into the contract, the principal is responsible for performing the contract (Article 372).

**Refer to the Article 364 – Article 378 for provisions regulating the Agency.*

**Refer to the Article 379 – Article 383 for provisions regulating the Contract for the Benefit of a Third Party.*

**Refer to the Article 384 – Article 388 for provisions regulating the Performance of Contract.*

General Rules Concerning Non-Performance

Definition and types of non-performance (Article 389): 'Non-performance' is defined as an obligor's failure to perform an obligation arising under a contract. The types of 'non-performance' are as follows:

- a) cases in which performance cannot be carried out by the established time for performance due to a delay in performance;
- b) cases in which performance is impossible;
- c) cases in which full and complete performance in accordance with the intended purpose of the obligation is not carried out; and
- d) other cases in which performance is not carried out in accordance with the intended purpose.

Remedies for non-performance: Where an obligor fails to perform an obligation, the obligee may demand specific performance, damages, or termination of the contract (Article 390).

Specific Performance

Requirements for damages: Where an obligation is not performed, the obligee may demand damages from the obligor for any resulting harm. However, if the obligor proves that the non-performance was not the fault of the obligor, the obligor is not liable for damages (Article 398).

Concept of damages: The obligee may demand as damages (a) compensation for the benefit of performance that would have been received under the contract, as well as (b) expenditures that were wasted due to the non-performance to the extent that such expenditures do not duplicate amounts received as benefit of performance damages, and (c) additional expenditures or burdens resulting from non-performance (Article 400).

**Refer to the Article 398 – Article 406 for provisions regulating the Damages.*

Termination of Contract

Termination for non-performance: Where one of the parties to a bilateral contract commits a material breach of the contract, the other party may terminate the contract immediately (Article 407).

Material breach of contract: A material breach of contract occurs where, as a result of one party's breach of a contract, the purpose of the contract for the other party cannot be achieved. The non-performing party may not prevent termination of the contract on the ground that the non-performance occurred without fault on his part. Material breach of contract shall be deemed to occur in any of the following situations (Article 408).

- a) where after a failure to perform at the specified time, the other party demands that the non-performing party perform the obligation by establishing a period of performance of reasonable length, and the

obligation is not performed within such period;

- b) where a party fails to perform at the specified time, and the purpose of the contract cannot be achieved if performance is not made at the specified time;
- c) where it is impossible to carry out the essential act of performance; and
- d) where the magnitude of the breach is so substantial that trust between the parties is destroyed and further performance cannot be expected.

**Refer to the Article 407 – Article 414 for provisions regulating the Termination of Contract.*

Burden of Risk

Extinction of obligation in case of impossibility of performance: If performance of an obligation has become impossible without the fault of the obligor, the obligation shall be extinguished and the obligee may not demand performance thereof (Article 415).

Burden of risk in a contract to transfer title to specific property (Article 416):

- (1) Where the subject matter of a bilateral contract is to transfer title to specific property and the property is destroyed, lost or damaged without the faults of either party, the obligor shall bear the risk thereof, and may not demand counter-performance.
- (2) The risk of destruction, loss or damage of the property comprising the subject matter of the contract shall be transferred to the obligee upon any of the following events unless otherwise provided for in the contract:
 - a) when the obligor delivers the property or transfers the registration of the title thereto to the obligee, or substantial control over the property is otherwise judged to be shifted to the obligee;
 - b) when the obligor has made a proper tender of performance; or
 - c) when the obligee has unreasonably refused to accept the performance of the obligor.

**Refer to the Article 415 – Article 421 for provisions regulating the Burden of Risk.*

Avoidance of Fraudulent Act

Requirements for avoidance of fraudulent act: An obligee may petition the court to order that an act conducted by the obligor with the knowledge that the act would infringe on the obligee's claim be rescinded, and that a person who receives a benefit from the act of the obligor return the thing delivered or make restitution for the value thereof (Article 428).

Period for exercise of right of rescission of fraudulent act: (1) The right of rescission established in Article 428(Requirements for avoidance of fraudulent act) shall expire if it is not exercised within one year of the time that the ground for rescission is first discovered by the obligee, or within three years of the occurrence of the act giving rise thereto (Article 432).

**Refer to the Article 428 – Article 432 for provisions regulating the Avoidance of Fraudulent Act.*

Extinction of Obligation

Grounds for extinction of obligation: Obligations shall be extinguished on the following grounds (Article 433):

- a) by performance, set-off, release, novation or merger;
- b) by impossibility of performance without the fault of the obligor;
- c) by the fulfillment of a condition or by termination of the contract;
- d) by extinctive prescription; or
- e) by the exercise of a right of rescission.

**Refer to the Article 434 – Article 500 for provisions regulating the*

Performance, Set-off, Release, Novation or Merge.

Assignment of Claims

Assignability of claims, special agreement prohibiting assignment: A claim may be assigned unless the nature of the claim does not permit the assignment. In such a case, the assignee shall become a new obligee. Assignment of a claim can be prohibited by a manifestation of intention by the partie(s), even where the nature of the claim permits the assignment (Article 501).

Establishment of assignment of claim: The assignment of a claim shall take effect only through agreement between the obligee seeking to assign the claim and the assignee. However, in order to assert the assignment of a claim against the obligor or a third party, the conditions established in Article 503(Requirement for Assertion of Assignment of Nominative Claim against Third Parties) must be met (Article 503).

Requirement for Assertion of Assignment of Nominative Claim against Third Parties: The assignment of a nominative claim may not be asserted against the applicable obligor or any other third party unless the assignor has given notice thereof to the obligor or the obligor has consented thereto to the assignor or the assignee. The notice or consent may not be asserted against a third party other than the obligor unless the notice or the consent is made using an instrument bearing a fixed date (Article 503).

**Refer to the Article 501 – Article 506 for provisions regulating the Assignment of Claims.*

**Refer to the Article 507 – Article 514 for provisions regulating the Assumption of Obligations and Assignment of Contractual Position.*

Book Five “PARTICULAR TYPES OF CONTRACTS/TORTS”

Sale

Nature of sale: A sale is a contract whereby one party, called the 'seller', is obligated to transfer ownership or other property rights to the other party, called the 'buyer' and the buyer is obligated to pay the purchase price to the seller (Article 515).

Formation of sale contract: A sale contract is formed based only on the agreement of the parties thereto unless otherwise provided by law. However, the parties may require as a condition for the formation of the contract the execution of a notarial document or a written document signed by the parties in their individual capacities (Article 516).

Earnest money: Where the buyer has paid earnest money to the seller, the buyer may rescind the contract by giving up his earnest money, and the seller may rescind the contract by refunding twice the amount thereof. However, neither party may rescind the contract after the other party has commenced performance thereof (Article 518)

Sale price: The parties to a sale shall fix under the contract the amount of the sale price or establish a formula to determine such amount. The amount of the sale price may be determined in accordance with the present or future market price of certain merchandise or based on the appraisal of a third party who is appointed by a method designated by the parties (Article 521).

Persons who may not be buyers (1): An administrator appointed by law, court order or contract may not be a buyer, either directly or through a third party, of goods that the administrator has been entrusted to sell. Paragraph (1) shall apply mutatis mutandis to government officials responsible for the execution or administration of compulsory sale (Article 525).

Persons who may not be buyers (2): A judge, prosecutor, court clerk or other court official may not be a buyer, either directly or through a third party, of goods or rights as to which civil actions are pending before the court at which such person works or practices. Paragraph (1) shall apply

mutatis mutandis to lawyers and notaries public becoming buyers of goods or rights involved in actions in which they are retained (Article 526).

Transfer of title: With respect to the transfer of title to the goods under a contract of sale, the general rules provided for in Articles 133(Creation, transfer and alternation of real rights by agreement), 134 (Perfection), 135 (requisites of transferring real rights of immovables by agreement), 160 (Acquisition of ownership over immovables) and 187 (Acquisition of ownership over movable) of this code shall apply to contracts of sale (Article 528).

Seller's duty to provide explanation: A seller is required to provide the buyer with a clear explanation concerning (i) the contents of the obligations to be assumed by the buyer, and (ii) the legal circumstances surrounding the goods or rights comprising the object of a sale, particularly, in the case of a sale of immovable property, the state of the title, encumbrances, boundaries, etc (Article 529).

General obligations of seller: The seller owes to the buyer, in accordance with the terms of the contract and the provisions of this Code, (i) an obligation to transfer the property right sold [in the goods], (ii) an obligation to deliver the goods, (iii) an obligation to preserve such goods until they are delivered, and (iv) an obligation to deliver all instruments required to evidence proof of title thereto (Article 530).

Obligation to transfer the right and warranty liability of seller: The seller owes an obligation to transfer the property right of the subject matter of the sale to the buyer. In the event that a right belonging to a third party is the object of a sale, the seller is obligated to acquire such right and thereafter transfer it to the buyer (Article 531).

Seller's warranty liability when encumbrance exists: Where goods comprising the object of a sale are subject to a perpetual lease, usufruct, right of use, right of residence, servitude, leasehold, right of retention or pledge, and due to such encumbrance the buyer cannot enjoy the use of all or a part of such goods or receive profits therefrom, the buyer may demand compensation for damages from the seller if the buyer was not aware of the existence of such encumbrance when the contract was executed (Article 534).

Seller's warranty liability when real security exists: Where the immovable property to be sold under the sale contract is subject to a statutory lien, a pledge that bars the obligee from using or receiving benefits from the property, or a hypothec, if the buyer has lost ownership due to the exercise of such security interest, the buyer may terminate the contract. In such case, the buyer may demand compensation for any damages sustained (Article 535).

Conforming Goods Warranty Liability: Where the goods are nonconforming in any respect at the time that the risk passes to the buyer, even if the existence of such nonconformance becomes apparent after the passage of such risk, the buyer may, in accordance with in the terms of the contract and the provisions of this Code, demand that substitute goods be delivered or that such nonconformance be remedied, terminate the contract or reduce the purchase price as against the seller (Article 540).

Buyer's right to terminate: If the goods delivered are nonconforming in any respect and such nonconformance prevents the achievement of the buyer's purpose for entering into the contract, the buyer may terminate the contract (Article 543).

Special provisions regarding excess or deficiency in area of land (Article 546):

- (1) Where the total area of specified land is indicated, and a sale has been executed based on a fixed price per unit area, but the actual area is less than the indicated area, the buyer may demand, in accordance with the provisions set forth in Articles 542(Buyer's right to demand complete performance) through 545(Buyer's right to demand

damages), (i) delivery of the deficient portion, (ii) a reduction in the purchase price reflecting the deficiency or (iii) termination of the contract, and/or (iv) compensation for damages, unless otherwise agreed to between the parties.

- (2) Where the total area of specified land is indicated, and a sale has been executed based on a fixed price per unit area, but the actual area exceeds the indicated area, if the seller was unaware of such excess without negligence on his part, the seller may demand an increase in the purchase price reflecting the excess amount of land, unless otherwise agreed to between the parties.
- (3) Where the total area of specified land is indicated and a sale has been executed based on a single price for the entire parcel, even if the actual area is less than the indicated area, the buyer may not demand (i) delivery of the deficient portion, (ii) a reduction in the purchase price reflecting the deficiency, (iii) termination of the contract or (iv) compensation for damages. However, this shall not apply to cases where (i) the seller knew of the deficiency of the actual area, (ii) the seller guaranteed the accuracy of the indicated size of the area, or (iii) the deficiency exceeds five percent of the indicated area.
- (4) Where the total area of specified land is indicated and a sale has been executed based on a single price for the entire parcel, the seller may not demand an increase in the purchase price even if the actual area exceeds the indicated area. However, this shall not apply where the excess area exceeds five percent of the indicated area, and the seller was ignorant of such fact without negligence on his part.
- (5) In a case in which the seller demands an increase in the purchase price based on the provisions of paragraphs (2) or (4), the buyer may terminate the contract.

**Refer to the Article 529 – Article 553 for provisions regulating the Obligations of Seller.*

**Refer to the Article 554 – Article 559 for provisions regulating the Obligations of Buyer.*

**Refer to the Article 560 – Article 565 for provisions regulating the Termination of Contract by Exercise of Repurchase Right.*

Loans for Consumption

Definition of loan for consumption: A loan for consumption is a contract whereby one party, called the lender, assumes an obligation to entrust the free use of money, foodstuffs, paddy or other fungible objects for a specified term to another party, called the borrower, who assumes the obligation to return objects of the same type, quality and quantity as those received from the lender upon the expiry of the said term (Article 578).

Formation of contract of loan for consumption: A contract of loan for consumption is formed by agreement of the lender and the borrower alone (Article 579).

Claim for interest: The parties to a contract of loan for consumption may by agreement bring into existence a claim [separate from the loan] having as its subject matter the payment of interest; provided that a claim for interest shall not come into effect unless it is in writing and bears the signature of the borrower (Article 583).

Legal interest rate⁹ and agreed-on interest rate: The interest rate shall be that provided by law or by agreement of the parties. If the parties have agreed to the payment of interest but have not specified an interest rate, the interest rate specified in this Code or by special law shall apply. If the interest rate agreed by the parties is not specified in a document that complies with the formalities provided in paragraph (3) of Article 583 (Claim for interest), it shall have no effect (Article 584).

Limitations on interest: The interest rate agreed by the parties may exceed the legal rate provided in paragraph (2) of Article 584(Legal interest rate

and agreed-on interest rate), but may not exceed the maximum interest rate. If the agreement of the parties provides for an interest rate exceeding the maximum interest rate, such agreement shall be invalid in respect of that portion of interest that exceeds the maximum interest rate, and the borrower shall only be obliged to pay interest calculated on the basis of said maximum rate (Article 585). ((Refer to Article 18 of the Law on the Implementation of Civil Code regarding the maximum rate of interest.))

**Refer to the Article 578 – Article 595 for provisions regulating the Loan for Consumption.*

Lease

Definition of lease: A lease is a contract whereby one party allows another party to use and profit from a certain thing for consideration. Things comprising the subject matter of a lease may be movables or immovables (Article 596).

Formation of lease: A lease comes into effect when one party promises to allow the other party to use and take profit from a certain thing, and the other party promises to pay rent in exchange (Article 597).

Conditions for perfection of lease of immovable (Article 598):

- (1) A lease of an immovable may be held up against a subsequent acquirer of any real right over the immovable by virtue of the fact that the lessee has occupied, and continuously used and profited from the leased immovable.
- (2) A lessee actually occupying a leased property may exercise the same rights as the owner to demand return [of a dispossessed thing], for removal of disturbance and/or for prevention of disturbance, against an infringement of the lease rights.

Lease period (Article 599)

- (1) A lease may be entered into with or without stipulating a period.
- (2) A lease of an immovable not in writing shall be deemed to be a lease without stipulation of period.
- (3) A lease of an immovable for a period of 15 years or more shall be complied with the provisions set forth Article 244 (Definition of perpetual leases) et seq of this code.

Duty to repair: The lessor has a duty to carry out repairs required for the use and profit from the leased property (Article 602).

Preservative action by lessor: The lessee shall not obstruct any action by the lessor that is required to preserve the leased property (Article 603).

Lessor's liability for defects in leased property (Article 605):

- (1) If the lessee did not examine the leased property whether it is suit to the condition mentioned in the written contract, when accepting the delivered property, the lessee may not demand that the lessor shall be responsible for the difference between the conditions stated in the written contract and the leased property which could have been easily found.
- (2) If there is a hidden defect in the leased property of which the lessee was unaware, the lessee may demand the repair of such defect or the replacement of such property by a non defective property and the compensation for damage.
- (3) Any demand for repairs, replacement, reduction of rental and termination must be made not later than one year from when the lessee became aware or should have become aware of the fact giving rise to such demand.

Right of claim for reduction of rental or termination for decrease of income (Article 606):

- (1) If a lessee who has leased land with a view to profit therefrom receives less profit than the amount of the rental by reason of force

majeure, he may demand that the rental be reduced to the amount of such profit.

- (2) In cases described in paragraph (1), if a lessee receives profit less than the amount of the rental for two or more years successively by reason of force majeure, the lessee may terminate the lease contract.

Transfer of lease rights and sublease: Except in the case of a perpetual lease, the lessee is not permitted to transfer his lease rights, or to sublease the leased property, without the permission of the lessor (Article 608).

Refusal of renewal of immovable lease: In the case of a lease of an immovable, the parties shall be deemed to have agreed to renewal of the term of such lease unless a party has declared his intention to refuse to renew not later than three months prior to the expiry of the term of the lease, in the case of a building, and not later than one year prior to the expiry of the term of the lease in the case of land; provided that the lease as renewed shall be a lease without fixed term (Article 613).

**Refer to the Article 596 – Article 621 for provisions regulating the Lease.*

Loan for Use

Definition of and conditions for loan for use: A loan for use refers to a contract pursuant to which one party allows another party to use and profit from a certain thing free of charge (Article 625). A loan for use comes into effect by virtue of one party receiving a certain thing from the other party subject to a promise to return it after using and profiting from it free of charge (Article 626).

**Refer to the Article 625 – Article 636 for provisions regulating the Loan for Use.*

Mandate

Definition of mandate and formalities of contract: "Mandate" refers to a contract whereby one party, called the "mandator", grants to another party, called the "mandatary", the power to administer business on behalf of the mandator (Article 637). A mandate may be for value or gratuitous. If no intention is manifested that the mandate be for value, it shall be presumed to be gratuitous (Article 638). A contract of mandate shall be formed by agreement of the parties alone (Article 639).

Mandatary's obligation to deliver: The mandatary must deliver to the mandator monies and other things that he/she has received in the course of administering the mandated business. The mandatary must also deliver the reaped fruits to the mandator (Article 642).

Mandatary's liability to compensate for money spent: If the mandatary has consumed monies for his/her personal benefit that the mandatary is to deliver to the mandator, or any monies that are to be used for the benefit of the mandator, the mandatary must pay interest for the period from the day of that consumption. In such cases, if any damages still remain, the mandatary shall be liable to compensate for the same (Article 643).

**Refer to the Article 637 – Article 651 for provisions regulating the Mandate.*

Contract for Work

Definition of contract for work: A contract for work is a contract whereby one party [(the "contractor")] assumes the obligation to complete agreed work and the other party [(the "principal")] assumes the obligation to pay remuneration for the results of such work (Article 652). The remuneration shall be paid simultaneously with the delivery of the object of the work; provided that if no delivery of a thing is required, the contractor may demand the remuneration after the completion of the work (Article 653).

Obligation to complete work without defect (Article 654):

- (1) The contractor assumes an obligation vis-à-vis the principal to complete the work without defect.
- (2) Work shall be deemed to be defective if it does not conform to the nature agreed. If the nature of the work has not been agreed, work shall be deemed to be defective if it is not fit for the use assumed in the contract, and if no specified use is assumed in the contract, the work shall be deemed to be defective if it is not fit for normal use.
- (3) Work shall be deemed to be defective if the contractor produces work that is different from that ordered or deficient in quantity.

Demand for subsequent completion (Article 655):

- (1) If the work is defective, the principal may demand that the contractor effect subsequent completion within a reasonable time designated by the principal. In such a case, the contractor at his option may either rectify the defect or redo the work.
- (2) The contractor may refuse to effect subsequent completion if the cost thereof is excessive in comparison with the detriment resulting from the defect.
- (3) The rights provided in Articles 655 (Demand for subsequent completion) must be exercised within a period of 1 year (Article 661).

**Refer to the Article 652 – Article 663 for provisions regulating the Contract for Work.*

Contract of Employment

Contract of employment: A contract of employment is formed by the promises of one party to perform services under employment, and another party to pay wages for it. The party who promises to perform services under employment is referred to as the “employee” and the other party as the “employer” (Article 664).

Specification of working conditions: At the time of conclusion of the contract of employment, the employer must specify the wages, working hours and other working conditions for the employee. The employee may terminate the contract of employment immediately if the actual working conditions differ from those specified (Article 665).

Application of Labor Law: Employment contracts shall be governed by the provisions of the Labor Law in addition to those of this Code (Article 668).

**Refer to the Article 664 – Article 668 for provisions regulating the Contract of Employment.*

Deposit

Definition of deposit: Deposit refers to a contract whereby one party, the depositary, accepts a thing for custody for a certain period from another party, the depositor, and promises to return the identical thing to the depositor upon the expiry of the period of custody. Except where there is specific agreement, the depositor assumes no obligation to pay remuneration to the depositary; provided that the depositary may demand reasonable remuneration from the depositor even in the absence of specific agreement if the depositary has concluded the contract of deposit as its own business or where there is a provision of law to this effect (Article 669).

Effectiveness of consensual contract of bailment: If there is a mere agreement between the parties to form a deposit in the future, either party may revoke such agreement at any time until delivery of the object of the deposit; provided that in the case of a promise to form a contract of deposit for value, if in breach of such promise the party who is to become the depositary causes damage to the other party by refusing to receive the delivery of the object of the deposit, he must compensate the other party for such damage unless he has a good reason for such refusal (Article 671).

Depositary’s duties: A depositary shall be obliged to keep custody of the

thing bailed with the care of a prudent manager. The depositary may not use the thing bailed without the consent of the depositor (Article 673).

Liability of depositary: The depositary shall be liable to pay damages if he destroys, loses or damages the object of the deposit; provided that this shall not apply if the depositary proves that such destruction, loss or damage was not the result of negligence on his part. In the case of hotels, lodging houses, restaurants, bathhouses or other facilities where guests congregate, the owner of the facility who accepts deposit of things by guests shall not be exempted from liability for destruction or loss of or damage to the object of the deposit unless he proves force majeure (Article 674).

Mitigation of liability where valuables not declared: The court may reduce the liability of the depositary in damages where the depositor has deposited cash, negotiable instruments or other valuable items without declaring the type and the value thereof to the depositary (Article 676).

Depositary’s notice obligation: If a third party asserting rights with respect to the deposited object has brought a lawsuit against the depositary, or has effected an attachment, the depositary must notify the depositor of that fact without delay (Article 679).

Depositor’s demand to return: Even if the parties specify the time for the return of the deposited object, the depositor may demand the return of the same at any time (Article 680).

Return by depositary: If the parties have not specified the timing of the return of the deposited object, the depositary may return the same at any time. If the timing of the return is specified, the depositary may not return the deposited object prior to the due date unless there are unavoidable grounds (Article 681).

Details of obligation to return: The depositary assumes an obligation to return to the depositor the identical thing received at the time of the deposit. In cases where the depositary is not liable for destruction or loss of or damage to the object of the deposit, the depositary shall be obliged to deliver to the depositor any insurance money or other things received as subrogated object that was destroyed, lost or damaged (Article 682).

**Refer to the Article 669 – Article 698 for provisions regulating the Contract of Employment.*

Partnership

Definition of partnership: A partnership contract refers to a contract for the establishment of an organization without judicial person’s status for the purpose of carrying on a common undertaking with contributions made by each party (Article 699).

Establishment of partnership: A partnership refers to an organization established by agreement of partners to contribute to and carry on a common undertaking. The contributions to be made by each partner may take the form of services instead of property rights (Article 700).

Co-ownership of partnership property: The contributions of the partners and all other partnership property shall be co-owned by all the partners. No partner may seek partition of the partnership property prior to the dissolution of the partnership; provided however that where all the partners agree, a partner may seek partition of the partnership property prior to the dissolution of the partnership (Article 701).

**Refer to the Article 699 – Article 718 for provisions regulating the Partnership.*

Compromise

Definition of compromise: A compromise is a contract involving mutual

promises by the parties to a dispute to resolve such dispute by concessions (Article 724).

Subject matter of compromise: In order to make a compromise, the parties must have the power to dispose of the subject matter involved in the compromise (Article 726).

Penalty clause: A compromise contract may include a provision for a penalty to be imposed on a party breaching the contract (Article 726).

Mistake relating to rights, etc. in dispute: Even where one of the parties has made a compromise based on a mistake as to the ownership of the right or a fact that forms the basis of the calculation of the subject matter in dispute, if the parties have made the compromise by making concessions concerning the ownership of the relevant right or the existence of the fact or the value in question, etc., the compromise cannot be rescinded on the ground of mistake as to the ownership of the right, the existence of the fact or the value in question, etc. (Article 728).

**Refer to the Article 724 – Article 728 for provisions regulating the Compromise.*

Unjust Enrichment

Requirements and effect of unjust enrichment: A person who has benefited from the property or labor of others without legal cause and has thereby caused loss to said others shall assume an obligation to return that benefit to the extent that the benefit exists (Article 736).

Obligation to return benefit received mala fide: Where a person receiving a benefit under Article 736 (Requirements and effect of unjust enrichment) was aware that there was no legal cause or that the contract was void, the said person shall be obliged to return any benefit existing at the time he became aware of the said fact together with interest thereon. The person receiving the benefit under paragraphs (1) or (2) shall be obliged to compensate any damage suffered by the person who incurred the loss [by enriching the first-mentioned person] (Article 737).

Discharge when there is no obligation: A person who tenders anything as performance of an obligation that does not exist may demand return of the thing tendered; provided however that, where such person was aware at the time of performance that the obligation did not exist, he may not demand return of the thing tendered (Article 738).

**Refer to the Article 736 – Article 741 for provisions regulating the Unjust Enrichment.*

Torts

Definitions of intent and negligence: For the purposes of this Chapter, an intentional or negligent act is either of the following types of act (Article 742):

- a) an act that harms another where the actor has foreseen that a particular result would occur but accepted the occurrence of such result; or
- b) an act with respect to which (i) a person having the same profession or experience as the actor could have foreseen that a particular result would normally occur from the act, but the actor failed to foresee the result due to an absence of care, and (ii) the actor owes a duty to avoid the occurrence of such result but neglected to fulfill such duty.

Elements of general tort and burden of proof: A person who intentionally or negligently infringes on the rights or benefits of another in violation of law is liable for the payment of damages for any harm occurring as a result. Except as otherwise provided in this Code or in other laws, the person seeking damages must prove the intent or negligence of the tortious actor, the causal relationship between the actions of the tortious actor and the harm that occurred, and the harm suffered by the injured party (Article 743).

Lack of competence to assume liability: A minor under the age of 14 cannot be held liable in tort. A person who due to mental defect or other reason lacks the capacity to understand the legal ramifications of their actions when committing a tortious act cannot be held liable in tort. However, this shall not apply where the person's condition was invited through intent or negligence (Article 745).

Employer's liability: A person who uses an employee to perform work is liable for damages caused in violation of law to another in the performance of that work by the employee through the employee's intent or negligence. An employer or substitute supervisor may demand compensation from the employee in proportion to their degree of negligence (Article 747).

Product liability (Article 751):

- (1) Where an unreasonably dangerous defect exists in a manufactured movable and harm results to another due to such defect, the manufacturer of the movable is liable for damages. However, this shall not apply where the defect could not have been discovered based on the scientific standards existing at the time of manufacture.
- (2) The manufacturer of a movable that incorporates a defective part or material is also liable for damages as a manufacturer.
- (3) For the purposes of this Article, the importer of an imported movable shall be deemed the manufacturer.
- (4) For the purposes of this Article, a person who affixes his name on a movable as a manufacturer or distributor shall be deemed the manufacturer.

Liability for dangerous item: A person who owns or manages an automobile or other transportation apparatus, an explosive item, a radioactive substance, a toxic chemical, a toxic organism or any other highly dangerous item is liable for damages for any harm caused to another thereby. However, this shall not apply where the harm occurred due to an unavoidable force, or where there was no failure in the person's management of the dangerous item and the harm was caused by the act of the injured party or a third party (Article 752).

Liability for structure affixed to land: Where harm results to another due to a failure in the installation or control of a structure affixed to or appurtenant to land, the person who manages the structure and the owner of the structure are jointly liable for damages. However, the person who manages the structure shall be exempted from liability if he proves that he exercised proper control over the structure (Article 753).

Definitions of justifiable self-defense and emergency escape (Article 755):

- (1) An act of justifiable self-defense is a harmful act that is made against an unlawful harmful conduct but is necessary in order to defend the physical well-being or the property of oneself or another from such conduct, and involves a situation in which the harmful conduct and the act of self-defense are closely related in time and there is no disparity in the means of self-defense employed and the severity of the harmful conduct [to be prevented thereby].
- (2) An act of emergency escape is an act that causes harm to another but was necessary in order to defend the physical well-being or the property of oneself or another from a present or impending danger, and involves a situation in which there is no disparity in the means of emergency escape and the severity of the danger [to be avoided thereby].

Grounds for excuse from illegality or responsibility: A tortfeasor shall be excused from responsibility for harm caused by the tortfeasor where the injured party consented to or assumed the risk of such harm. However, this shall not apply where such consent or assumption of risk contravenes prevalent social standards. A person who causes harm while engaged in justifiable self-defense or emergency escape shall not be held responsible for harm that results therefrom. In this case, the person committing the

unlawful conduct that gave rise to such justifiable self-defense or emergency escape shall be held responsible for the resulting harm (Article 756).

Principle of monetary damages; exceptions: Damages shall be paid in money in principle. Where money would not provide an appropriate remedy, the injured party may demand restitution or injunctive relief. A person who suffers harm to their honor or reputation may demand, in addition to damages, that the tortfeasor take measures to restore the injured party's honor or reputation, such as a published apology (Article 757).

Damages for harm caused by loss or destruction of a thing: Where a thing is destroyed or damaged by a tortious act, the injured party may seek compensation for the price of the damaged or destroyed thing, the cost of repair, etc. (Article 759).

Damages for wrongful death (Article 760):

- (1) Where the injured party dies as the result of a tortious act, such injured party shall acquire a right to demand damages for economic harm and emotional distress suffered prior to death. As used herein, 'economic harm' includes medical expenses which have already been paid or which the injured party is obligated to pay from the date of the tortious act until the date of death, as well as other expenditures, income which the injured party was unable to receive between the date of the tortious act and the date of death, etc.
- (2) Where a person who is obligated by law, custom or contract to provide support to a dependent dies as the result of a tortious act, the dependent may demand damages for economic harm suffered as a result of the injured party's death. As used herein, economic harm includes support that the dependent was unable to receive as a result of the injured party's death, expenditures made in place of the injured party, funeral expenses, etc.
- (3) Where the injured party dies as the result of a tortious act, the injured party's spouse, relatives within the first degree of consanguinity and relatives living in the same household as the injured party may demand damages for emotional distress they have suffered due to the injured party's death.

Damages for bodily harm: Where an injured party suffers bodily harm as the result of a tortious act, the injured party may demand damages for economic harm and emotional distress suffered thereby. As used herein, economic harm includes medical expenses already paid or expected to be paid in the future, loss of income while receiving medical treatment, future income that cannot be received due to the residual effects of the injury, etc. As used herein, emotional distress includes emotional distress suffered while receiving medical treatment, future emotional distress, etc. (Article 761).

Damages for mental or emotional distress caused by injury to honor or reputation: Where one's honor or reputation is damaged by a tortious act, the injured party may seek damages for mental or emotional distress accompanying the drop in one's social standing (Article 762).

**Refer to the Article 742 – Article 765 for provisions regulating the Torts.*

Book Six “SECURITY”

General Provisions

Definition of security provider and third party acquirer: A person who creates a real security right over his own property so as to secure the debt of another shall be called a “security provider”. A person who receives the assignment of the object of a real security right created by the debtor to secure his own debt shall be called a “third party acquirer” (Article 766).

Types of real security rights: The types of real security rights are limited to those established in the Civil Code or in special laws, and no other

type of real security may be created. The five types of real security rights established in the Civil Code are (i) rights of retention, (ii) statutory liens, (iii) pledge, (iv) hypothec and (v) security right by way of transfer of title (Article 767).

Object of real security right: A thing or right which cannot be transferred cannot comprise the object of a real security right. However, the lack of transferability of a thing shall not prevent the creation of a right of retention with regard thereto (Article 768).

Subordinate nature of real security right (Article 769):

- (1) A real security right is established in order to secure an existing debt. A real security right may also be established in order to secure a debt to be incurred in the future if it can be specified.
- (2) Where a debt is not formed due to the absence of the necessary elements thereof, real security is not formed as well.
- (3) Where a debt is void or rescinded due to a defective declaration of intention or other reason, the real security right is also void.
- (4) Where a debt is extinguished due to satisfaction, prescription or other reason, the real security right is also extinguished.
- (5) The provisions set forth in paragraphs (1) through (4) shall not apply to a floating hypothec that is created to secure multiple debts to be accrued under a continuing contract.

**Refer to the Article 766 – Article 773 for provisions regulating the General Provision of SECURITY.*

Right of Retention

Meaning of right of retention: Where a person possessing a thing belonging to another has a claim arising in regard to such thing, the person may retain the thing until the claim is satisfied. However, if the claim has not yet become due, the right of retention shall not be created (Article 774).

Preferential application of fruits: The holder of a right of retention may collect fruits produced by the thing retained and apply them to satisfy the secured claim in preference to other creditors (Article 775).

**Refer to the Article 774 – Article 780 for provisions regulating the Right of Retention.*

Statutory Liens

Definition of statutory liens (Article 781):

- (1) An obligee holding a statutory lien has a right to obtain satisfaction of the claim from the assets subject to statutory liens in priority to other obligors.
- (2) A statutory lien held by an obligee over all of the property of the obligor is called the general statutory liens.
- (3) A statutory lien held by an obligee over a specific property of the obligor is called a special statutory lien. In this case, the statutory lien over a specific movable held by the obligee is called a statutory lien over a movable, whereas the statutory lien over a specific immovable held by the obligee is called a statutory lien over an immovable.

Extension of Security Interest to Proceeds of Collateral: Statutory liens may also be exercised against things including monies that the obligor is to receive as a result of the sale, lease or loss of, or damage to, the subject matter of the statutory lien; provided, however, that this shall not apply after the payment or delivery of the monies or other thing has been made to the obligor (Article 782).

Definition of general statutory lien: A person who has a claim that arose from any of the causes listed below shall have a statutory lien over the entire property of the obligor (Article 783):

- a) Expenses for common benefit

- b) Claims held by employee
- c) Funeral expenses
- d) Supply of daily necessities.

Statutory lien for claims held by employee: Statutory liens for claims held by an employee shall exist with respect to any and all claims which the employee possesses under the labor contract (Article 758).

Definition of statutory lien over movables (Article 788):

A person who has a claim that arose from the causes listed below shall have a statutory lien over certain movables of the obligor:

- a) Lease of immovable property
- b) Transportation of passengers or luggage
- c) Preservation of movables
- d) Sale of movables, and
- e) Supply of seeds, seedlings, or fertilizer and breeding stocks, progeny, or forage of creatures.

Statutory lien for leases of immovable properties: Statutory liens for a lease of immovable property shall exist with respect to the movables of the lessee in connection with obligations of the lessee that arose from the lease relationship including rent for that immovable property (Article 789).

Scope of subject matter of statutory lien for lease of immovable properties - normal case: The statutory lien of a lessor of land shall exist with respect to movables furnished to that land or buildings for the use of that land, movables provided for the use of that land, and fruits of that land in the possession of the lessee. The statutory lien for a lessor of a building shall exist with respect to movables furnished to that building by the lessee (Article 790).

Statutory lien for transportation: Statutory liens for transportation shall exist with respect to luggage in the possession of the transporter, in connection with transportation charges for passengers or luggage and expenses incidental to the same (Article 794).

Statutory lien for immovables (Article 799):

- a) A person who has a claim that arose from the causes listed below shall have a statutory lien over certain immovable property of the obligor: a) The preservation of immovable property;
- b) Construction work for immovable property; or
- c) The sale of immovable property.

Statutory lien for construction work for immovable property: Statutory liens for construction work for immovable property shall exist, with respect to immovable property, in connection with the expenses of construction work performed by artisans, engineers and contractors. The statutory liens under the preceding paragraph exist, in cases where there is a current increase in the value of the immovable property resulting from the construction work, with respect to that increased value (Article 801).

Power to pursue third party acquirer: The holder of a statutory lien may not exercise the statutory lien with respect to the movable after the obligors have delivered such movable to the third party acquirer (Article 807).

**Refer to the Article 781 – Article 815 for provisions regulating the Statutory Liens.*

Pledge

Meaning of pledge: A pledgee shall have the right to possess the thing received from obligors or third parties as security for their claims and to have their own claims paid prior to other obligees out of that thing (Article 816).

Extension of security interest to the proceeds of the collateral: A pledge may also be exercised against money or other things which the pledgor is

entitled to receive due to a sale or loss of, or damage to the thing pledged. However, it may not be exercised after such money or other things are paid or delivered to the pledgor (Article 817).

Formation of pledge and requirement of delivery: A pledge shall be created when the thing to be pledged is delivered to the pledgee by the obligor or a third party who provides the security (Article 818).

Scope of secured claim: Pledges shall secure the principal, interest, penalties, expenses of executing the pledge, expense of preserving the Thing pledged and the compensation of damage arising from failure to perform obligations or latent defects in the Thing pledged (Article 820).

Requirements for perfection of pledges: The pledgee of a movable cannot assert the pledge against a third party unless he is in continuous possession of the thing pledged (Article 829).

Interest: The pledgee of an immovable cannot demand interest on his/her claim (Article 836).

Duration: The duration of a pledge of an immovable cannot exceed five years. If a pledge of an immovable is created for a longer period, such period shall be reduced to five years. The pledge of an immovable may be renewed (Article 838).

Subject matter of pledge over rights²: Pledges may have property rights for their subject matters (Article 840).

Enforcement of pledge through collection of claim: A pledgee may directly collect the claim that is the subject matter of the pledge. If monies are the subject matter of a pledged claim, the pledgee may collect the same to the extent of the portion that corresponds to the amount of the pledgee's own claim. If the subject-matter of the claim is not money, the pledgee has a pledge over the thing to be received as satisfaction thereof (Article 842).

**Refer to the Article 816 – Article 842 for provisions regulating the Pledge.*

Hypothec

Nature of hypothec: A hypothec shall have the right to receive the performance of his/her claim prior to other obligee out of the immovable properties that the obligor or a third party provided to secure the obligation without transferring possession. A perpetual lease or usufruct may also be made the object of a hypothec (Article 843).

Asserting hypothec: A hypothec may not assert the hypothec against a third party who is not the hypothecator unless the instrument creating a hypothec is notarized and registered in the land registry (Article 845).

Scope of effect of hypothec: [The effect of] a hypothec shall extend to all things that are attached to and form part of the land comprising the object of the hypothec when the hypothec is created, including buildings residing thereon. It also extends to things that attach to the land after the hypothec is created (Article 846).

Effect of hypothec on land over building owned by third party: Where based on a perpetual lease, usufruct or leasehold a third party owns a building on the land comprising the object of the hypothec [when the hypothec is created], [the effect of] the hypothec does not extend to the building (Article 847).

Order of priority of hypothecs: Where multiple hypothecs have been created on an immovable in order to secure multiple debts, the order of their priority shall be based on the order of their registration (Article 851).

Compulsory sale of hypothecated property: In the event of a failure to perform on a debt, a hypothec may apply to the court for compulsory sale

Note 2 : As used in this translation, the term 'property right' shall include rights over property (rights in rem), rights arising from an obligational relationship (rights in personam), intellectual property rights, shares in a company, etc., and can be contrasted with 'non-property rights' such as personal rights or other rights purely inherent to one's identity or status.

of the hypothecated immovable (Article 853).

Compulsory sale of buildings owned by third party (Article 854):

- (1) Where the hypothecator or a third party erects a building on land after it is hypothecated, and the hypothecator owns that building, the hypothec may demand the compulsory sale of the building together with the hypothecated land. However, if the price of the land together with the building thereon is less than the price of the land as a vacant plot, the hypothec may demand that the hypothecator remove the building prior to the compulsory sale of the land.
- (2) Where a third party owns the building on the hypothecated land based on a perpetual lease, usufruct or leasehold, if the third party cannot assert such perpetual lease, usufruct or leasehold against the hypothec, the hypothec may demand the compulsory sale of the building together with the hypothecated land.

Transfer or waiver of hypothec: A hypothec may transfer or waive his right of hypothec for the benefit of another creditor(s) of the same debtor (Article 860).

Transfer, waiver or change of ranking: A hypothec may transfer or waive his priority ranking for the benefit of another hypothec of the same debtor. Moreover, a hypothec may change the priority of his ranking among multiple hypothecs with the consent of the other hypothecs. However, where such a change would affect the interests of another party, such party's consent must be obtained (Article 861).

Effect of disposal of hypothec: The disposal of a hypothec described in Articles 859(Sub-hypothecation), 860(Transfer or waiver of hypothec) and 861(Transfer, waiver or change of ranking) shall be ineffective unless it is notarized and entered in the registration thereof. The disposal of a hypothec may not be asserted as against the principal debtor, a guarantor, hypothecator or their respective successors unless the principal debtor is notified of such disposal or acknowledges thereto (Article 862).

Definition of revolving hypothec: A hypothec may be created between a creditor and a debtor to secure unspecified claims, up to the limit of a maximum amount that may occur from a certain type of continuous transactions. A hypothec of this nature is referred to as a revolving hypothec. The scope of the unspecified claims that are secured by a revolving hypothec must be set forth in the agreement creating the revolving hypothec (Article 867).

Scope of secured claims: A revolving hypothec may exercise his/her revolving hypothec up to the maximum amount with respect to all fixed payments of principal as well as periodical payments including interest and compensation for damages resulting from failure to perform obligations (Article 868).

Amendment of the scope of secured claims: The parties to a revolving hypothec agreement may through their mutual agreement amend the scope of the claims secured by the revolving hypothec during the period of time until the principal is fixed. Such an amendment must be registered before the principal is fixed (Article 869).

Amendment of maximum amount (Article 870):

- (1) The parties to a revolving hypothec agreement may through their mutual agreement amend the maximum amount of a revolving hypothec.
- (2) The consent of interested parties must be obtained in the event of an amendment as set forth in paragraph (1).
- (3) An amendment set forth in paragraph (1) cannot be asserted against any third party other than the persons who have consented pursuant to paragraph (2) unless the amendment is registered.

Date for fixing principal: With respect to the principal secured by a revolving hypothec, the date when the principal is to be fixed may be prescribed or amended. The date must be within five (5) years of the date on which it

is prescribed or amended. The amendment of the date must be registered prior to the said date (Article 871).

**Refer to the Article 843 – Article 887 for provisions regulating the Hypothec.*

Transfer as Security

Definition of transfer as security: A transfer as security shall mean the transfer of the ownership of a prescribed movable owned by a debtor or a third party, to the creditor, for the purposes of securing a debt. In this event, the ownership over the property shall be re-transferred to the person who provided the security when the debt is paid in full (Article 888).

Creation of security interest under a transfer as security: A security interest under a transfer as security shall be created through an agreement between the creditor and the debtor or the third party providing the movable(s) for the transfer as security (Article 889).

Perfection of security interest under a transfer as security: A security interest under a transfer as security cannot be asserted against a third party other than the [security creator] unless possession of the object is assigned (Article 890).

Extent of effect of security interest under a transfer as security: [The effect of] a security interest under a transfer as security shall extend to all things that are affixed to and form part of the object of the security interest of the transfer as security at the time of the creation thereof. It shall also extend to all things that are affixed to the object subsequent to the creation of the security interest under the transfer as security (Article 891).

Right of retrieval of a security creator: The security creator may, even after the due date of the debt has passed and until the settlement payment is made, tender the entire amount of the debt and show this fact to the holder of the security interest under the transfer as security, and retrieve the object under the transfer as security; provided, however, that if the price of the object encumbered by the security interest under the transfer as security does not exceed the amount of the debt that is payable, the preceding shall not apply after the holder of the security interest under the transfer as security has notified the security creator to that effect (Article 899).

**Refer to the Article 888 – Article 899 for provisions regulating the Transfer as Security.*

Guaranty

Formation of contract of guaranty: A guaranty shall be formed when (i) a prospective guarantor undertakes to the obligee that in the event the obligor ['principal obligor'] fails to perform his obligation ['underlying obligation'], the prospective guarantor will perform the whole or part of such obligation together with the obligor ['guarantor's obligation'], and (ii) the obligee accepts such undertaking. Where assumption of the guaranty obligation does not constitute part of the business of the prospective guarantor, the obligee shall provide the prospective guarantor with any and all material information concerning the guaranty obligation to be assumed, thereby giving the prospective guarantor a chance to fully deliberate [whether to enter into the contract of guaranty based on such information] (Article 900).

Formality of contract of guaranty: A guaranty undertaking made without being recorded in an instrument or document may be revoked at any time. However, this shall not apply where the guarantor has voluntarily set to perform the guaranty obligation. The provisions of paragraph (1) shall also apply to a guaranty undertaking made in connection with a monetary obligation where the amount of the guaranty obligation is not set forth in the guarantor's handwriting. The contents of the guaranty obligation shall be specifically described in the guaranty instrument or document (Article 901).

Scope of guaranty: A guaranty obligation shall include interest accruing on the underlying obligation, penalties, damages and all other charges incidental to the underlying obligation (Article 903).

Qualification as guarantor: Where an obligor has a duty to furnish a guarantor to the obligee, the guarantor must be a person of full legal capacity who has sufficient financial ability to effect performance. If the guarantor ceases to fulfill such conditions, the obligee may demand that the obligor replace the guarantor with a person who fulfills such conditions (Article 907).

Meaning of joint guaranty and principle of joint guaranty: [A guarantor who is obligated to perform jointly and severally with the principal obligor] may not (i) demand of the obligee that performance be demanded from the principal obligor prior to the guarantor, or (ii) exempt oneself from enforcement of the guaranty obligation by establishing that the principal obligor has sufficient resources to tender performance and is easily subject to execution (Article 908).

Co-guarantors: Where multiple persons undertake to be guarantors in a contract, each guarantor is obligated with respect to the entire amount of the underlying obligation (Article 910).

Commissioned guarantor's right to indemnification: Where a guarantor commissioned by the principal obligor has effected performance on behalf of the principal obligor or has otherwise extinguished the underlying obligation at his expense, guarantor is entitled to demand indemnification from the principal obligor (Article 911).

Subrogation following performance: A guarantor who has effected performance of the underlying obligation or otherwise procured discharge thereof at his own expense shall acquire the obligee's rights in connection with the underlying obligation, and shall be entitled to exercise in lieu of the obligee the security interests securing such rights (Article 916).

**Refer to the Article 900 – Article 920 for provisions regulating the Guaranty.*

Joint Obligation

Definition of joint obligation: Where multiple persons have assumed a joint obligation, the obligee may demand full or partial performance from any individual obligee or from all of the obligees simultaneously or separately (Article 921).

Principle of relative effect: Except as provided in Articles 924(Universal effect of demand or other ground for interruption of prescription period) through 930(Universal effect of prescription), an event occurring with respect to one joint obligor shall have no effect with respect to the other obligors (Article 931).

Performing obligor's right to indemnification: Where a joint obligor has obtained a discharge from the obligation through his own performance or other expenditure, and the other joint obligors have consequently been discharged as well, the joint obligor may demand indemnification from the other obligors with respect to their respective shares of the obligation (Article 932).

**Refer to the Article 921 – Article 937 for provisions regulating the Joint Obligation.*

Law on the Implementation of Civil Code

The Law on the Implementation of Civil Code was promulgated on 31 May 2011. The Law aims to define the implementation date of Civil Code which was promulgated by Royal Kram #NS/RKM/1207/030 on 8 December 2007 (hereinafter referred to as the "Civil Code"), as defined in the first paragraph of Article 1305 (Date of Enforcement) of the Civil

Code, and specify the transitional measures and other necessary points related to the implementation of Civil Code as defined in the second paragraph of same article. The major provisions relating to business and investment are as follows.

Date to Be Applicable (Article 5):

Law on the Implementation of Civil Code shall become applicable after 6 months of its publication (Article 84). The Civil Code shall be applicable from the date of entry into force of Law on the Implementation of Civil Code (Article 4).

Principle of Application of the Civil Code (Article 5):

- 1) The Civil Code shall not apply to matters occurring before the Date of Application set forth in Article 4 (hereinafter referred to as "Date of Application") except where otherwise provided. However, a continuing legal relations occurring before the Date of Application and still existing after the Date of Application shall be enforced pursuant to the Civil Code from the Date of Application.
- 2) The effect of legal provisions or customs in Cambodia before the date of the implementation of the Civil Code shall not be disrupted after the Date of Application, except where otherwise provided in Chapter 5 (Transitional Provisions) of this Law.
- 3) Above provisions shall not prevent fair implementation of the Civil Code to matters occurring before the Date of Application in the event that there are no applicable legal provisions or customs or existence of such provisions/customs is obscured.

Submission of Inventory Sheet, etc., to the Court (Article 6):

The court defined in paragraph 1 of Article 72 (Duty to examine and report the juristic person's asset/assets) of the Civil Code is the Court of First Instance having jurisdiction over the juristic person's principal office. The court which accepts all juristic person's submission of inventory list may investigate such a person, order such person to immediately comply with the procedure stated in Article 78 (Bankruptcy during Liquidation) of the Civil Code, and take other necessary measures for a prompt and correct liquidation.

Notice of Intention to a Person Further Away (Article 7):

The declaration of intention to a person further away may be confirmed by "an acknowledgement of the receipt" of a registered letter which contains "Acknowledgement of the receipt" and a copy of the letter noted by a court clerk.

Definition of a Date-Certified Instrument (Article 8):

"Date-certified instrument" refers to the following:

- a. For a notarial document, a date of making such document is the date-certified.
- b. For a privately-produced document noted by notary or court clerk on the date the letter is shown and signed, such a date is the date-certified.
- c. For a privately-produced document by which one among signatories is dead, such a date of the death is the date-certified.
- d. For a privately-produced document which is deemed as the original place of a date-certified instrument, such a date on the instrument is the date-certified of the private letter which is deemed as the original place.

* Relevant provisions in Civil Code:

- Paragraph 3 of Article 459 (Subrogation by Performance)
- Paragraph 2 of Article 503 (Requirement for assertion of assignment of nominative claim)
- Paragraph 2 of Article 841 (Requirement for perfection of pledge over nominative claim)
- Paragraph 2 of Article 503 (Requirement for assertion of assignment of nominative claim) which has mutatis mutandis application

of paragraph 2 of Article 459 (Subrogation by Performance) and Article 513 (Establishment of assignment of contractual position)

Definition of Notarial Document (Article 9):

- a. A document made by a notary or a privately-produced document authenticated by a notary, and dated and signed by the notary after the authentication. However, notarial document stated in Article 336 (Formation of contract via offer and acceptance) and Article 862 (Effect of disposal of hypothec) of the Civil Code, a document made by a competent officer for registration process is also a notarial document.
- b. A notarial document defined in Article 845 (Asserting hypothec) of the Civil Code refers to a document made by a competent authority for registration process.

Possession (Article 14):

Land holding a certificate of possession or occupancy which is issued, in addition to compliance with provisions of "Land Law" promulgated by Royal Kram No.NS/RKM/0801/14 of August 30, 2001 and Article 242 (Protection of occupant of immovable holding a certificate of occupancy) of the Civil Code, shall be pursuant to Civil Code by deeming that the land holding certificate of possession or occupancy shall be issued in form of ownership unless such provision is contradictory with the characteristics of the possession. A person holding a certificate of possession or occupancy or transferee of such person holding such a certificate could create usufructuary real rights or real security rights in pursuant to the paragraph 1.

Maximum Interest Rate, etc. (Article 17):

- 1) The maximum interest rate defined in paragraph 1 of Article 585 (Limitations on Interest) of the Civil Code shall be determined by a Prakas of the Ministry of Justice between 10 (ten) percent to 30 (thirty) percent per annum.
- 2) With regard to the agreement on prior determination of liquidated damages in the event of non performance of a Loan for Consumption Contract, in which money is the subject, if result of liquidated damages divided by principal amount exceeds the interest determined by Prakas of the Minister of Justice, the exceeding amount shall be null and void.
- 3) The above Prakas may determine the interest rate defined in paragraph 2 between 1.2 to 2 times of the maximum interest rate stated in paragraph 1 of this Article.
- 4) In the event that there is no special agreement on damage compensation for the delayed performance of the loan contract for consumption of which money is the subject attached with the interest, provisions of this Article and Article 585 (Limitations on Interest) of the Civil Code shall apply to compensation for damages for the delayed performance by deeming that such compensation is the interest within the scope of application of this Article and Article 585 (Limitations on Interest) of the Civil Code.

Jurisdiction over Registration of Juristic Person (Article 18):

Tasks concerning registration of a juristic person shall be under jurisdiction of Ministry of Justice.

- * Jurisdiction person herein referred means nonprofit organization
- Tasks concerning registration of profit organizations shall be under jurisdiction of Ministry of Commerce.

Effect of Real Rights Existing Prior to the Date of Application (Article 38):

- 1) Real right defined in Book Three "Real Right" of the Civil Code, though it existed prior to the Date of Application, such a real right is still in effect as determined in the Civil Code from the Date of Application.

- 2) A long-term lease, usufruct, right of use, right of residence, or easement arisen from an agreement based on Land Law 2001 before its amendment according to Article 80 (Amendments on certain provisions of Land Law 2001) of this law shall be deemed as perpetual lease, usufruct, right of use, right of residence, or easement based on the Civil Code from the Date of Application. In this case, duration of existence of these rights shall be calculated from the date that such rights were created based on the Land Law 2001.

Possession of Movable Prior to Date of Application (Article 39):

If any person, who possesses a movable property prior to the Date of Application, fulfils the requirements defined in Article 193 (Bona fide acquisition of ownership of movable) of the Civil Code, such a person shall be entitled to the rights which may be enforceable on such movable on the Date of Application. In this case, the provision of the Civil Code shall only apply to the effect of contract transferring the ownership in the scope of application of Article 193 (Bona fide acquisition of ownership of movable) of Civil Code.

Period of Long-Term Lease Existing Prior to the Date of Application (Article 41):

With regard to long-term lease created prior to the Date of Application relied upon the Land Law 2001, and the remaining period of such a lease exceeds 50 (fifty) years on the Date of Application; and although there is a provision of Article 247 (Term of perpetual lease) of the Civil Code, such right shall remain in existence during the stipulated period of the agreement. Nevertheless, a long-term lease with a remaining period of more than 99 (ninety nine) years, existence of such a right shall be deemed to remain at 99 (ninety nine) years from the Date of Application.

Transitional Provision on Registered Right of Use and Right of Residence (Article 43):

If the right of use or right of residence, which is created based on Land Law 2001, is registered according to provision of paragraph 3 of Article 120 of Land Law 2001 such provision shall govern the registration with the reference to provision of Article 139 of the same law even though there is provision of Article 277 (Requirements for perfection of rights of use and rights of residence) of the Civil Code and even the holder of a right of use or right of residence does not use or profit as the matter of fact, this right can be asserted against third parties.

Transitional Provision for the Compound Interest (Article 44):

- 1) Provision of Article 319 (Compound interest) of the Civil Code shall not apply to the interest created prior to the Date of Application.
- 2) Application of paragraph 2 of Article 586 (Time of payment of interest and statutory compound interest) of the Civil Code shall be in accordance with the abovementioned paragraph 1.

Transitional Provision for Non-Performance (Article 45):

- 1) Where a person who assumes the obligation prior to the Date of Application has not performed his/her obligation after the Date of Application, such a person shall be liable for non-performance according to the provision of the Civil Code.
- 2) Aforementioned paragraph 1 shall apply mutatis mutandis to a case where a creditor refuses to receive performance or may not be able to accept the performance.
- 3) In case that contractual obligation established prior to the Date of Application is performed after the Date of Application, provision on warranty liability in the Civil Code shall apply to performance of such obligation.

Transitional Provision for Special Rules for Monetary obligations (Article 46):

In case a person who assumes the obligation having subject matter of monetary payment has not performed such obligation before the Date of Application, provision of Article 399 (Special rules for monetary obligations) of the Civil Code shall apply to the amount of money which is the damages occurred after the Date of Application.

Transitional Provision for Set-Off (Article 47):

Although an obligation is arisen prior to the Date of Application, it can be exempted through a set-off in accordance with the provision of the Civil Code. In case of both reciprocal obligations have met with the requirements of set-off before the Date of Application, the effect of extinction of obligation by set-off shall have retroactive effect on the Date of Application.

Transitional Provision for Extinctive Prescription regarding Claim (Article 48):

- 1) Provisions for extinctive prescription regarding claim set forth in the Civil Code shall apply to claim which is not yet extinguished by extinctive prescription before the Date of Application.
- 2) Notwithstanding the paragraph 1 above, if extinctive prescription of claim, which is calculated prior to the Date of Application, is longer than the extinctive prescription of claim stipulated in the Civil Code, such claim will not be extinguished by extinctive prescription of claim, until it reaches due date of extinctive prescription of claim set by previous law or other legal provisions. However, in case that remaining extinctive prescription exceeds extinctive prescription of claim on obligation stipulated in the Civil Code, which is calculated from the Date of Application, then provisions of the Civil Code shall apply for the calculation from the Date of Application.
- 3) In case of an indefinite duration of extinctive prescription of claim, the provision of extinctive prescriptive of claim on obligation in the Civil Code shall apply by calculating from the Date of Application.

Transitional Provision for Loan for Consumption with Interest (Article 51):

In the case the borrower of a contract of loan for consumption with interest established prior to the Date of Application is dead after the Date of Application, provision of later part³ of Article 61 of Sub Decree No. 38 dated 28 October 1988 on Contract and Non Contractual Liabilities (hereinafter referred to as Sub Decree No. 38) shall not apply.

Transitional Provision In Case where Leased Property Is Defective (Article 52):

- 1) In case a lease established prior to the Date of Application is still existence after the Date of Application, provision of Article 605 (Lessor's liability for defects in leased property) of the Civil Code shall apply to this lease. In this regard, if the duration defined in paragraph 6 of Article 605 (Lessor's liability for defects in leased property) of the Civil Code commences prior to the Date of Application, such duration is 1 (one) year computing from the Date of Application.
- 2) Provision of paragraph 1 shall not apply in the event that 1 (one) year duration defined in paragraph 6 of Article 605 (Lessor's liability for defects in leased property) overdue 1 (one) year prior to the Date of Application.

Security Prior to the Date of Application (Article 54):

- 1) Even though real security right defined in the Civil Code was established prior to the Date of Application, such real security right shall still have effect as defined in the Civil Code after the Date of Application.
- 2) Pledge or hypothec, based on Land Law 2001, shall be deemed as the right of pledge or hypothec in compliance with the Civil Code after the Date of Application.
- 3) Pledge established prior or to the Date of Application which can be

asserted against the third party debtors or other third parties prior to the Date of Application, such a pledge is still effective after the Date of Application.

- 4) Pledge over "movable based on Sub Decree No. 38 (secured personal property)" shall be deemed as pledge in accordance the Civil Code after the Date of Application.

Management of Gage (Article 55):

- 1) Gage based on Land Law 2001 shall be deemed as hypothec in accordance with the Civil Code after the Date of Application.
- 2) Registration of gage shall be deemed as a registration of hypothec according to the provision of paragraph 1 above.
- 3) Gage right holder shall return certificate of title to the hypothecator immediately after the Date of Application.

Management of Contract Establishing Real Security Right that Has Not Been Registered (Article 56):

- 1) In case of forming written contract of pledge by authenticated documents stipulated in Article 207 of Land Law 2001, and the subject matter of pledge is already delivered but not yet registered prior or the Date of Application, the pledge shall have effect from the Date of Application.
- 2) In case of forming contract of hypothec by authenticated documents stipulated in Article 201 of Land Law 2001, but it was unregistered prior to the Date of Application, such hypothec shall have effect from the Date of Application.
- 3) In case of forming contract of gage by authenticated documents stipulated in Article 220 of Land Law 2001, but it was unregistered prior to the Date of Application, it shall be deemed as a contract of hypothec on the Date of Application.
- 4) Where hypothec defined in paragraph 3 is registered, hypothecator shall return the title of ownership to the hypothecator.

Existent Duration of Pledge over immovable (Article 57):

With regard to pledge over immovable established prior to the Date of Application and the remaining duration which such right exists exceed 5 (five) years on the Date of Application, the existent duration of pledge shall be 5 (five) years from the Date of Application.

Determination of Universal Floating Guaranty (Article 58):

A floating guaranty contract that does not determine accruing from a certain continuing legal relationship forming the basis of the underlying obligations prior to the Date of Application, the principal of the debt that is guaranteed by a floating guaranty contract shall be determined definitively on the Date of Application.

Effect of Secured Transaction Executed Prior to the Date of Application (Article 73):

Transaction which is executed prior to the Date of Application in accordance with the provisions of "Law on Secured Transaction" shall continue its effect after the Date of Application.

Replacement Application based on Civil Code (Article 74):

The transaction stated in Article 73 above (Effect of secured transaction executed prior to the Date of Application) fulfils the conditions stated in the Civil Code if the parties show their intention to change the transaction to the one that based on provisions of the Civil Code; then it is deemed that the parties executed the transaction on the Date of Application based on provision of the Civil Code. However, this change does not impact the interest of the third parties. In this case, parties of transaction which has been changed may not claim the effect transaction according to the Law on Secured Transaction.

Note 3 : Provision of later part of Article 61 of Sub Decree No. 38: In the event of a borrower's death, repayment of the entire debt can be demanded immediately by the lender and the obligation for repayment shall pass to the heirs of the deceased who shall be bound to pay the outstanding debt out of the deceased's estate and before the estate is distributed.

Priority between the Transaction Based on the Law on Secured Transaction and Transaction Based on the Civil Code (Article 76):

If any transaction executed based on the provision in Law on Secured Transaction relating to a subject matter and any transaction executed based on the provisions in the Civil Code relating to same subject matter are incompatible with the priority between those transactions, priority between those transactions is decided based on time that such transactions are enforced against the third parties.

Protection of Bona Fide Person (Article 77):

Provision of Article 76 above (Priority between the Transactions Based on the Law on Secured Transaction and Transaction Based on the Civil Code) shall not prevent application of Article 193 (Bona fide acquisition of ownership of movable) and Article 194 (Transfer of stolen or lost property) of the Civil Code.

Abrogation of Some Provisions of Sub Decree No. 38 on Contract and Other Non-Contractual Liability (Article 79):

Sub Decree No. 38 shall become ineffective from the Date of Application, except provisions from Article 83 to 88 of that Sub Decree, which shall remain effective after the Date of Application until otherwise provided by other laws.

Amendment of Some Provisions of Land Law 2001 (Article 80):

30 omission/modifications have been made to the provisions of Land Law 2001 by this Law. For details, refer to the full text of “Law on the Implementation of Civil Code_110531” under “Civil Code” and “Land Law_010430” under “Land” in “Laws and Regulations” of the CDC Website (www.cambodiainvestment.gov.kh). Among them, major modifications/deletions are as follows.

- Change the phrase “by document of sale, gift, exchange, or succession which is made by a any person authorized by Article 65 of this law” to “written documents according to the form of notarial documents certified by competent authority” in paragraph 2 of Article 244.
- Change Article 245 to “Contract transferring ownership over immovable shall be in writing in accordance with notarial documents certified by competent authority in order to register this contract in the registry list of cadastral administration”.

Amendment of Some Provisions of the Civil Code (Article 81):

38 omission/ modifications have been made to the provisions of Civil Code by this Law. For details, refer to the full text of “Law on the Implementation of Civil Code_110531” and “Civil Code” under “Civil Code” in “Laws and Regulations” of the CDC Website (www.cambodiainvestment.gov.kh). Among them, major modifications/deletions are as follows.

- Add “or a certificate of land use-occupancy” after the words “a certificate of occupancy” of paragraph 1 and 3 in Article 242 (Protection of occupant of immovable holding a certificate of occupancy)
- Change “in Article 133 (Creation, transfer and alternation of real rights by agreement), Article 134 (Requirements of assertion for creation, transfer and alternation of real rights), Article 135 (requisite of transfer of title by agreement pertaining to an immovable), Article 160 (Acquisition of ownership over immovable), and Article 187 (Acquisition of ownership over movable)” to “Article 133 (perfection) till Article 135 (requisite of transfer of title by agreement pertaining to an immovable)” in paragraph 1 in Article 528 (Transfer of title)
- Change word “the buyer” to “the seller” in point C of paragraph 2 in Article 539 (Obligation to deliver conforming goods)
- Change phrase “a demand described in paragraph 1” to “a demand described in paragraph 2” of paragraph 4 in Article 605 (Lessor’s liability for defects in leased property)
- Change phrase “to any money that the assignee or sub-lessee is to receive” to “to any money that the assignor or sub-lessor” in the

later part of Article 791 (Scope of subject matter of statutory lien for lease of immovable property-assignment or sublease)

- Change phrase “for the benefit of another creditors” to “for the benefit of another hypothee” in 1st sentence of paragraph 1 in Article 861 (Transfer, waiver or change of ranking of hypothec)
- Omit phrase “without the consent of other obligors” of paragraph 3 in Article 922 (Creation of joint obligation)

III-3 Principles of Economic Management

Article 56 of the Cambodian Constitution declares that Cambodia shall adopt a market economy system. The Constitution further says in Article 61 that the State shall promote economic development in all sectors and remote areas, especially in agriculture, handicrafts, and industry, with attention to policies concerning water, electricity, roads and means of transport, modern technology and a system of credit.

In 1994, the Minister of Commerce issued to all provincial governors and mayors Circular No.63, which instructed that market standards and guidelines should be observed as follows:

- All the prices of goods shall be determined by mutual agreement between buyers and sellers.
- The State shall allow free competition between traders.
- The State shall guarantee traders freedom to move goods.

New Article 10 of the Law on the Amendment to the Law on Investment (The Amended Law on Investment) also guarantees that the Cambodian Government shall not fix the price or fee of products or services of an approved Qualified Investment Project (QIP), which is also entitled for investment incentives (see “Chapter IV INVESTMENT”). Thus, Cambodia provides economic and business activities with the most open and freest environment.

III-4 Company

Regulatory framework for the commercial enterprise

The “Law Bearing upon Commercial Regulations and the Commercial Register” was first enacted in May 1995 and modified in November 1999. This law defines the meaning of “Merchant”, “Trade”, “Trading Activities”, etc. and stipulates the obligation of the companies, including the foreign business, to register and the procedures of commercial registration.

The “Law on Commercial Enterprise” was adopted by the National Assembly on April 26, 2005, and promulgated on May 19, 2005, as the first comprehensive company law in Cambodia. This Law applies to the “Partnership,” which falls into the category of a General Partnership or a Limited Partnership; “Limited Company,” which is either a Private Limited Company or a Public Limited Company; and “Foreign Business” as well.

A partnership or company shall continuously maintain a registered office and a registered agent, who is a legally competent natural person in Cambodia; register with the Registrar the specific location of the office and the name of the agent (Article3); and display its name in the Khmer language, which shall be placed above and shall be larger than the name in another language (Article 5).

Limited company

The “Law on Commercial Enterprise” authorizes the formation of a “limited company,” either in a form of “private limited companies” or “public limited companies,” to carry on business in Cambodia (Article 85).

TYPE OF LIMITED COMPANY:

- Private Limited Company:

A private limited company is a form of limited company with characteristics as follows (Article 86):

- The company may have from 2 to 30 shareholders.
- When a private limited company is established by one person, it shall be called a “Single Member Limited Company.”
- The company may not offer its shares to the public.
- The company has one or more restrictions on the transfer of each class of its shares.
- The company shall be considered as a private limited company once registered in compliance with prescribed forms determined by a Prakas of the Ministry of Commerce.
- Public Limited Company:
A public limited company is a form of a limited company that is authorized by this law (Law on Commercial Enterprise) to issue securities to the public (Article 87).

CREATION OF A LIMITED COMPANY:

One or more competent natural persons or legal persons may create a limited company by filing an Article of Incorporation with officials at the Ministry of Commerce (Article 91), and a “Certificate of Incorporation” shall be issued by the Ministry of Commerce after filing (Article 97). A company comes into existence and acquires a legal personality on the date when the company is registered (Article 98).

SHARES:

The company shall issue a minimum of 1,000 shares with a par value of not less than 4,000 Riels (approximately 1 US dollar) per share and has only one class of shares and the right of the holders of these shares is equal, unless otherwise provided in the Articles (Article 144). The shareholder’s liability to the company is limited to the price of the shareholder’s subscription (Article 147). When there is unanimous shareholder agreement, the existence of such agreement has to be written on the share certificate (Article 223).

KHMER NATIONALITY:

A company shall be deemed to be of Khmer nationality if the company has a place of business and a registered office in Cambodia and more than 51% of the voting shares of the company are held by a natural or legal person of Khmer nationality (Article 101).

REQUIREMENT FOR RECORDS:

A company shall prepare and maintain, at its registered office, records containing (Article 109):

- The articles and by-laws and all amendments thereto
- Minutes of meeting and resolutions of shareholders
- Copies of all notices required to be sent or filed in accordance with the law
- Securities register

In addition to the above records, a company shall prepare and maintain adequate accounting records for a period of ten years after the end of the fiscal year to which the records relate (Article 113).

DIRECTORS:

A private limited company shall have one or more directors, while a public limited company shall have at least three directors. Shareholders shall elect directors by ordinary resolution (Article 118) and the board of directors shall elect a chairman from among its members by a majority vote of the directors (Article 127). Each director shall be elected for a term of two years and may be re-elected (Article 121.) Any legally competent natural person over 18 years old may serve as a director (Article 120).

BOARD OF DIRECTORS:

The Board of Directors shall manage the business and affairs of a company. Subject to the articles, the directors may exercise the following powers (Article 119).

- Appoint and remove all officers, determine the specific powers and set the salaries and other compensation for such officers
- Issue notes, bonds and other evidence of debt of the company
- Propose to shareholders amendment to, or removal of the articles of incorporation, or an agreement of merger or consolidation between the company and any other person
- Propose to shareholders a dissolution or liquidation of the company, etc.

MERGER:

Two or more companies may merge into one company or may consolidate to form a new company. The legal personality of a constituent company (a dissolving company) ceases from the date the Ministry of Commerce issues a Certificate of Merger to the surviving company (a company that continues the business) (Article 241). The board of directors of each company that proposes to merge shall adopt a resolution approving an agreement for merger. Such resolution shall be approved by a majority of all directors (Article 242). Detailed procedures for effecting the merger are stipulated in Articles 243 to 250.

DISSOLUTION AND LIQUIDATION:

A company that has not issued any shares may be dissolved at any time by resolution of all the directors. A company that has no property and no liabilities may be dissolved by special resolution of the shareholders. The company shall send the articles of dissolution to the office in charge of company administration of the Ministry of Commerce and, upon receipt of such articles of dissolution, the Ministry of Commerce shall issue a certificate of dissolution (Article 251).

A director or a shareholder who is entitled to vote at an annual meeting of shareholders may propose the voluntary liquidation and dissolution of a company (Article 252). The procedures for the voluntary liquidation and dissolution are defined in the articles from 252 to 257. The dissolution and liquidation provisions shall not be applied to any company that has applied for bankruptcy to the court (Article 258).

Partnership

A partnership is a contract between two or more persons (Article 8) and the contract of partnership may be verbal or in writing (Article 9).

GENERAL PARTNERSHIP:

A general partnership shall acquire a legal personality when it registers and have the following rights (Article 12):

- to own movable and immovable property in its own name
- to carry on business in its own name
- to contract in its own name
- to sue and be sued in its own name

Each partner shares in the profits and losses of the partnership (Article 23) and all partners are jointly and severally liable for obligations. A third party shall seek enforcement of obligations against the partnership and partnership assets prior to seeking enforcement against the partners (Article 42).

LIMITED PARTNERSHIP:

A limited partnership is a contract of partnership between one or more general partners who are the sole persons authorized to administer and bind the partnership, and one or more limited partners, who are bound to contribute to the capital of the partnership (Article 64).

Each limited partner is entitled to receive his share of the profits and liable

only to the extent of the sum of money or value of the property he agrees to contribute (Article 71 and 72). The general partners are jointly and severally liable for the debts of the partnership to third parties (Article 75).

Foreign business

DEFINITION OF FOREIGN BUSINESS:

A foreign business is a legal person formed under the laws of a foreign country where it has a place of business and doing business in Cambodia (Article 270). It may conduct business in Cambodia in the following forms (Article 271):

- Commercial representative office, commercial relations office or agency (“representative office”)
- Branch
- Subsidiary

A representative office and a branch are agents of their principals and do not have a legal personality separate from their principals.

A foreign business shall be considered to be “doing business” if the foreign business performs any of the following (Article 272):

- Rents office or any other space for manufacturing, processing or performing services for more than one month
- Employs any person for more than one month
- Performs any other act permitted for a foreign physical and legal person by Cambodian law

REPRESENTATIVE OFFICE:

A commercial representative office or commercial relations office may perform the following acts in Cambodia (Article 274):

- Contact customers for the purpose of introducing customers to its principal
- Research commercial information and provide the information to its principal
- Conduct market research
- Market goods at trade fairs and exhibit samples and goods in its office or at trade fairs
- Buy and keep a quantity of goods for the purpose of trade fairs
- Rent an office and employ local staff
- Enter into contracts with local customers on behalf of the principal

However, a representative office may not regularly buy and sell goods, perform services or engage in manufacturing, processing or construction in Cambodia. A commercial representative office may be closed by a decision of its principal (Article 277).

BRANCH:

A branch may perform the same acts as a representative office and, in addition, may regularly buy and sell goods and services and engage in manufacturing, processing and construction as a local enterprise as long as it does not perform acts prohibited by law to a foreign physical or legal person (Article 278). The assets of the branch shall be the assets of the principal. The principal shall be liable for any obligation of the branch (Article 279), and a branch may be closed by a decision of its principal (Article 282).

SUBSIDIARY:

A subsidiary is a company that is incorporated by a foreign company in Cambodia with at least 51% of its capital held by the foreign company (Article 283) and has a legal personality separate from the principal (Article 284).

A subsidiary may be incorporated in the form of a partnership or limited company (Article 285) and may carry on business the same as a local

company except for any act that is prohibited for foreign natural or legal person by laws of Cambodian law (Article 286).

III-5 Trade and Customs

Regulatory framework for the trading activities

In January 2000, “Prakas (Ministerial Order) on Trading Activities of Commercial Companies” was issued by the Ministry of Commerce, and both Cambodian and foreign companies, which are registered with the Ministry of Commerce, became to be allowed to have the right to freely engage in trading activities.

Under the Sub-Decree No.111 on the Implementation of the Law on the Amendment to the Law on Investment, however, investment activities in all kinds of commercial activity, import, export, wholesale, retails and duty free shops, are stipulated not to be eligible for investment incentives. (Section 2, Annex I)

Regulatory framework for the Customs

“Law on Customs” was promulgated on 25 July 2007 for the following purposes (Article 1).

- To provide the right for the administration, control and collection of duties, taxes and fees on imported and exported goods,
- To provide for the control and regulation of the movement, storage and transit of such goods,
- To promote the prevention and suppression of fraud and smuggling,
- To participate in implementing the international trade policy of the Royal Government of Cambodia,
- To promote the application of international standards and best practices regarding customs control and trade facilitation.

GENERAL PROVISION

The Customs and Excise Department is responsible for the administration and enforcement of the provisions of this Law. The Department operates under the direct supervision of the Ministry of Economy and Finance (Article 1).

The Customs Territory includes the land territory, territorial waters and airspace as well as offshore islands of the KINGDOM OF CAMBODIA. The Royal Government of Cambodia may establish Free Zones that are excluded from all or part of the customs procedures (Article 2).

This Law must be applied:

- equally throughout the customs territory;
- equally to all persons; and
- without any immunity or dispensation to goods imported or exported by the state or on its behalf (Article 3)

All imported and exported goods are subject to the provisions of this law. Goods entering or leaving the customs territory are subject, as applicable, to import duties and taxes or export duties and taxes as specified in the Customs Tariff. The establishment and application of the Customs Tariff shall be prescribed by Sub-Decree (Article 5).

The Royal Government may by Sub-Decree take measures to protect Cambodian producers by raising tariffs when domestic producers are injured by an increase in imports, by subsidies provided by other governments to their countries’ exports to Cambodia, or by goods that are dumped on Cambodia’s markets (Article 7).

The Royal Government may by Sub-Decree prohibit or restrict, subject to conditions, the import or export of certain goods for any of the following purposes (Article 8):

- National security;
- Public order and standards of decency and morality;

- The protection of health and life of persons, animals or plants;
- The protection of national treasures of artistic, historic or archaeological value;
- The conservation of natural resources;
- The compliance with the provisions of any legislation of The Kingdom of Cambodia currently in force;
- The fulfillment of obligations under the Charter of the United Nations.

To combat smuggling and fraud, the Minister of Economy and Finance may by Prakas identify certain sensitive or highly taxed goods as specially designated goods for the purposes of this Law, and may impose additional controls and restrictions on their transport, circulation, storage and possession.

IMPORT

All imported goods must be reported at a customs office or other location as determined by the Director of Customs. The Minister of Economy and Finance may by Prakas determine the time, manner, documentation requirements, circumstances and exceptions with respect to the reporting of imported goods (Article 10).

All imported goods shall be reported at the nearest customs office through the legal route:

- a. in the case of goods in the actual possession of a person arriving in Cambodia, or that form part of personal baggage, by that person;
- b. in the case of goods imported by courier or as mail, by the person who exported the goods to Cambodia;
- c. in the case of goods, other than goods referred to in sub-paragraphs (a) and (b) of this paragraph, on board a conveyance arriving in Cambodia, by the person in charge of the conveyance, including military conveyances;
- d. in any other case, by the person on behalf of whom the goods are imported.

Every person reporting goods under this Article shall:

- a. answer truthfully any question asked by a customs officer with respect to the goods;
- b. where a Customs officer so requests, make the goods available for inspection by Customs in the manner determined by the Director of Customs (Article 11).

No person shall unload goods from a conveyance arriving in Cambodia until the goods have been reported to Customs in accordance with this Law (Article 12).

Customs may authorize the removal of the goods referred to in Article 10 from the customs clearance area prior to the payment of duties and taxes and fees, under customs control and after the fulfillment of customs formalities, for the purposes of:

- placing in customs temporary storage;
- placing in customs bonded warehouse;
- further transportation within or through the Customs Territory to a destination (Article 13)

Imported goods may be released by Customs for temporary admission if at the time of importation it can be demonstrated that these goods will be re-exported. Temporarily imported goods shall be under customs control until such time as the conditions of their temporary admission have been fulfilled (Article 15).

EXPORT

All goods to be exported must be reported at a customs office or other location as determined by the Director of Customs. The Minister of Economy and Finance may by Prakas determine the time, manner, documentation requirements, circumstances and exceptions with respect to the reporting, movement, storage and transportation of goods to be exported (Article 16).

TARIFF CLASSIFICATION, ORIGIN AND CUSTOMS VALUE

Tariff classification, origin and customs value of imported goods specified on Customs declarations, shall be declared in accordance with the following rules (Article 18).

(a) Tariff Classification and Origin

- Any person, importer or his agent, who completes a customs declaration of imported goods, shall declare the tariff classification, origin of those goods and customs value for the calculation and assessment of duty and tax. Customs shall verify the tariff classification and origin of the imported goods.
- Any person, importer or his agent is responsible for declaration of the accurate customs value for the payment of duties and taxes and must disclose all information, invoices and other documentation to enable Customs to verify and accurately determine the customs value of the imported goods.
- Customs may require from any person, importer or his agent, proof, by declaration or the production of necessary documents required by Law and existing regulations, of the correctness of the declaration, and may refuse to release the goods until such evidence is provided.
- Customs may, within 3 years of the date of registration of any customs declaration, following an audit, investigation, inspection or examination of the imported goods, re-determine the declared tariff classification or origin by issuing a Notice. This notice shall also state the reason for the re-determination of the tariff classification or origin.
- When an audit, investigation, inspection or examination undertaken under this Article finds any fraudulent activity, a Notice may be issued for the goods under investigation within a period no longer than 10 years from the original date of registration of the customs declaration.
- All additional duties and taxes and any other fees and penalties owed as a consequence of the Notice, shall be paid to Customs.
- Any refund of duty, taxes, fees and penalties overpaid by any person, importer or his agent as a consequence of the Notice shall be refunded by Customs.

(b) Customs Value

- Any person, importer or his agent, who completes a customs declaration shall declare the customs value of the imported goods as specified in the provisions of Article 21 of this Law, for the assessment of duty and tax. Customs shall verify the declared customs value of the imported goods.
- Any person, importer or his agent, who makes a registered declaration of imported goods, must comply with the provisions of Article 51 and Article 52 of this Law.
- Any person, importer or his agent is responsible for declaration of the accurate customs value for the payment of duties and taxes and must disclose all information, invoices and other documentation to enable Customs to verify and accurately determine the customs value of the imported goods.
- Customs may require from any person, importer or his agent, proof, by declaration or the production of required documents required by Law and existing regulation, of the correctness of the declaration, and may refuse to release the goods until such evidence is provided.
- Customs may, within 3 years of the date of registration of any customs declaration, following an audit, investigation, inspection or examination of the imported goods, re-determine the declared customs value by issuing a Notice. This Notice shall also state the reason for the re-determination of the customs value.
- Customs may amend the declared customs value if the declared customs value is not consistent with the provision of Article 21 of this Law or the declared customs value is not correct for any other reason.
- When an audit, investigation, inspection or examination undertaken under this Article finds any fraudulent activity, the Notice may be issued for the goods under investigation, within a period no longer than 10 years from the original date of registration of the customs

declaration.

(c) Voluntary declaration of additional duties and taxes or other fees payable

- A person, importer or his agent may make a voluntary declaration to Customs of additional duties, taxes or fees owing in respect of imported goods, without penalties or fines if such a declaration is made to Customs within one year of the date of registration of the original customs declaration.

(d) Exporters and exported goods

- The provisions of Paragraph (a) and Paragraph (c) of this Article apply also to exported goods.

For the purposes of import and export, goods are classified and, unless otherwise exempted by this Law or any other Law of the Kingdom of Cambodia, duty and tax are calculated in accordance with the Customs Tariff (Article 19).

For imports, applicable duties and taxes are collected according to the origin of the goods. The origin of natural products is the country where they were extracted from the soil or harvested. Goods manufactured in a single country, with no contribution from materials from another country, originate in the country where they are manufactured. The country of provenance is the country from which the goods were sent directly to the customs territory (Article 20).

The customs value of imported goods shall be determined in accordance with the following rules (Article 21):

- a. The customs value of imported goods shall be the transaction value, which is the price actually paid or payable for goods when sold for export to Cambodia.
- b. If the customs value of the imported goods cannot be determined under the provision of sub-paragraph (a) of this Article, the customs value shall be the transaction value of identical goods.
- c. If the customs value of imported goods cannot be determined under the provisions of sub-paragraph (a) and sub-paragraph (b) of this Article, the customs value shall be the transaction value of similar goods.
- d. If the customs value of imported goods cannot be determined under the provisions of sub-paragraph (a), sub-paragraph (b), and sub-paragraph (c) of this Article, the customs value of the imported goods shall be based on a deductive method.
- e. If the customs value of imported goods cannot be determined under the provisions of sub-paragraph (a), sub-paragraph (b), sub-paragraph (c), and sub-paragraph (d) of this Article, the customs value of imported goods shall be based on a computed method.
- f. The order of application of sub-paragraph (d) and sub-paragraph (e) of this Article may be reversed at the request of the importer.
- g. If the customs value of the imported goods cannot be based on the provisions of sub-paragraph (a) sub-paragraph (b) sub-paragraph (c) sub-paragraph (d) and sub-paragraph (e) of this Article, the customs value shall be determined by using reasonable means consistent with the principles and the provisions as referred to in subparagraphs (a) (b) (c) (d) and (e) of this Article on the basis of available data in the Customs Territory subject to certain limitations.
- h. The Minister of Economy and Finance shall issue a Prakas to determine all matters related to the determination of customs value.

The customs value of exported goods shall be the value of the goods at the point of exit, which is determined by adding to the price of the goods, expenses for transport as well as all expenses needed to carry out the export operation up to the frontier, excluding export taxes payable upon exit, domestic taxes and similar levies, for which the exporter has been given a receipt (Article 22).

EXEMPTIONS, PARTIAL EXEMPTIONS, AND REFUND OF DUTIES AND TAXES

The customs value of imported and exported goods shall be declared in riel currency. When an amount is expressed in a currency other than Cambodian currency, the exchange rate to be applied is the rate determined by the National Bank of Cambodia. When the exchange rate is not on the list of exchange rates of the National Bank of Cambodia, Customs may determine the rate. The exchange rate to be applied is the exchange rate in use on the date the Customs declaration is registered. Exchange rates are publicly displayed by Customs (Article 23).

Any person, importer or his agent, who is dissatisfied with the reasons for or the correctness of the re-determination of the tariff classification, origin or customs value as provided in the Notice issued under the provisions of sub-paragraph (a) or sub-paragraph (b) of Article 18 of this Law may object to the decision by writing to the Director of Customs within 30 days of the date the importer or his agent receives the Notices of the re-determination of the tariff classification, origin or the customs value.

In circumstances where the customs value is subject to appeal, the goods shall be released without the payment of duties and taxes when the importer provides sufficient security to cover the duties and taxes. The Director of Customs shall make the decision on the objection referred to in the first paragraph of this Article within sixty (60) days after the objection is received; otherwise, the objection shall be deemed as accepted and the security returned as appropriate. Any person who objects to any decisions made by the Director of Customs under the first paragraph of this Article may file a written appeal to the Customs Tariff Committee. The organization and functioning of the Customs Tariff Committee shall be determined by Anukret. An importer or exporter has the right to appeal to the competent court against any decision of the Customs Tariff Committee within a period of thirty (30) days from the date of receiving notification of that decision (Article 24).

Import duties and taxes shall not be imposed on goods brought into the Customs Territory for transit or transshipment (Article 25).

Exemption of Import Duties and Taxes shall be granted with respect to the import of goods exempted under the provisions of any other Law of Cambodia, goods for foreign diplomatic or consular missions, international organizations and agencies of technical co-operation of other governments, etc. (Article 26).

Partial exemption of import duties and taxes may be granted with respect to the import of Seeds and breeding animals for agriculture, goods for temporary admission, Goods and materials so specified under any other Law of Cambodia, etc. (Article 27).

CUSTOMS DECLARATION AND LIABILITY FOR DUTIES AND TAXES

All imported or exported goods, whether or not exempt from duties and taxes, must be the subject of a Customs declaration (Article 29).

Imported or exported goods must be declared by their owners or by persons authorized to act on the owners' behalf (Article 31).

Any person may, without exercising the profession of customs broker, make customs declarations for their own business (Article 33).

The importer or owner of the goods shall be liable for import duties and taxes. In cases where the importer or owner cannot be located, the customs broker shall be liable for the import duties and taxes. In the case of customs temporary storage or customs bonded warehouse storage, the operators are liable for import duties and taxes and other fees, without prejudice to penalties incurred, until such time as the goods have been cleared for re-export, temporary import, import for home use, moved to another authorized storage facility, or destroyed with the authorization of Customs (Article 35).

CUSTOMS TEMPORARY STORAGE AND CUSTOMS BODED WAREHOUSES

Customs temporary storage refers to the storage of goods under Customs control in approved premises pending the completion of Customs formalities. Licenses for the operation of a customs temporary storage facility are approved by the Minister of Economy and Finance (Article 43).

Customs bonded warehouses are facilities where goods may be placed for a specified period of time under customs control. Placing goods in customs bonded warehouses suspends the application of the duties, taxes and restrictions for which they are liable. There are three categories of customs bonded warehouses:

- a. Public warehouses, which are licensed by the Minister of Economy and Finance, may be operated by any agency of the Royal Government, or by any person. Public warehouses are open to any person who has the right to store the goods in the warehouse.
- b. Private warehouses, which are licensed by the Director of Customs, are to be used solely by specified persons to store goods for their own specific uses, including operators of duty free shops.
- c. Special warehouses, which are licensed by the Director of Customs, are a type of warehouse for goods which may present a hazard, or could affect the quality of other goods, or could require special storage facilities;

Licenses for customs bonded warehouses will determine conditions for owners and operators including location, construction and layout of premises, and procedures for the control and handling of goods (Article 44).

Goods may remain in customs bonded warehouses for up to two (2) years from the date of registration (Article 46).

In certain circumstances, the MEF may authorize the establishment of customs manufacturing bonded warehouses, for the purpose of processing or manufacturing of goods. Goods accepted in customs manufacturing bonded warehouses are exempt from import duties and taxes (Article 49).

Operations that carry out the processing or refining of crude petroleum or bituminous minerals to obtain petroleum products must be placed under the customs manufacturing bonded warehouse regime (Article 50).

Export and import procedures

SAD & ASYCUDA

In order to simplify and improve the trade-related procedures, the Trade Facilitation Program has been implemented. The core of the Program is the implementation of the Single Administrative Document (SAD), a new Customs Declaration, based on "ASYCUDA," a comprehensive electronic customs clearance system, and the Risk Management System for trade-related applications, customs clearance and audits. For this purpose, a "Sub-Decree #21 on the Facilitation of Trade through Risk Management" and "Ministerial Order # 607 (MEF) on Establishment and Putting into Operation the Office of Risk Management and Audit of Customs and Excise" were issued in 2006.

The SAD has been implemented manually since January 2008 and the pilot implementation of "ASYCUDA World" has begun at Sihanoukville Port from May 2008. SAD is now fully implemented to all the customs clearance operations and

ASYCUDA became operational at approximately 20 customs offices such as Sihanoukville Port, Phnom Penh International Airport, Phnom Penh International Port. At the checkpoints served by ASYCUDA, more than 90% of import and export goods are cleared from customs within 24 hours after the presentation of customs declaration.

The GDCE has started implementing the Post Clearance Audit (PCA) since

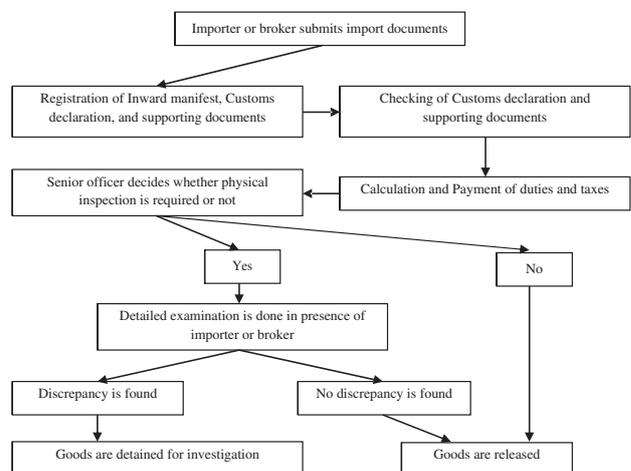
October 2012. The PCA is the audit to be carried out at the importer's place of business after goods have already been cleared by Customs, aiming to verify the importers' compliance of customs duty payment by checking the shipping documents such as invoices, import contracts and/or account settlement documents.

PCA itself is a common practice in most of the countries in the world and it is expected that the GDCE will expand the implementation of PCA.

IMPORT PROCEDURES

According to the website of the General Department of Customs and Excise, the import procedures at the Sihanoukville Port are as follows.

- 1) Upon arrival of the vessel at the port, KAMSAB (the government-owned shipping agent for marine cargo) informs Customs, CAMCONTROL, and Immigration Police.
- 2) The Customs Chief assigns 2 officers to the boarding committee or Formality Team, which includes KAMSAB, CAMCONTRPL, Port Authority, Immigration Police, and Quarantine. The Team breaks up to carry out their respective functions in formal clearance of the vessel and crew.
- 3) After vessel formalities, the Customs authorizes unloading of cargo. The Active Team that includes KAMSAB and Port Authority monitors unloading, checks cargo against the manifest, and verifies the condition of seals.
- 4) Cargo is stored in the warehouse and received by the operator. While awaiting their importer they are under the responsibility of the warehouse operator and Warehouse Team. A computer register of all cargo is maintained by both the operator and the Customs. Goods are allowed 45 days storage, beyond which a daily penalty of 1% of the value is exacted. Goods stored beyond 3 months are transferred to the Customs warehouse.
- 5) Importers lodge three copies of the declaration with supporting documents such as commercial invoice, packing list, bill of lading, Import license (if required), Report of Finding (ROF) if an import FOB value greater than USD 4,000.00 and other documents if any.
- 6) At the clearance point, the declaration is registered with a sequential number that is unique to an individual entry processing unit. 3 copies of the entry are submitted to the clearance point with invoice, bill of lading, packing list. Declaration information is validated and scrutinized. The CAMCONTROL form is also attached to the declaration.
- 7) After assessment, importers pay duties in cash or bank guarantee either at the accounts section, or treasury in Phnom Penh which issues a receipt. Storage fees are also paid for.



Source: <http://www.customs.gov.kh/ProImports.html>

Figure III-5-1 Import Procedures

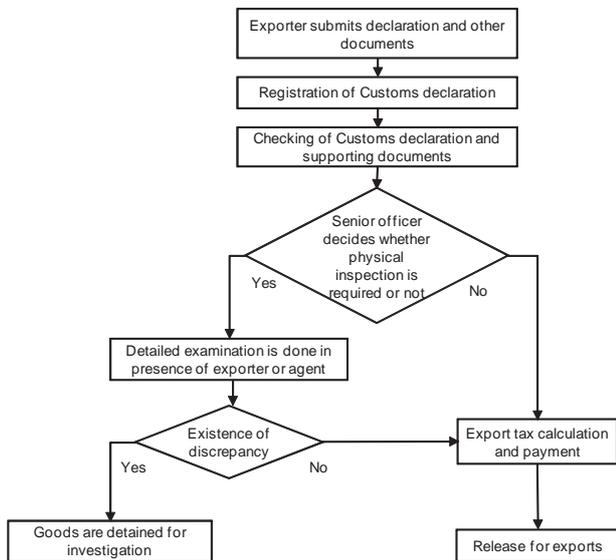
- 8) The Customs Examination Team inspects the goods simultaneously with CAMCONTROL. In June 2002, a TC-Scan machine was installed to reduce physical inspection.
- 9) When goods are released, containers are loaded on trucks for transport to outside of the Port. Customs Entrance/Exit Team checks documents and receipts to verify payment, and matches container numbers against ship manifests.

For import procedures of GDCE at other ports of entry, refer to GDCE Website at <http://www.customs.gov.kh/ProImports.html>.

EXPORT PROCEDURES

The majority of goods exported through Sihanoukville Port are garment exports. Most of these exported goods are examined by the Export Office in Phnom Penh, and the containers are sealed there. Customs at Sihanoukville Port do not reopen the containers. They generally check the related documents and verify the seals on the containers. If everything is in order, containers are loaded on the vessels for export. There are some goods cleared for export at Sihanoukville such as wood products and garments from factories located in Preah Sihanouk area. The chief of customs of Sihanoukville Port sends staff to carry out the customs formality and examination at the investors' premises.

All exports goods must be examined by the General Department of Customs and Excise (GDCE) as a spot check, primary or in detail. Goods are released when documents are approved, the export tax if any is paid for, and examination is completed. An Export Office at GDCE headquarters takes charge of garments exports, which examines and seals cargo with a container bolt seal (at factory premises) that conforms to international standards. Once they reach Sihanoukville Port, their documents and container seal are checked by GDCE and they are loaded on vessels. Other goods cleared at Sihanoukville Port such as wood products undergo Customs formality and examination on company premises in the Sihanoukville area by GDCE staff.



Source: <http://www.customs.gov.kh/ProExports.htm>

Figure III-5-2 Export Procedures

MFN and GSP

Cambodia has been granted Most Favored Nation (MFN) status by the US, the EU and other developed countries. In addition, Cambodia has been approved tariff and quota free access to the EU market under the

Everything-But-Arms Initiative (EBA), which is part of the EU's Generalized System of Preferences (GSP) program for LDCs. EBA was put in effect and applied to Cambodia in February 2001. Cambodia is also entitled to privileges under the US and Japan GSP programs.

Exporters in Cambodia should observe the rules of origin (ROO) requirements for the exports under the GSP scheme, including the EBA. Practically all products (arms and ammunition are exceptions) covered by the EBA are granted duty free access (zero duty rate) to the EU market if they fulfill the ROO requirements.

Under the GSP, exported products have to originate in the beneficiary country. To be considered as originating in the country of export, products have to meet certain requirements, which are laid down in the ROO. While products wholly obtained in the exporting country are naturally considered as originating there, the products manufactured with materials from other countries are considered so only if they have undergone sufficient working or processing and the consequently the tariff heading of the final product is changed from the imported materials (CTH: Change of Tariff Heading).

The requirements may also refer to other technical criteria, the added value or other economic criteria such as "De Minimis" regulation, under which the non-originating materials contained in the final product shall be taken into account for the purpose of judging the product origin if such non-originating goods do not exceed certain value or weight of the final product. In case of Japan, when the weight of non-originating textile materials or accessories do not exceed 10% of the total weight of final product of garment, such non-originating materials shall not taken into account in determining the origin of the final product. In addition, the origin of non-textile materials and/or accessories shall not be taken into account in determining the origin of the good as well. For electric appliance and parts, if the FOB values of non-originating materials do not exceed 5% of the total value of final product, such non-originating materials shall not taken into account in determining the origin of the final product.

The ROO lay down that products have to be accompanied by a certificate of origin Form A (issued by competent authorities in the country of export that are recognized by the countries of import, namely, the Ministry of Commerce in case of Cambodia) or an invoice declaration in order to prove the origin of the imported materials in the beneficiary country and they have to be shipped direct to the countries of import.

In case that the garment produced in Cambodia uses the fabric made in and imported from Japan and is exported to Japan, so-called "Annex" (Certificate of Materials Imported from Japan) must be issued by Cambodian government and attached to the Form A in order to prove the fabric was imported from Japan.

Under the EBA, the ROO requires that at least 40% of the contents of exported products have to originate in the country, but, under the special waivers, certain textile products from Cambodia are allowed to have cumulative origin with ASEAN countries or the EU. In order to prove that the fabric originates from other ASEAN member states, garment exporters in Cambodia are required to show the ASEAN fabric suppliers' GSP certificates. Since Cambodian garment makers use more fabric and accessories from countries other than ASEAN members, the utilization rate of the GSP scheme for the EU market remains low. If the fabric is imported from non-ASEAN or non-EU suppliers, the garment producer must observe the 'full makeup' rule. For this, the Cambodian government requires exporters to show evidence that local content is greater than the cost of imported fabric or yarn.

For exports from Cambodia to the USA under the GPS, the ROO requirement is a minimum 35% and the qualifying member countries of ASEAN, namely, Cambodia, Thailand, Indonesia and the Philippines, are treated as one country for GSP ROO requirements.

Local contents for exports

Currently, there is no local contents requirement in Cambodia. In other words, there is no restriction on the use of imported materials, parts and components for producing the export goods unless they are harmful to the health, environment or society.

Incentives, limitations and taxation on exports

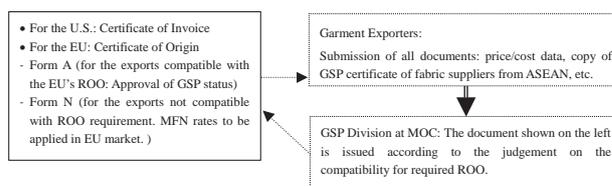
Under the Amended Law on Investment, “Export QIPs” (see “Chapter IV INVESTMENT”) are allowed to import production equipments, construction materials, raw materials and intermediate goods and accessories free from customs duty, unless Export QIPs operate under the customs bonded warehouse mechanism. For the QIPs of garment and footwear industries, VAT is also exempt on the imported production equipments, construction materials, raw materials and intermediate goods and accessories. By being approved as Export QIPs, they are also granted a tax holiday or special depreciation scheme. For exports, VAT is also refunded or credited as to the materials for exported products.

Several items are prohibited from export or strictly restricted, such as antiques, narcotic and toxic materials, logs, precious metals and stones and weapons. “ANNEX 1 to Sub-Decree #209 ANK.BK” of 31 December 2007 (“List of Prohibited and Restricted goods in Importation and Exportation”) shall be referred to find the details for such regulations.

Export tax is levied on such products as shown below.

- Natural rubber (2%, 5% and 10% depends on level and type of processing)
- Uncut (unprocessed) precious stones (10%)
- Processed wood (5% and 10%)
- Fish and crustaceans, mollusks and other aquatic products (10%)

An Export Management Fee (EMF) is being imposed on some export products by the Ministry of Commerce. EMF was first introduced by “Prakas No. 285 MOC/GSP on the Determination of Export Management Fee” on 18 Oct. 2005. Then it was reduced by 10% for some garments exporting to all the destinations by “Inter-Ministerial Prakas No.044 MOC/SM 2007 on the Revision of Export Management Fee and Related Costs” of February 09, 2007. At the same time, Prakas No.044 introduced EMF to the footwear and bicycle and stipulated the administration fee for obtaining Certificate of Origin (Namely, USD50 for Form A and USD30 for Form N). “Inter-Ministerial Prakas No.097 MOC/SM 2007 on the Revision and New Determination of Export Management Fee” of 11 June 2007 reduced EMF on bicycle for all the destinations to KHR 350 per piece and introduced EMF (KHR 2,000 per ton) for screw/nut product. EMF has been reduced by 10% again for textile, garment and footwear export by “Inter-Ministerial Prakas No.274 MOC/SM2008 on Revision of Export



Source: JICA Project Team

Figure III-5-3 Procedures for Certificate of Origin for Garment Exports

Management Fee” on December 9, 2008.

All exporters of goods under the MFN and GSP systems shall be required to complete the Certificate of Origin (C/O) Form. and be obliged to pay Export Management Fee (EMF) within a period of 30 days after goods have already been exported (Prakas #176/MOC on a Certain Necessary Measures for Export Management under Trade Preferences System of September 04, 2006). The procedure to obtain the C/O for garment exports is shown in Figure III-5-3.

Duty-exempted imports (A Master List)

Under the Amended Law on Investment, the QIPs are granted the privilege to import production equipment, construction materials, raw materials, intermediate goods and/or accessories exempt of duty, according to the QIP category of the project. In order to obtain such duty-free import approval, the importing companies have to submit annually to the Cambodian Investment Board (the CIB) or the Cambodian Special Economic Zone Board (the CSEZB) a master list, which contains the volume, kinds and value of the planned imported goods. The processing time for an import application or the amendment of an import plan is said to be around 3 working days.

In addition to the duty exemption, VAT on the production facilities, factory construction materials and production input, which the Qualified Investment Projects (QIP) located in the SEZs may import, became exempted since March 2010. The scope of VAT exemption varies according to the type of QIP. (Refer to the Box “Additional Incentives to the Zone Investors in SEZ” in “VI-6 Incentives”)

Import duty reduction or exemption and the government-borne VAT scheme (VAT exemption) have been introduced on various agricultural materials. For details, refer to “V-11 Incentives entitled to Specific Fields”.

General tariff rates

Import duties are levied on all imported goods at the point of entry in Cambodia, unless the imported goods are subject to duties exemption treatment under the Amended Law on Investment, international agreement

Table III-5-1 Applicable Rate of Import Duties in Cambodia (Major Commodities)

Applicable Rate	Major Commodities
0%	Pharmaceutical products (HS Code 30), Ores, slag and ash (HS Code26), Petroleum gases and other gaseous hydrocarbons (HS Code 2711), Printed books (HS Code 4901)
7%	Edible fruit and nuts (HS Code 8), Animal or vegetable fats and oil and their cleavage products (HS code 15), Sugar and sugar confectionery (HS Code 17), Raw hides and skins (other than fur skins) and leather (HS Code 41), Articles of jewelry and parts thereof, of precious metal or of metal clad with precious metal (HS Code 7113), Bicycles and other cycles (including delivery tricycles), not motorized (HS Code 8712), Musical instruments (HS Code 92)
15%	Alcohol (other than water and beer) (HS Code 22), Motorcycle (HS Code 7871), Clocks and watches and parts of thereof (HS Code 91)
35%	Manufactures if straw, of esparto or of other planting materials (HS Code 46), Electro-mechanical domestic appliances (HS Code 8509), Motor cars and other motor vehicles principally designed for the transport of persons (HS Code 8703)

Note: HS codes shown in brackets are based on the Cambodian customs tariff table 2011. It is advisable to inquire the customs authority about the exact tariff rate applicable to the import. Source: General Department of Customs and Excise of Cambodia

or other special regulations. Tariffs on imports to Cambodia are generally applied ad valorem duties which principally consist of the following four rates: 0%, 7%, 15% and 35%, while a selection method choosing either ad valorem duty or specific duty is applied for some imported goods. The commodities applicable each rate is as shown in Table III-5-1. The 10% VAT is levied on all imported goods with some exceptions as mentioned above Clause.

Preferential tariff rates under the AFTA

In addition, under the Common Effective Preferential Tariff (CEPT) scheme for the ASEAN Free Trade Agreement (AFTA), lower tariff rates can be applied to imported products from other ASEAN member countries, provided that conditions in the ROO are fulfilled. Cambodia's 2007 CEPT package is shown in Table III-5-2. The comprehensive tariff reduction schedules of all ASEAN countries and the tariff reduction schedules of Cambodia under the CEPT scheme are presented in Figure III-5-4.

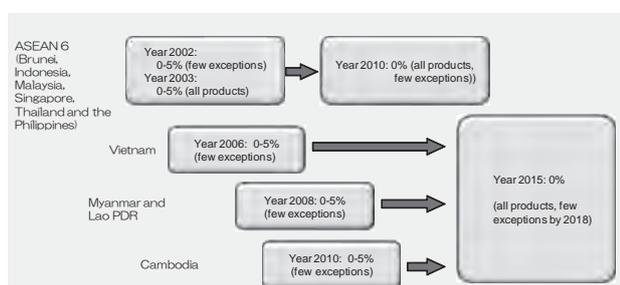


Figure III-5-4 Comprehensive Tariff Reduction Schedules of All ASEAN Member Countries under CEPT Scheme

Free trade agreements of ASEAN

As a member of ASEAN, Cambodia is and will be subject to tariff reductions set in free trade agreements (FTAs) between ASEAN and other countries.

As of November 2011, five FTAs have become effective. A summary of ASEAN's FTAs is shown in Table III-5-3.

AJCEP (ASEAN-Japan Comprehensive Economic Partnership)

AJCEP is the Economic Partnership Agreement (EPA) between Japan and ASEAN countries. It came into effect on 1 December 2008 in Japan and on 1 December 2009 in Cambodia. As of November 2011, AJCEP came into effect in all ASEAN countries except Indonesia. Upon the effectuation of AJCEP, Japan abolished the import duties on approximately 90 % of all goods and Cambodia did the same for the goods in Category A. Currently AJCEP is the only one

According to the Rules of Origin (ROO) for AJCEP, the export products which are manufactured by using non-originating materials must fulfill the CTC rule (Change of Tariff Heading Rule) or the Value Added Rule in order to enjoy the duty privileges in importing country. Applicable ROO varies as it is stipulated separately for each product (Product Specific Rule: PSR).

The CTC rule is for determining the export products which are manufactured by using non-originating materials as originating goods by "change of figures in HS code", which will be applied only to non-originating materials. There are three kinds of CTH, namely "Change in Chapter" (CC: change of double figures), change in tariff heading (CTH: change of four figures) and "Change in Sub-Heading" (CTSH: change of six figures). The CTC rule is applicable to textile or leather products.

Value Added Rule is for determining the export products which are manufactured by using non-originating materials as originating goods when the contents of calculated value added amount in final product (Regional Value Content: RVC) exceeds the certain level which is provided in the agreement. In AJCEP, this rule is not provided for the agricultural products, textile products, leather product and footwear. RVC has to exceed 40%. RVC (%) is calculated as $\frac{FOB - VNM}{FOB} \times 100$, where "FOB" is the price of the final product on free on board basis and VNM (Value of Non-originating Materials) is the total amount of non-originating materials.

Table III-5-2 Cambodia's 2007 CEPT Package for Some Commodities

HS Number	Descriptions	MFN tariff rates	CEPT	
			2009	2010
2203.00.10	Beer (stout and porter)	35%	GE	GE
2709.00.10	Crude petroleum oil	7%	5%	5%
2710.11.11	Motor spirit, premium leaded	35%+0.02 Riel/liter	GE	GE
3816.00.00	Refractory cements, mortars and concretes	7%	7%	5%
5208.11.00	Woven fabrics of cotton (plain weave, weighing not more than 100g/ sq. m)	7%	5%	5%
5407.10.11	Woven fabrics obtained from high tenacity yarn of nylon or other polyamides or of polyesters (tire woven fabrics and conveyor duck)	7%	5%	5%
5501.10.00	Synthetic filament tow (of nylon or other polyamides)	7%	5%	5%
6001.21.10	Looped pile fabrics of cotton (unbleached, not mercerized)	7%	5%	5%
6001.22.10	Looped pile fabrics of man-made fibers (unbleached)	7%	5%	5%
7208.10.10	Flat-rolled products of iron or non-alloy steel (Of a thickness of 10 mm or more but not exceeding 125 mm; of a thickness of less than 3 mm and containing by weight less than 0.6% of carbon)	7%	5%	5%
7308.30.00	Doors, windows and their frames and thresholds for doors	7%	7%	5%
8701.90.91	Agricultural tractors (Of a cylinder capacity not exceeding 1,100cc)	15%	5%	5%
8703.23.15	Motor cars (Completely Knocked Down of a cylinder capacity less than 2,000cc)	35%	10%	5%
8703.23.22	Motor cars (Completely Built Up of a cylinder capacity 1,800cc about above but less than 2,000cc)	35%	20%	5%
8711.20.31	Motorcycles (Completely Knocked Down of a cylinder capacity not exceeding 125cc)	15%	5%	5%

Note: GE is General Exception List of the CEPT scheme.
Source: ASEAN Secretariat's website at <http://www.asean.org/>

Table III-5-3 Summary of ASEAN's FTAs

Concluded	
With China	Year 2002: The Framework Agreement was signed. Year 2010: Tariff rates of China and ASEAN 6 will be reduced to 0%. Year 2015: Tariff rates of newer ASEAN member countries including Cambodia will be reduced to 0%.
With India	Year 2003: The Comprehensive Economic Cooperation Agreement was signed. Year 2013: Tariff rates of India and the following five ASEAN countries will be reduced to 0%: Singapore, Thailand, Indonesia, Malaysia, Brunei Year 2016: Tariff rates of Cambodia, Lao PDR, Myanmar, Vietnam and the Philippines will be reduced to 0%.
With South Korea	Year 2006: The Free Trade Agreement was signed. (with the exception of Thailand) Year 2010: Tariff rates of South Korea and the ASEAN 6 will be reduced to 0%. Year 2016: Tariff rates of Vietnam will be reduced to 0%. Year 2018: Tariff rates of Cambodia, Lao PDR and Myanmar will be reduced to 0%.
With Japan	Year 2008: The ASEAN-Japan Comprehensive Economic Partnership Agreement was signed. Year 2018: Tariff rates of Japan and the ASEAN 6 will be reduced to 0% regarding 90% of commodities. . Year 2023: Tariff rates of Vietnam will be reduced to 0% regarding 90% of commodities. Year 2026: Cambodia, Lao PDR and Myanmar will be reduced to 0% regarding 85% of commodities.
With Australia and New Zealand	Year 2009: The ASEAN-Australia-New Zealand Free Trade Area Agreement was signed. Year 2009: Tariff rates of Singapore will be reduced to 0%. Year 2020: Tariff rates of Australia and New Zealand will be reduced to 0%. Tariff rates of Brunei, Malaysia, Thailand, Philippines will be reduced to 0% regarding more than 90% of commodities. Tariff rates of Vietnam will be reduced to 0% regarding nearly 90% of commodities. Year 2023: Tariff rates of Lao PDR will be reduced to 0% regarding 88% of commodities. Year 2024: Tariff rates of Cambodia and Myanmar will be reduced to 0% regarding more than 85% of commodities. Year 2025: Tariff rates of Indonesia will be reduced to 0% regarding 93.2% of commodities.

Source: MOFA (Japan), JETRO and Department of Foreign Affairs and Trade (Australia), ASEAN Secretariat

AJCEP also provides the following “De Minimis” rules.

- 1) A product that does not undergo a change in tariff classification shall be considered as originating if the total value of all non-originating materials used in its production does not exceed 10 percent of the FOB value of the final product in case the product is under the HS code category of;
 - 16: “Prepared meat, fish, crustaceans, etc.”
 - 1803.10:and 1803.20: “Cocoa paste”, ”Cocoa powder”
 - 19: “Cereals, Flour, Starch or Milk”
 - 20: “Vegetables, Fruits, Nuts, etc.”
 - 22: “Beverages, Spirits & Vinegar”
 - 23: “Residues from Food Industries and Animal Feed”
 - 28-49: “Chemicals and Allied Industries”, “Raw Hides, Skins, Leather & Furs”, “Wood & Wood Product”
 - 64-97: “Footwear/Headgear”, “Stone/Glass, Metals”, “Machinery/ Electrical”, “Transportation” and “Miscellaneous”
- 2) A product that does not undergo a change in tariff classification shall be considered as originating if the total value of all non-originating materials used in its production does not exceed 7 percent of the FOB value of the product under the HS Code of;
 - 2103.90: “Other Sauces, Mixed Condiments, Mixed Seasoning”
- 3) A product that does not undergo a change in tariff classification shall be considered as originating if the total weight of all non-originating materials used in its production does not exceed 10 percent of the total weight of final product under the HS Code of;
 - 50-63: “Textile”

AJCEP also stipulates “Direct Consignment” rule. Under this rule, the consignment has to be delivered directly from exporting country to importing country or, if it goes through the third country, it has to be done under the certain conditions.

To use AJCEP scheme, the exporter in Cambodia has to obtain “FormAJ” as Certificate of origin from Ministry of Commerce.

III-6 Taxation and Accounting

Taxation system

The current taxation scheme of Cambodia is regulated by the Law on the Amendment to the Law on Taxation of 2003 (2003 Law on Taxation). The assessment of the Tax on Profit shall be made according to the taxation system of the real regime, simplified regime or estimated regime. The tax payers’ regime shall be determined according to the form of the company, type of business activities and the level of turnover (Article 4, Law on Taxation).

Forms of tax and current tax rate

Table III-6-1 shows the current taxes levied in Cambodia, a brief explanation of them and their rates. For details of each tax, please refer to the Articles and/or Chapters of “2003 Amended Law on Taxation”, which is specified next to the name of tax in the table.

Tax treaty

There are no tax treaties between Cambodia and foreign countries to avoid the double taxation.

Accounting principles

Cambodia joined in the ASEAN Federation of Accountants (AFA) at the 76th AFA Council meeting in Yangon, Myanmar on the 11th January 2003. Although it has not widely known, the majority of ASEAN members have observed and complied with the International Accounting Standards Committee’s standards. The Cambodian government also inaugurated in early 2003 the process for full implementation of a single set of high-quality accounting standards for both domestic and cross-border financial reporting.

The “Law on Corporate Accounting, Audit and Accounting Profession” was enacted in July 2002, followed by the “Sub-Decree on the Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA)” and

Table III-6-1 Tax Scheme of Cambodia

Tax	Rates
Profit Tax (Article 1 - 23, Chapter 1)	
<ul style="list-style-type: none"> For legal person 	20% (unless investment incentive rate of 9% or 0% are applied)
<ul style="list-style-type: none"> Oil and natural gas production sharing contract and the exploitation of natural resource including timber, ore, gold, and precious stones. 	30%
<ul style="list-style-type: none"> Advance Tax on Dividend Distributions (Additional Profit Tax shall be paid upon the distribution of retained earnings or annual profit after tax if a firm distributes retained earnings or profit the in the amount of: 	20/100: QIP of 0% Tax Rate 11/91: QIP of 9% Tax Rate 0: Firms of 20% Tax Rate
Minimum Tax (Article 24, Chapter 1)	
<ul style="list-style-type: none"> To be applied only for the real regime, except QIP If the profit tax amount exceeds 1% of annual turnover, the taxpayer pays only the tax on profit. 	1% of annual turnover
Withholding Tax (Article 25 - 28, Chapter 1)	
<ul style="list-style-type: none"> Income received by individuals for services such as management, consulting, etc. Payment of royalties for intangibles and interests in mineral resources Payment of interest by a resident taxpayer carrying on business, other than domestic banks or financial institutions 	15%
<ul style="list-style-type: none"> Income from the rental of movable or immovable property 	10%
<ul style="list-style-type: none"> Interest payment by domestic banks to residents with fixed term deposit account 	6%
<ul style="list-style-type: none"> Interest payment by domestic banks to residents with non-fixed term deposit account 	4%
<ul style="list-style-type: none"> Payment to non-residents : Interest, royalties, rent and other income connected with the use of property, dividends, payment for management or technical services 	14%
Tax on Salary (Article 40 - 54, Chapter 2)	
To be withheld monthly by employers	
<ul style="list-style-type: none"> 0 Riels - 500,000 Riels (Approx. USD 125 or less) 500,001 Riels - 1,250,000 Riels (Over 125 - 312.5) 1,250,001 Riels - 8,500,000 Riels (Over 312.5 - 2,215) 8,500,001 Riels - 12,500,000 Riels (2,215 - 3,125) Over 12,500,000 Riels (Over 3,125) For fringe benefits Non-residents 	0% 5% 10% 15% 20% 20% on market value Flat rate of 20%
Value Added Tax (Article 55 - 84, Chapter 3)	
<ul style="list-style-type: none"> Taxable person: Any person subject to the real regime system Registration: All companies must complete registration for VAT before commencing business. Others must register within 30 days after their taxable turnover for the preceding consecutive three months exceeds; <ul style="list-style-type: none"> - 125 million Riel for goods - 60 million Riel for services Taxable supply: <ul style="list-style-type: none"> - Supply of goods or services by a taxable person in Cambodia - Appropriation of goods for his own use by a taxable person - Making of a gift or supply at below cost of goods or services - Import of goods into Cambodia Standard tax rate Tax rate for the goods exported from Cambodia and services executed outside of Cambodia Input tax credit is deductible against the output tax amount. Monthly filing: The VAT declaration must be submitted on or before the 20th day of the following month. 	10% 0%
Other taxes (Article 85, Chapter 4)	
Specific Tax on Certain Merchandise and Services	
<ul style="list-style-type: none"> Tickets for local and international air transportation Local and international telecommunication Beverage Tobacco, entertainment, large automobile, motorcycles from 125 cc upwards Petroleum products, automobile more than 2,000 cc 	10% 3% 20% 10% 30%
Property Transfer Tax	
<ul style="list-style-type: none"> For the transference of ownership of real property and certain types of vehicles as a result of direct transfer or a contribution of share capital to an enterprise Prohibited to issue certificates of ownership of property until the Property Transfer Tax has been paid. 	4% on transfer value

Tax	Rates
Tax on Unused Land <ul style="list-style-type: none"> Committee for Evaluation of Undeveloped Land, in cooperation with municipal and provincial authorities, decides whether a plot is “unused” or not and the amount of tax liability. 	2% on the assessed value of unused land
Patent Tax <ul style="list-style-type: none"> For annual business registration If the type of business is different or located in different provinces/ municipalities shall be required to pay in accordance with respective type of business and provinces/ municipalities separately (Notice # 002.MEF on Obligation of Patent Tax Payment, January 19, 2007). 	Approx. USD300-
Property Tax (Exempt for agricultural land, To be levied on property with value exceeding 100 million Riels)	0.1% of the evaluated value
Import Duty	Varies (4 bands - 0, 7, 15 and 35%)
Export Duty	Varies (Mostly 10%)

Table III-6-2 Cambodian Accounting and Auditing Standards

15 Cambodian Accounting Standards (CAS)	10 Cambodian Standards of Auditing (CSA)
<ol style="list-style-type: none"> Presentation of Financial Statements Inventories Cash Flow Statements Accounting Policies, Changes in Accounting Estimates and Errors Events After the Balance Sheet Date Construction Contracts Income Taxes Property, Plant and Equipment Leases Revenue The Effects of Changes in Foreign Currency Rates Borrowing Costs Related Party Disclosures Consolidated and Separate Financial Statements Provisions, Contingent Liabilities and Contingent Asset Intangible Assets Investment Property Agriculture 	<ol style="list-style-type: none"> Objective and General Principles Governing and Audit of Financial Statements Term of Audit Engagements Documentation Fraud and Error Planning Audit Materiality Audit Evidence Subsequent Events Going Concern The Auditor's Report on Financial Statements
	2 Financial Reporting Standards (CFRS)
	<ol style="list-style-type: none"> Insurance Contracts Financial Instruments: Disclosures

the “Sub-Decree on the functioning of the National Accounting Council (NAC)” was issued in 2003. NAC is a regulatory body of the Ministry of Economy and Finance essentially dealing with the examination and revision of Cambodian Accounting Standards (CASs) and accounting regulations. KICPAA is a professional accounting body overseeing the organization and quality assurance of the private accounting profession.

The Law aims to determine the organization, management and function of accounting system based on international accounting standards for enterprises as follows.

All enterprises, whether natural or legal entities, are required to keep books and accounts and have them audited in accordance with the terms and conditions provided for under this Law (Article 3).

The financial statements shall include the balance sheet, the income statement, the cash flow statement and explanatory notes. They shall be considered as an integral part of the financial statements (Article 8).

The accounting records shall be prepared in the Khmer language and expressed in Riels. Enterprises carrying out business with foreign countries or which are subsidiaries of foreign companies may be authorized to prepare accounting records in English and/or in a currency other than Riels along with the accounting records in the Khmer language and Khmer Riels (Article 9).

The duration of the accounting period shall be twelve months. The accounting

period shall begin on the first day of January and end on the 31st day of December of the same year. As for the newly established enterprises, the annual financial reporting for the first fiscal year could start from the date of its formation and end on the date of the 31st day of December of the next year (Article 10).

The financial statements shall be prepared within three months following the closure of the financial year (Article 11).

The financial statements and the corresponding ledgers and documentary evidence shall be kept for at least ten years (Article 12).

All enterprises, whether natural or legal entities, shall submit their accounts to be audited by an independent auditor in the event that their turnover, and/or balance sheet total, and/or number of employees are above the limits set by by Prakas #643 of MEF of July 26, 2007 (Article 16).

15 Cambodian Accounting Standards (CASs), based on International Accounting Standards, and 10 Cambodian Standards on Auditing (CSAs) were first approved by the NAC on the 11th April 2003. On March 24, 2008, the “Prakas #221 on the Implementation of Cambodian Accounting Standards - (CASs) and Cambodian Financial Reporting Standards – (CFRSs)” was issued to update such old CASs and currently 18 CASs and 2 CFRSs are being in use as shown in Table III-6-2. Furthermore, the International Financial Reporting Standards (IFRS) for SMEs is now being planned to be implemented in 2010.

Audit of corporate account

All enterprises in Cambodia, whether natural or legal entities, Cambodian or foreign, which fall in any two of the 3 categories below, shall have an obligation to submit their financial statements of respective financial year to independent auditors, who have been registered with KICPAA, for audit. All QIPs shall have the same obligation as well.

- To have an annual turnover of 3,000,000,000 Riel upward;
- To have total assets of 2,000,000,000 Riel upward pursuant to average price of assets available in the required year for audit;
- To have employees from 100 people upward pursuant to a number of average employees available in the required year for audit

(Prakas #643.MEF on Obligation to Submit Financial Statements to be Audited Corporate Account)

III-7 Bank, Lease, Securities, Insurance and Currency

Banks

The “Law on Banking and Financial Institutions” was enacted in 1999, aiming to serve to improve financial facilities, strengthen the base of financial institutions and make it easier for the investors to get business financing in Cambodia. Article 16.3 of the Law sets minimum capital of banks at about 12.5 million US dollars (50 billion Riel), 5% of which amount has to be maintained with the National Bank of Cambodia as guarantee deposit. Nevertheless, “Prakas #7.08-193 (NBC) on New Capital Requirement and Criteria for Licensing Approval of Banks” of September 19, 2008 modified such minimum capital requirements of banks as follows (Article 7 & 8).

- 1) Commercial banks locally incorporated as companies which have at least one influential shareholder as a bank or financial institution with the rating “investment grade,” extended by a reputable rating agency, must have minimum capital equal to at least KHR 50,000,000,000 (fifty billion Khmer Riels)
- 2) Commercial banks having shareholders as individuals or companies must have a minimum capital of at least KHR 150,000,000,000 (one hundred fifty billion)
- 3) Specialized banks locally incorporated as companies which have at least one influential shareholder as a bank or financial institution with the rating “investment grade”, extended by a reputable rating agency must have minimum capital equal to at least KHR 10,000,000,000 (ten billion Riels)
- 4) Specialized banks having shareholders as individuals or companies must have a minimum capital of at least KHR 30,000,000,000 (thirty billion Riels)

The Prakas required that the banks which obtained a license or principal letter before the Prakas was issued should increase their capital equal to the minimum capital as defined above no later than the end of 2010.

Banking and financial institutions shall maintain at all times a ratio of the outstanding or authorized loan or commitment with single beneficiary among their assets not exceeding 20 percent (Prakas # 7.06-226.NBC on Controlling Risk of Banking and Financial Institutions’ Large Exposures).

There are 30 commercial banks including branch offices, 7 Specialized Banks, 29 Micro-Finance Institutions in 2011 in Cambodia. Besides, there are 2 representative offices of foreign bank. Although overseas capital transfer, issuance of letter of credit and foreign exchange services are available, capital borrowing is generally difficult without offering an immovable asset collateral, the term of lending is shorter and the lending rates are higher than those outside of Cambodia. The names of commercial bank are as follows.

- 1) Aceda Bank Plc. (E-mail: acledabank@acledabank.com.kh)
- 2) Advanced Bank of Asia Limited (Email: info@ababank.com.kh)
- 3) ANZ Royal Bank Cambodia Ltd. (E-mail: ccc@anzroyal.com)

- 4) Bank for Investment & Development of Cambodia Plc (E-mail: info@pibank.com.kh)
- 5) Bank OF China Limited Phnom Penh Branch (Tel: +855-23- 988 880)
- 6) Bank of India Phnom Penh Branch (Tel: +855-23- 219 364)
- 7) Booyoung Khmer Bank (Email: info@bkb.com.kh)
- 8) Cambodia Asia Bank Ltd. (Email: cab@cab.com.kh)
- 9) Cambodia Mekong Bank Public Limited (E-mail: info@mekongbank.com)
- 10) Cambodian Commercial Bank Ltd. (E-mail: ccbpp@online.com.kh)
- 11) Canadia Pubic Bank Plc. (E-mail: canadia@canadiabank.com.kh)
- 12) CIMB Bank Plc. (Tel: +855-23- 988 088)
- 13) First Commercial Bank Phnom Penh Branch (E-mail: fcbpp@online.com.tw)
- 14) Foreign Trade Bank of Cambodia (E-mail: ftb@camnet.com.kh)
- 15) Hwang DBS Commercial Bank (E-mail: info@hwangdbs.com.kh)
- 16) ICBC Bank Limited Phnom Penh Branch (Tel: +855-23-965 291)
- 17) Kookmin Bank Cambodia (Tel: +855-23- 999 304)
- 18) Krung Thai Bank Public Co., Ltd Phnom Penh Branch (E-mail: ktbpmp@online.com.kh)
- 19) Maruhan Japan Bank Plc. (E-mail: info@maruhanjapanbank.com)
- 20) Maybank Phnom Penh Branch (E-mail: mbb@maybank.com.kh)
- 21) MB Bank Plc. Phnom Penh Branch Cambodia (Tel: +855-16-880 295)
- 22) Mega International Commercial Bank Co.Ltd. Phnom Penh Branch (Tel:+855-23-988 102)
- 23) O.S.K Indochina Bank (Tel: +855-23- 992 833)
- 24) Phnom Penh Commercial Bank (Tel: +855-23- 999 500)
- 25) Sacom Bank Phnom Penh Branch (Tel: +855-23- 223 422)
- 26) Shinhan Khmer Bank Limited. (Tel: +855-23- 727 380)
- 27) Singapore Banking Corporation Ltd. (E-mail: info@sbc-bank.com)
- 28) Union Commercial Bank Plc. (E-mail: info@ucb.co.kh)
- 29) Vattanak Bank (E-mail: service@vattanacbank.com)
- 30) Vietnam Bank for Agriculture and Rural Development Cambodia Branch (E-mail: phongvbard@yahoo.com)

Financial lease

REGULATORY FRAMEWORK FOR THE FINANCIAL LEASE

“Law on Financial Lease” was promulgated on June 20, 2009. The purpose of the Law is to determine the rights and duties of all parties involved in financial lease operations and issue measures to protect their rights (Article 1). The scope of this law only covers the financial lease of movable properties within Cambodia (Article 3).

FINANCIAL LEASE AGREEMENT

The Financial Lease Agreement must be in writing, signed by Lessor and Lessee and shall determine a notice period and conditions for all concerned parties relating to the leased movable property. Financial Lease Agreement is not required to be notarized except it is required by law (Article 5).

An agreement shall be sufficient if it provides the followings (Article 6).

- (a) Description of the leased movable property
- (b) Amount, periodicity and duration of the Lease Payments
- (c) Starting date of the Financial Lease
- (d) Signature of the Lessor and the Lessee

A Financial Lease Agreement may provide for Security Deposit, Advance Lease Payments, or both. In case no provision provided for the handling of Security Deposit, it shall not earn interest and shall be returned to Lessee after the Lessee has fully completed the obligations under the Financial Lease Agreement within the defined period. Advance rental shall not earn interest. Security Deposits and advance rentals may be for any amount as agreed upon by the parties (Article 7).

If the Financial Lease Agreement states that the movable properties must

carry labels declaring that they belong to the Lessor, such labels shall not be concealed or not be made invisible by any person besides the Lessor or the Lessor's representative (Article 8).

Under the Financial Lease Agreement, the Lessee shall accept the use of the movable properties for a period of at least 1 year. At the end of the Agreement, Lessee may or may not purchase the movable property. The Lessor provides finance with a means to use the movable property, but not with a means to become the owner of such mobile property (Article 9).

RIGHTS AND OBLIGATIONS OF THE LESSOR

During and after the duration of the Financial Lease, the Lessor remains the owner of the lease movable property unless that ownership has been transferred to Lessee or other parties (Article 10).

The Lessor is responsible for payment of import duty and other tax obligations in accordance with the law, and the registration cost of the leased movable property except as provided otherwise by the Financial Lease Agreement (Article 11).

The Lessor must guarantee that the leased movable property is usable by Lessee without any interference throughout the period of the Financial Lease Agreement as long as Lessee performs the Lessee's obligations under the Agreement (Article 13).

The Lessor shall not be responsible to pay for damages made by a third party on the movable property (Article 14). The Lessor has the right to request the Lessee to compensate for the damages or the loss of the movable property during its use by the Lessee (Article 18).

The movable property is not the property of the Lessee. If the Lessee becomes insolvent and enters insolvency proceedings, the Lessor has the right to confiscate the lease movable property and seek payment in the liquidation process by the court (Article 20).

RIGHTS AND OBLIGATIONS OF THE LESSEE

A Lessee has the obligation to accept the leased movable property if it is delivered in a timely manner and conforms to the supply agreement. If the leased movable property is not delivered, is delivered late or does not conform to the supply agreement without prior approval of the Lessee, then at or before the time for acceptance (but not after) the Lessee has the right to reject the movable property, demand from the supplier the immediate remedy of its defect or defects, or to cancel the Lease Agreement. However, the Lessee shall have no right to terminate, rescind or modify the Supply Agreement without the consent of the Lessor. The Lessor has the right but not the obligation to remedy the failure to supply the movable property in conformity with the supply agreement (Article 23).

The Lessee has an obligation to make payment in accordance with the Financial Lease Agreement upon receiving the leased movable property (Article 25).

The Lessee has the obligation to use the movable property in compliance with rules, measures and regulations in effect at that time. The Lessee is also obligated to care for and maintain the movable property in a good manner so that it remains in a usable condition (Article 26).

In case the Lessee does not purchase the movable property nor extend the Financial Lease Agreement at the end of the contract period, the Lessee shall return the movable property in its original condition except for normal wear and tear (Article 27).

The Lessee shall not mortgage, pledge, lien or otherwise create a charge over the leased movable property. The Lessee shall not re-lease, alter or transfer the use rights over the movable property or any other rights under Financial Lease Agreement without prior written approval of the Lessor

and shall not allow the acquisition of such rights by a third party without the written approval of the Lessor. Any action in breach of this obligation is invalid (Article 31).

The National Bank of Cambodia shall act as the Guardian Authority of the Leasing Institutions (Article 33). Financial leasing operations may be implemented by banking and financial institutions who have received a banking license from the National Bank of Cambodia. Those operations may also be implemented by the financial leasing institutions established under the provisions of this Law and licensed by the National Bank of Cambodia. The financial leasing institutions will not be allowed to undertake banking operations other than the operation of the financial lease (Article 34).

Securities market

Opening of CSX

The Cambodia Securities Exchange (CSX) was incorporated on 23 February 2010. In accordance with the Joint-Venture Agreement, CSX has been capitalized by MEF (55%) and Korea Stock Exchange (KRX, 45%). CSX received approval license from SECC for the market operator, clearing and settlement facility and depository operator on 28 February 28 2011. The stock exchange market itself has been inaugurated on 11 July 2011 the actual stock trade began in April 2012 when "Phnom Penh Water Supply Authority" listed its shares.

According to the news report, two state-owned companies, namely "Telecom Cambodia" and "Port Authority of Sihanoukville", are preparing for Initial Public Offering (IPO) of their stocks and "Port Authority of Phnom Penh" also announced in July 2012 that it would aim to list its stock in CSX sometime between the end of 2013 and 2015. Besides the state companies, several private companies also have plans to list their stock sometime in 2013.

REGULATORY FRAMEWORK FOR THE SECURITIES MARKET

The Law on the Issuance and Trading of Non-Government Securities was promulgated on 19 October 2007, to regulate the securities exchange, clearing and settlement system, securities depositories and other operators in the securities markets who trade or provide financial services including public limited companies or registered legal entities that issue securities (Article 1).

The purposes of the law (Article 2):

- 1) develop and maintain the confidence of public investors in the Kingdom of Cambodia by protecting their lawful rights and ensuring that the offer, issue, purchase and sale of securities are carried out in a fair and orderly manner;
- 2) promote the effective regulation, efficiency and orderly development of the securities market in Cambodia;
- 3) encourage the mobilization of variety of saving tools through buying of securities and other financial instruments;
- 4) encourage foreign investment and participation in the securities market in the Kingdom of Cambodia; and
- 5) assist in facilitating the privatization of commercial enterprises currently owned and managed by the Government of the Kingdom of Cambodia.

The law shall cover non-government securities transactions in the Kingdom of Cambodia (Article 3).

SECURITIES AND EXCHANGE COMMISSION OF CAMBODIA (SECC)

Securities and Exchange Commission of Cambodia (SECC) shall be established under the Law consisting of a Chairperson and 8 members. SECC Members shall have mandate of five years (Article 5). The composition of

SECC members shall consist of the following (Article 6):

- 1) Representative from the Ministry of Economy and Finance: 1 person
- 2) Representative from the National Bank of Cambodia: 1 person
- 3) Representative from the Ministry of Commerce: 1 person
- 4) Representative from the Ministry of Justice: 1 person
- 5) Representative from the Cabinet of Council of Ministers: 1 person
- 6) Director General of SECC: 1 person
- 7) Experts in securities: 2 persons

SECC shall have the following functions (Article 7):

- 1) to regulate and supervise securities markets, both government and nongovernment;
- 2) to enforce policy with respect to securities market;
- 3) to formulate conditions for granting approvals to the operators of a securities market, clearance and settlement facility, and securities depository;
- 4) to formulate conditions for granting license to securities companies and securities company representatives;
- 5) to promote and encourage compliance with the requirements of this law;
- 6) to play a role as an institution to examine and solve complaints against licensed legal entities' decision affecting the benefits of participants or investors;
- 7) to consult with any qualified person to develop policies for the purpose of developing a securities market in Cambodia

Officers of SECC have legal capacity as judicial police and have functions as prescribed in penal procedure code in relation to the roles and functions of judicial police (Article 10).

OFFER AND ISSUE OF SECURITIES

No person can issue and make public offer of new securities unless the person is approved by SECC in relation to proposed public offer in accordance with law and any requirements provided by SECC (Article 12). SECC director general must examine every proposal submitted under Article 12 of this law and advise the person who submitted the proposal within 3 (three) months from the submission day on whether SECC considers the proposal to be in the interest of the public of Cambodia (Article 13). If the SECC approves a proposal submitted under Article 12 of this law, the person or persons who made the proposal may proceed to implement the making of a public offer of securities under the proposal in accordance with this law (Article 15).

A person must not make a public offer of securities in Cambodia unless:

- 1) the securities to which the offer relates would be or have been issued by a public limited company registered in Cambodia or a permitted entity that is prescribed in accordance with existing laws and regulation; and
- 2) except where the offer is an exempt offer as prescribed by sub-decree in accordance with this law, the terms of the offer and a disclosure document in relation to the offer which complies with the requirements of this law and any other requirements prescribed in accordance with this law shall have been approved in advance by director general of SECC and, in the case of the disclosure document, registered by SECC (Article 16).

During the life of the disclosure document, the issuer of the disclosure document or the issuer of the securities to which the disclosure document relates, as the case may be, must lodge a supplementary or replacement disclosure document with SECC for approval and registration, if the issuer of the disclosure document or the issuer of the securities to which the supplementary disclosure document relates becomes aware that there has been a significant change affecting a matter contained in the lodged disclosure document or a significant new matter has arisen which would have been required under this law, a requirement prescribed under the law had the matter arisen when the disclosure document was prepared or

the disclosure document contains a significant statement that is false or misleading or there is a significant omission from the disclosure document (Article 20).

CONDUCT OF SECURITIES MARKET

A person must not operate a securities market (including a securities exchange), a clearance and settlement facility or a securities depository unless the person has been approved by the director general of SECC to operate the market, facility or depository in accordance with this law or any other effective laws (Article 23).

An application to operate a securities market, clearance and settlement facility or security depository shall be processed as follows (Article 24):

- 1) A person may make an application for approval to operate a securities market, a clearance and settlement facility or a securities depository by lodging an application with SECC in the form prescribed and paying the fee prescribed by SECC.
- 2) The director general of SECC must give a copy of an application it receives under paragraph (1.) of this article to the Chairperson and members of SECC with advice about the application as soon as practicable after the lodgment of the application.
- 3) The director general of SECC may require an applicant to supply such further information as it considers necessary and may refuse to proceed with the application until such information is supplied.

A person shall not put into practice the operating rules and procedures of securities market, clearance and settlement facility, or securities depository unless they are approved by SECC. The operating rules and procedures of an approved securities market, clearance and settlement facility or securities depository must adequately address the matters prescribed in accordance with this law (Article 28).

LICENSE OF SECURITIES FIRMS

No person shall conduct a securities business or hold himself out as conducting a securities business in the form of a securities firm unless the person has been licensed by the director general of SECC. No person shall act or hold himself out as a representative of a permitted securities firm that is licensed under this law to conduct a securities business unless the person has been licensed by the director general of SECC as a representative of the securities firm (Article 31).

Application for license shall be processed as follows:

- 1) A person may make an application for a license to operate a securities business or act as a securities representative by lodging an application with the director general of SECC in the form prescribed and paying the prescribed fee determined by SECC.
- 2) The director general of SECC may require an applicant to supply such further information as it considers necessary and may refuse to proceed with the application until such information is supplied (Article 32).

Conditions of license and the grant of license to investment advisor, securities dealers and other participants in a securities market, clearing and settlement facilities or securities depository shall be imposed and made by SECC (Article 35).

CORPORATE GOVERNANCE AND CONTROL OF ISSUER

Public limited companies or other permitted entities that have issued or sold securities to the public members in the Kingdom of Cambodia shall strictly adhere to existing laws and regulations and any requirements with respect to the governance of a public limited company as prescribed by SECC for the interest of the conduct of the securities market and protection of the investing public (Article 38).

Corporate control requirements may be prescribed by SECC in order to

regulate:

- The acquisition of control over the voting shares in a public limited company or permitted entity that has issued voting shares to members of the public. The prescribed requirements ensure that the acquisition of control over the voting shares in the company or entity takes place in a fair and informed way, and
- The disclosure of the ownership of a substantial holding of voting shares of a public limited company or permitted entity that has issued voting shares to members of the public. The prescribed requirements ensure that the holders of the voting shares in a public limited company or permitted entity know the identity of owners of a substantial holding of voting shares in the company or permitted entity (Article 39).

PROHIBITED BEHAVIOUR IN RELATION TO SECURITIES

Insider dealing, false trading and market manipulation and false or misleading statements are also prohibited under Article 40, Article 41 and Article 42 respectively.

TAX INCENTIVES IN SECURITIES SECTOR

“Sub-Decree No. 70 ANKR BK on Tax Incentive in Securities Sector” was issued on 22 April 2011 to prescribe types, activities and other requirements which are subject to tax incentives in securities sector as prescribed in the Article 12 of the Law on Public Finance Management 2010 16 December 2009.

This Sub-Decree shall be applicable in the Kingdom of Cambodia to:

1. Equity and/or debt securities issuing companies granted approval from the Securities and Exchange Commission of Cambodia (hereafter is SECC) and listed on permitted Securities Market.
2. Public investors holding and/or buying-selling of government securities, equity and/or debt securities which are issued and listed on the permitted Securities Market. The public investors are also included both resident and nonresident investors (Article 3).

Equity and/or Debt Securities issuing companies approved by the SECC and listed on the permitted Securities Market shall fulfill the form and submit to the General Department of Taxation through SECC in order to grant tax incentives by reducing 10% of total amount of tax on profit to be paid for three (03) years. The three (03) years of tax incentives above shall be calculated from:

- a) The beginning of the taxable year of securities issuance within the first six (6) months of the taxable year.
- b) The beginning of the taxable year after the taxable year by which securities are issued within the last six (6) months of the taxable year. (Article 4)

Public investors shall gain fifty (50%) percent deduction of withholding tax on interest and/or dividend which derives from holding and/or buying-selling the government securities, equity securities and debt securities for the period of three (03) years counting from the opening of securities market (Article 5).

Companies shall not be granted tax Incentives on profit as prescribed in the Article 4 if those companies are qualified investment enterprises enjoying within their tax holidays period as prescribed in the Laws and regulations on Investment in the Kingdom of Cambodia (Article 6).

OPERATING RULES OF SECURITIES MARKET

“PRAKAS #006/11 SECC PrK on the Implementation of the Operating Rules of Securities Market” was issued on 3 May 2011 to set forth the implementation of the Operating Rules of Securities Market of the Cambodia Securities Exchange (CSX). Details of the operating rules are provided

in its Annex as follows.

Equity securities shall be permitted for trading at the CSX by complying with these Operating Rules. The securities transactions among the members shall be intermediated by the CSX (Article 3).

An order shall be valid from the time it is received by the CSX trading system to the time it is executed during the trading session of the same day (Article 4).

The trading hours shall be from 8:00 am to 11:30 am. Trade shall be executed 02 (two) times per day, at 9:00 am and 11:30 am (Article 6) and trading days shall be from Monday to Friday, except public holidays (Article 7). The order unit for equity securities shall be 01 (one) share.

The tick size shall be determined as the following (Article 10):

1. KHR 50: Issues with the price per share less than KHR 50,000;
2. KHR 250: Issues with the price per share equal to or higher than KHR 50,000, but less than KHR 500,000; and
3. KHR 500: Issues with the price per share equal to or higher than KHR 500,000.

The minimum trading unit for equity securities per transaction shall be 1 (one) share.

The daily price change limit shall be equal to the amount calculated by adding or subtracting 5% of the base price, and the amounts obtained less than the price unit of the base price shall be down. However, in cases where the base price is less than KHR 1,000, the daily price change limit shall be KHR 50 (Article 12). The method to determine the basic price is explained in Article 11.

The base price for the trading of initially listed issues shall be between 90 % and 150 % of the price determined in the disclosure documents registered at the SECC (IPO price) (Article 16).

The members shall pay securities transaction fee in relation to services provided pursuant to these rules. Calculation method for transaction fee, payers and time of payment are as follows (Article 24):

1. Rate: The fee for the equity securities trading service shall be levied on the amount of value of trade settled (the amount of fee obtained shall be rounded up to the first decimal place) at the rate of 25/10,000 (twenty five-ten thousandths) or 0.25%.
2. Payers: securities firms which are members of the CSX.
3. Time of Payment: 8:30 am on the settlement day.

LISTING RULES

“Prakas #004/11 SECC PrK on the Implementation of Listing Rules” was issued on 3 May 2011 to prescribe the necessary matters for listing of equity securities at the Cambodia Securities Exchange (CSX) pursuant to the Law on the Issuance and Trading of Non-Government Securities and relevant regulations (Article 1 of Annex).

The financial statements which shall be attached with the application for listing shall be prepared and audited pursuant to the Law on Corporate Accounts, Their Audit and Accounting Professions and relevant laws and regulations of the Kingdom of Cambodia (Article 3 of Annex).

A person applying for listing eligibility review shall submit the following documents to the CSX: (Article 6 of Annex)

1. General Information:
 - a. Name of the company in Khmer and Latin;
 - b. Address of the company;
 - c. Date of incorporation;
 - d. Corporate objectives;
 - e. Commercial registration certificate;
 - f. Business licenses from the related authorities.

1. Company's representative information: Identity of the representative;
2. Shareholder Information: Shareholders' identities;
3. Quantitative Information:
 - a. Total shareholders' equity at the application date;
 - b. Net profit for the last 03 (three) years;
 - c. Audited financial statements for the last 03 (three) years;
 - d. Type of securities issued and traded at the CSX.

A Person received the notification of eligibility for listing at the CSX shall fulfill procedures for official listing at the CSX within seven (7) working days after the securities have been allocated to the subscribers (Article 8 of Annex).

The eligible applicant can officially be listed at the CSX by satisfying the following requirements unless determined otherwise by the Director General of the SECC (Article 12 of Annex):

1. Number of shareholders holding less than 1% (one percent) voting shares: number of shareholders holding less than 1% voting shares, who hold 10 (ten) shares or more, shall be at least 200 (two hundred) as of the date of fulfilling the official listing procedures.
2. Number of shares held by shareholders holding less than 1% (one percent) voting shares: voting shares of shareholders holding less than 1% (one percent) voting shares shall be more than 200,000 (two hundred thousand) or 15% of the total voting shares, whichever is larger;

The eligible applicant can officially be listed at the CSX by fulfilling the following non-quantitative requirements (Article 13 of Annex):

1. Share ownership of the largest shareholders shall not be changed for the last 01 (one) year until the official listing;
2. All the issued securities shall be deposited at the Operator of Securities Depository approved by the SECC.

Applicant for initial listing shall attach the agreement in which states that shareholders with controlling interest in voting share shall not sell or transfer their shares for a period of at least one year, and shareholders owning at least 15% (fifteen percent) of total shares shall not sell or transfer their shares for a period of at least six months after the initial listing (Article 17 of Annex).

Insurance

REGULATORY FRAMEWORK FOR THE INSURANCE

"Insurance Law of Cambodia" was enacted on 20 June, 2000 with the purpose of regulating insurance, protecting the legitimate rights of the parties to insurance, strengthening supervision and control over the insurance business and contributing to the development of the insurance industry (Article 1). Only insurance company, agent and broker are eligible to carry out insurance business in Cambodia (Article 4).

INSURANCE CONTRACT

An insurance contract is an agreement whereby the relation of rights and obligations of the insured and the insurer are enumerated (Article 9) and each party shall have the rights to cancel the insurance contract before due subject to an advance notice through the letter of recommendation or the letter of notification with duly acceptance (Article 11).

Only the insurance policy or cover note specifies the responsibilities between the insurance company and the insured. The insurance application is not valid for the coverage to both parties hereto. The proposal for the renewal, alteration or reattachment the suspended insurance policy shall be deemed approved if the insurance company has not refused this proposal within 15 days (Article 14).

After the insurance contract was concluded, the Insured shall pay the

insurance premium as agreed. The coverage shall enter into force from the date of payment of the insurance premium by the Insured as stated in the insurance policy (Article 17). Any failure to make payment of insurance premium when due, the validity of coverage cannot be suspended more than 30 days from the date the insurance policy is signed. The insurance company shall notify through a registered letter or a letter duly acknowledged by the Insured or person who is obligated to pay the premium to make payment at the agreed place within 20 days after the insurance contract is concluded. If the Insured still fails to pay the premium within a period of 10 days after notification, the insurance company shall have the right to cancel such insurance contract (Article 18).

In liability insurance, if the insured causes loss or damage to a third party, the insurance company will directly indemnify the victim (Article 23). In the case of reinsurance, the principal insurance company still bears liability before the Insured (Article 24).

PROPERTY INSURANCE

Property insurance is a contract of indemnification when a risk occurs. The claim amount paid by the insurance company to the insured shall not be over the value of the subject matter insured as declared in the insurance contract, except otherwise agreed by both parties (Article 26). In the event of total loss of the subject matter insured caused by a risk which had not been written in the insurance policy, then the insurance shall be legally terminated and the insurance company shall refund the insured ninety percent (90%) of the insurance premium for the remaining period (Article 27).

LIFE AND PERSONAL ACCIDENT INSURANCE

For individual insurance, the insured sum declared in the insurance policy is the maximum limit of the compensation amount payable under the policy. Individual insurance shall include life insurance, health insurance and physical injury insurance (Article 29).

COMPULSORY INSURANCE

A natural person or legal entity owning and operating a commercial motor vehicle business on the road shall required to buy from an insurance company a third party liability insurance policy covering property loss or damage to third party arising out of the motor vehicle operation, including all type of trailers (Article 36).

A natural person or legal entity operating as building contractor shall be required to buy a liability insurance policy. At the commencement of project, the building contractor shall certify that he/she has purchased a liability insurance policy from an insurance company. The type of construction project subject to compulsory insurance shall be defined by Sub-Decree (Article 40).

A natural person or legal entity operating a passenger transport business using various means of transport shall be required to purchase liability insurance covering passengers being transported whether by road, sea, river, air or railroad (Article 42).

INSURANCE COMPANY

Every insurance company shall be registered in the Commerce Register and be subject to the supervision and control of the Ministry of Economy and Finance (Article 43) and all insurance companies, whether state owned, private or mixed companies shall be allowed to operate in the Kingdom of Cambodia only under the form of a public liability company (Article 45).

Prior to receiving/obtaining license, applicants shall provide a letter or document certifying that it has fulfilled the following conditions (Article 48).

- (a) deposited the amount equivalent to 10% of the registered capital;
- (b) maintained the amount of solvency level/margin equivalent to 50%

of the registered capital.

First insurance license shall have validity for 5 years commencing from the date of issuing license; and such license may be requested for extension of 3 years only if the company has properly implemented in accordance with applicable laws and regulations. License fee shall be of 50 million Riel (Prakas # 098.MEF on Granting License to General or Life Insurance Companies).

INSURANCE AGENTS AND INSURANCE BROKERS

An insurance agent is a natural person or legal entity who receives insurance commission from insurance company and manages to handle the insurance business on behalf of the insurance company under clearly specified mandate. An insurance broker is a legal person who carries out insurance business for the benefit to the Insured, providing intermediary services between the insured and the insurance company to conclude an insurance contract and legally collect brokerage commission (Article 50).

CURRENT SITUATION ON INSURANCE COMPANIES

As the association of insurance companies, General Insurance Association of Cambodia: <http://www.giac.com.kh/>) was established in July 2005. Currently 5 member companies appear in their website in addition to one re-insurance company. The names of major insurance companies and re-insurance company are as follows.

- Cambodian Reinsurance Company (Cambodia Re): Established under Sub-Decree No. 07AN.KR.MK by the Royal Government of Cambodia on 24 the January 2002. Concluded a joint venture agreement with Asian Insurance International (AII) by selling 20 percent of the share of Cambodia Re on 16 the January 2004.
- Cambodia Insurance Company (CAMINCO): Incorporated in 1990 as the first Cambodian National Insurance Company. Started operations since June 1993. Restructured its status to be a Public Enterprise following Sub-Decree N°132 dated December 31st, 2001.
- Forte Insurance Company (Cambodia) Plc: Laid the foundation in 1996 by opening its insurance underwriting and brokerage wing in Phnom Penh and became one of the first insurance companies to be set up in Cambodia.
- Asia Insurance Company (Cambodia) Ltd.: Formed and registered in Phnom Penh in March 14, 1996 as an integral member of the Hong Kong based Asia Insurance Group of companies.
- Infinity General Insurance Plc.: Set up and launched a grand opening on 25 July 2007.
- CampuBank Lonpac Insurance: Incorporated in August 2007 as a joint-venture of Cambodian Public Bank and Public Bank Malaysia with LPI Capital through its wholly-owned subsidiary Lonpac Insurance.
- Cambodia-Vietnam Insurance Company Plc. (CVI): Established as a joint venture between IDCC (BIDV invested 80%), Kasimex and NH Holdings and engaged in general insurance, reinsurance, claims, risk management and investment.
- Cambodian Life Insurance Company PLC. (Cambodian Life): The joint venture company between Cambodia Government (MEF), PT Asuransi Central of Indonesia, Asia Insurance Company Limited of Hong Kong, Bangkok Life Assurance Public Company Limited of Thailand and Bangkok Insurance Public Company Limited of Thailand. It started operation in May 2012 and currently provides Term Life Insurance, Whole Life Insurance and Loan Insurance.
- Manulife (Cambodia) PLC: It opened its operation in June 2012 to engage in the life insurance.

Law on Anti-Money Laundering and Combating the Financing Terrorism

Law on Anti-Money Laundering and Combating the Financing Terrorism was promulgated on 24 June 2007. Under the Law, it is provided that banking or professional secrecy shall not inhibit the implementation of the present Law and may not be invoked as a ground for refusal to provide information to the Financial Intelligence Unit (FIU, a central body responsible for receiving, analyzing and disseminating reports on suspicious transactions, cash transactions and other information regarding money laundering or financing of terrorism) and supervisory authority, whether for domestic or for international cooperation purposes, or as required in connection with an investigation which relates to money laundering or financing of terrorism ordered by or carried out under the supervision of a judicial authority (Article 6).

The Law prohibits the Reporting Entities such as banks, non-bank financial institutions, securities brokerage firms, insurance companies, micro finance institutions, credit cooperatives, leasing companies, investment and pension funds, investment companies for managing investment funds, etc., to open or keep anonymous or numbered accounts, or accounts in obviously fictitious names and/or issue, keep or accept any other financial products unless the customer due diligence measures were taken (Article 7).

Reporting Entities shall take customer due diligence measures, including the identification of their customers and the verification of their customers' identity (Article 8) and are asked for special monitoring measures to be taken for certain transactions (Article 10)

The Law stipulates that the Reporting Entities shall also report to the FIU any cash transaction exceeding the amount of the threshold as defined by the supervisory authority, as well as such transactions, which involve several connected cash transactions whose total value exceeds the same amount (Article 12.1). If the FIU has reasonable grounds to suspect that a transaction or a proposed transaction may involve a money laundering offense or an offense of financing of terrorism, it may direct the reporting entity in writing or by telephone not to proceed with the carrying out of that transaction or proposed transaction or any other transaction in respect of the funds affected by that transaction or proposed transaction for a period as may be determined by the FIU, which may not exceed 48 hours, in order for the FIU to make necessary inquiries concerning the transaction and to inform and advise a law enforcement agency, if the FIU deems it appropriate (Article 12.5).

In case of a proceeding on the violation of money laundering or financing terrorism as stipulated in the existing Penal Code all relating or suspicious to be related property may be frozen or restrained from transferring until the court decision becomes definitive (Article 30).

Currency

Although it is legally prohibited by the Sub-Decree of 1992 to do business in foreign currency, the U.S. Dollar is widely and commonly used in Cambodia. The exchange rate of the U.S. Dollar has been stable at around 4,000 Riel since the 1998 devaluation.

Although the use of checks or credit cards is still limited for commercial purposes, the credit cards are gradually becoming to be accepted by some major hotels, shops or restaurants.

III-8 Foreign Exchange

Restriction on the foreign exchange

The "Law on the Foreign Exchange" of September 1997 stipulates that "there shall be no restriction on foreign exchange operations" through authorized banks (Article 5) but the authorized banks shall report to the National Bank of Cambodia the amount of each transfer equaling or

exceeding 10,000 US dollars (Article 17). Residents are allowed to hold foreign currencies freely (Article 7).

The import or export of raw gold, uncut precious stones or other raw precious metals shall be free but subject to prior declaration to the National Bank of Cambodia, and the import or export of the means of payment equaling or exceeding 10,000 US dollars in foreign currencies or the equivalent amount in domestic currency by a traveler shall be declared to customs officers (Article 12 & 13).

Loans and borrowings, including trade credits, may be freely contracted between residents and nonresidents as long as the loans disbursement and repayments are made through authorized banks (Article 18).

Remittance

Article 11 of the Amended Law on Investment of 2003 guarantees that the QIPs (Qualified Investment Projects) can freely remit abroad foreign currencies, bought through the authorized banks, for the discharge of financial obligations incurred in connection with their investment. These obligations include;

- Payment for imports and repayment of principal and interest on international loans;
- Payment of royalties and management fees;
- Remittance of profits; and
- Repatriation of invested capital in case of dissolution

III-9 Employment and Labor

Regulatory framework for the labor relations

Cambodian labor relations, employment and work terms and other labor-related matters are basically regulated by the Constitution and the 1997 Labor Law. The 1997 Labor Law, which was enacted in March 1997 and brought significant modification into the socialistic 1992 Labor Law, is quite liberal and protects the considerable rights of laborers and unions.

Provisions under the Constitution relating to employment in Cambodia

Major provisions of the Constitution relating to the employment are as follows.

- Khmer citizens of either sex shall enjoy the right to choose any employment according their ability and to the needs of the society (Article 36).
- Khmer citizens of either sex shall receive equal pay for equal work (Article 36).
- Khmer citizens of either sex shall have the right to form and to be a member of trade unions (Article 36).
- The organization and conduct of trade unions shall be determined by law (Article 36).
- The right to strike and to non-violent demonstration shall be implemented in the framework of a law (Article 37).
- All forms of discrimination against women shall be abolished. The exploitation of women in employment shall be prohibited (Article 45).
- A woman shall not lose her job because of pregnancy. Woman shall have the right to take maternity leave with full pay and with no loss of seniority or other social benefits (Article 46).
- The state and society shall provide opportunities to women, especially to those living in rural areas without adequate social support, so they can get employment, medical care, send their children to school, and have decent living conditions (Article 46).

Major provisions under the Labor Law

The 1997 Labor Law provides wide protection of laborers' rights and offers generous working conditions. The key regulations of the Law are as follows.

GENERAL:

- *Forced Labor:*
Forced or compulsory labor is absolutely forbidden (Article 15).
- *Declaration of opening and closing of the enterprise*
All employers to whom this Labor Law is applied, shall make a declaration to the Ministry in charge of Labor when opening an enterprise or establishment. This declaration must be made in writing (Article 17).
- *Declaration on Movement of Personnel:*
Every employer must make the declaration to the Ministry (Ministry of Labor and Vocational Training: MLVT) each time it hires or dismisses a worker. This declaration must be made in writing within fifteen days of the date of hiring or dismissal (Article 21).
- *Internal Regulations:*
Every employer who employs at least eight workers shall establish internal regulations for the enterprise (Article 22).
- *Child labor:*
The allowable minimum age is set at fifteen years. The minimum allowable age for any kind of employment or work, which, by its nature, could be hazardous to the health, the safety, or the morality of an adolescent, is eighteen years (Article 177).
- *Hiring:*
An employer can directly recruit workers for his enterprise, but he must meet the requirements mentioned in Article 21 of this law (Article 258).

EMPLOYMENT CONTRACT:

- *Employment Contract:*
A labor contract is subject to ordinary law and can be made in a form that is agreed upon by the contracting parties. It can be written or verbal (Article 65).

A labor contract signed for a specific duration must contain a precise finishing date and cannot be for a period longer than two years. It can be renewed one or more times, as long as the renewal does not surpass the maximum duration of two years. Any violation of this rule leads to the contract's becoming a labor contract of undetermined duration (Article 67).

- *Termination of Labor Contract:*
A labor contract of specific duration normally terminates at the specified ending date. It can, however, be terminated before the ending date if both parties are in agreement and such agreement is made in the form of writing in the presence of a Labor Inspector and signed by the two parties to the contract. If both parties do not agree, a contract of specified duration can be cancelled before its termination date only in the event of serious misconduct or acts of God. The premature termination of the contract by the will of the employer alone for reasons other than those mentioned in paragraphs 1 and 2 of this article entitles the worker to damages in an amount at least equal to the remuneration he would have received until the termination of the contract (Article 73).

A labor contract of unspecified duration can be terminated at will by one of the contracting parties (subject to various exceptions). This termination shall be subject to prior notice in writing by the party who intends to terminate the contract to the other party (Article 74). The termination of a labor contract at will on the part of the employer alone, without prior notice or without compliance with the prior notice periods, entails the obligation of the employer to compensate the worker the amount equal to the wages and all

kinds of benefits that the worker would have received during the official notice period (Article 77).

WAGES:

- **Guaranteed Minimum Wages:**

The wage must be at least equal to the guaranteed minimum wage; that is, it must ensure every worker a decent standard of living compatible with human dignity. (Article 104)
 The guaranteed minimum wage is established without distinction among professions or jobs and set by a Ministerial Order of the Ministry in charge of Labor (Article 107).

MOLVT Notification of July 9, 2010 on Minimum Wage

a) The Minimum Wage for the workers in Textile, Garment and Shoe industries are set at USD 56 per month during the probationary period from 1 to 3 months. The regular workers are entitled to receive US\$61 per month.

b) Productivity-base wage of workers (piece-rate) will be provided based on actual performance. If the performance is over the minimum wage stipulated in a) above, the wages will be provided as per performance. In case the performance is below the minimum wage, the employers must add the wage to make it \$56 per month for probationary workers and \$61 for regular workers.

c) The new minimum wage shall be effective as of 01 October 2010 until 2014.

Note: Minimum wages are not generally determined so far, except for the workers employed in the Shoes, Textile and Garments factories.

Prakas of Labor Advisory Committee of March 4, 2011 on Additional Incentive and Bonus for the Garment and Shoes workers

- Workers who come regularly to work in working day determined in each month, have to be paid at least US\$7 as Monthly Attendance Incentive.
- Workers who are willing to work for overtime at employer’s request, have to be paid 2000 riel per day as overtime meal allowance, or provided meal treat one time per day.
- Seniority Bonus
 - Workers working in garment enterprise or another organization for over one year have to be paid Seniority Bonus according to table below:

Seniority (years)	1-	2-	3-	4-	5-	6-	7-	8-	9-	10-	11-
Monthly Bonus (USD)	0	2	3	4	5	6	7	8	9	10	11

 - Workers must be paid Seniority Bonus properly according to work duration stated in the table above, except any workers who have been working over 11 years, which have to be paid USD 11 per month as Seniority Bonus.
- Any benefit that has been stated in this Prakas will take effect as of March 1, 2011.

- **Payment of Wages:**

The wage must be paid directly to the worker concerned, unless the worker agrees to get paid by other methods. The wage shall be paid in coin or bank note (Article 113).
 Laborers’ wages shall be paid at least two times per month, at a maximum of sixteen-day intervals and Employees’ wages must be paid at least once per month (Article 116).

WORKING HOURS:

- **Working Hours:**

The number of hours worked by workers of either sex cannot exceed eight hours per day, or 48 hours per week (Article 137).

- **Work Shift:**

When the work schedule consists of split shifts, the enterprise’s management can normally set up only two shifts, one in the morning and the other in the afternoon (Article 138).

- **Overtime:**

If workers are required to work overtime for exceptional and urgent jobs, the overtime hours shall be paid at a rate of 50% higher than normal hours.
 If the overtime hours are worked at night the interval from 22:00 pm to 05:00 am or during weekly time off, the rate of increase shall be 100% (New Article 139*).

- **Night Work:**

For the purpose of this law, the term “night” represents a period of at least eleven (11) consecutive hours that includes the interval between 22:00 and 05:00 hour. The night work shall be calculated from 22:00 pm to 05:00 am. Besides continuous work that is performed by rotating worker teams who sometimes work during the day and sometimes at night, the work at the enterprise can always include a portion of night work. The night work is paid at the rate of 130% of the wage of the daytime work (New Article 144*).

LEAVE:

- **Weekly Time Off:**

It is prohibited from using the same worker for more than six days per week (Article 146).
 Weekly time off shall last for a minimum of twenty-four consecutive hours and shall, in principle, be given on Sunday (Article 147).

- **Paid Leave:**

All workers are entitled to paid annual leave at the rate of one and a half work days per month of continuous service. As stated above, the length of paid leave increases according to the seniority of workers at the rate of one day per three years of service (Article 166).

- **Annual Leave:**

Annual leave is normally given for the Khmer New Year. In every case of the paid annual leave exceeding fifteen days, employers have the right to grant the remaining days-off at another time of the year (Article 170).

- **Special Leave:**

The employer has the right to grant his worker special leave during an event directly affecting the worker’s immediate family (up to a maximum of seven days during any event directly affecting the worker’s immediate family) (Article 169 & 171).

- **Maternity Leave:**

Women shall be entitled to a maternity leave of ninety days. After the maternity leave and during the first two months after returning to work, they are only expected to perform light work. During the maternity leave, women are entitled to half of their wage (Article 182 and 183).

UNION:

• Union:

Workers and employers have, without distinction whatsoever or prior authorization, the right to form professional organizations of their own choice for the exclusive purpose of studying, promoting the interests, and protecting the rights, as well as the moral and material interests, both collectively and individually, of the persons covered by the organization's statutes. Professional organizations of workers are called "workers' unions". Professional organizations of employers are called "employers' associations". For the purposes of this law, trade unions or associations that include both employers and workers are forbidden (Article 266 and Ministerial Order 305).

• Representation of Workers in the Enterprise:

In every enterprise or establishment where at least eight workers are normally employed, the workers shall elect a shop steward to be the sole representative of all workers who are eligible to vote in the enterprise or establishment (Article 283).

• Right to Strike:

The right to strike and to lockout is guaranteed. It can be exercised by one of the parties to a dispute in the event of rejecting the arbitral decision (Article 319).

The right to strike can also be exercised when the Council of Arbitration has not rendered or informed of its arbitration decision within the prescribed time periods (The Labor Law). It can also be exercised when the union representing the workers deems that it has to exert this right to enforce compliance with a collective agreement or with the law. It can also be exercised, in a general manner, to defend the economic and socio-occupational interests of workers (Article 320).

• Prior Notice for Strike:

A strike must be preceded by prior notice of at least seven working days and be filed with the enterprise or establishment. The prior notice must also be sent to the Ministry in charge of Labor (Article 324).

• Manner of Strike:

A strike must be peaceful. Committing violent acts during a strike is considered serious misconduct that could be punished, including work suspension or disciplinary layoff (Article 330).

Freedom of work for non-strikers shall be protected against all form of coercion or threat (Article 331).

Foreign employees

Regarding foreign employees, the 1997 Labor Law sets out the following regulations.

No foreigner can work unless he possesses a work permit and an employment card issued by the Ministry in charge of Labor. These foreigners must also meet the following conditions:

- Employers must beforehand have a legal work permit to work in the Kingdom of Cambodia;
- These foreigners must have legally entered the Kingdom of Cambodia;
- These foreigners must possess a valid passport;
- These foreigners must possess a valid residency permit;
- These foreigners must be fit for their job and have no contagious diseases. These conditions must be determined by a Prakas (Ministerial Order) from the Ministry of Health with the approval of the Ministry in charge of Labor.

The work permit is valid for one year and may be extended as long as the validity of extension does not exceed the fixed period in the residency permit of the person in question (Article 261). The Ministry in charge of Labor shall issue a Prakas (Ministerial Order) for the issuance of work permits and employment cards to foreign workers (Article 262).

The maximum percentage of foreigners who can be employed in each of the enterprises shall be determined by a Prakas of the Minister in charge of Labor based on each of the categories of personnel as follows (Article 264).

- Office personnel
- Specialized personnel
- Non-specialized personnel

Inter-Ministerial Prakas # 1191 (MEF) on Fees for Work ID Cards, Work Books and Health Check Services of November 21, 2006

- ▶ Calendar year fee for Work ID cards and Work Books for each foreigner, who comes to stay for specific period in order to carry on any business for a wage/salary, shall be of US\$ 100 per Work ID card and Work Book
- ▶ Calendar year fee for Work ID card and Work Book for each foreigner, who are over 18 years old and comes to reside permanently in Cambodia, shall be of US\$50 (fifty US Dollar) per Work ID card and Work Book.
- ▶ Foreigners, who already have their Work ID cards and Work Books, are obliged to apply for visa extension/authorization prior to the end of March every year.
- ▶ Health examination fee of US\$ 15 for each foreigner shall be to be paid by employers.

Worker employment information

Major vocational training centers and employment agencies in Cambodia are as shown in Table III-9-1 and Table III-9-2.

Job opportunities are often announced through the website in Cambodia. Some of the major job announcement websites are as shown in Table III-9-2.

"Cambodia-Japan Cooperation Center (CJCC)", which was established in 2004 under the assistance and cooperation of Japan International Cooperation Agency (JICA), has been providing various Japanese language courses as well as management-related courses to Cambodian citizens. The Japanese language courses according to own request of investor can be arranged to provide.

III-10 Social Security

Regulatory framework for the social security scheme

"Law on Social Security Schemes for Persons Defined by the Provisions of the Labor Law" was promulgated on September 25, 2002 to establish a social security scheme composed of pension scheme, which is to provide old age benefit, invalidity benefit and survivors' benefit, and occupational risk insurance, which is to cover the employment injury and to provide occupational disease benefit.

Major provisions on social security schemes

NATIONAL SOCIAL SECURITY FUND

The Social Security Schemes shall be under the management of the National Social Security Fund (NSSF), which is the public establishment, formulated by Sub-decree in accordance with "Law on General Statute of Public Enterprise" promulgated on June 15, 1996 and "Royal Decree No. 1297/91 on Judicial Statute of Public Establishments" dated on December 31, 1997 (Article 3).

Table III-9-1: Major Vocational Training Centers in Cambodia

Institute	Telephone	E-mail	Website
Preah Kossamak Polytechnic Institute	023 882 126 012 655 644	ppi@camnet.com.kh	n.a
MLVT/ National Technical Training Institute (NTTI)	023 883 039	info@ntti.edu.kh/ sthy_yok@yahoo.com	www.ntti.edu.kh
MLVT/ National Polytechnic Institute of Cambodia (NPIC)	023 353 561 012 844 741	info@npic.edu.kh	http://www.npic.ed.kh

Note: MLVT: Ministry of Labor and Vocational Training
Source: Japan Desk, CDC

Table III-9-2: Major Employment Agencies in Cambodia

Institute	Person in Charge	Telephone	E-mail	Website
National Employment Agency/National Training Institute	Dr. Hong Choeun, Head-ranking Director General	023 635 717 012 853 938	info@nea.gov.kh	www.nea.gov.kh
SCD Holdings (Cambodia) Co., Ltd.	Sem Sophy, Managing Director	023 969 709 099 799 799	semsophy@yahoo.com	n.a.
HR Inc. Cambodia Co. Ltd.	Sandra D'amico, Managig Director	023 211 437 012 766 748	Sandra.damico@hrinc.com.kh	www.hrinc.com.kh
Cambodia Federation of Employers and Business Associations (CAMFEBA)	Sandra D'amico, Vice President	023 222 186 012 766 748	camfeba@camfeba.com Sandra.damico@hrinc.com.kh	www.camfeba.com

Source: Japan Desk, CDC

Table III-9-3 Job Announcement Website

	Company	Contact Person	Telephone	E-mail	Website
1	Pelprek	Pen Dara	067 972 270	jobs@pelprek.com pelprel@gmail.com	www.pelprek.com
2	Camhr	Customer Service Center	023 969 088 023 969 089	jobs@camhr.com	www.camhr.com
3	Cambodia Job Page	Jean-Philippe Lepage	n.a.	contact@cambodiajobpage.com	www.cambodiajobpage.com
4	I Know	Seyma	023 226 226 086 333 168	job@iknow.com.kh	www.iknow.com.kh

Source: Japan Desk, CDC

PERSONS TO BE COVERED BY THE SOCIAL SECURITY SCHEMES

Persons covered by the Social Security Schemes in this law regardless of nationality, race, sex, belief religion, political opinion, national extraction, social origin, membership of trade union or act in trade union are as follows (Article 4).

- All workers defined by the provisions of the Labor Law, if those persons perform work in the territory of the Kingdom of Cambodia for the benefit of an employer or employers, regardless of nature, form and validity of the contract done or kind and amount of the wage received by the person thereof
- State workers, public workers and every personnel who is not governed by the Common Statute for Civil Servants or by the Diplomatic statue as well as officials who are temporarily appointed in the public service
- Trainee person who is attending for rehabilitation center and apprentice shall deem as workers providing in paragraph 1 of this article.
- Persons work in self-employed profession.
- Seasonal or occasional workers

Employers and workers covered by this law shall have a compulsory to pay contribution to NSSF. Terms and procedures of payment of the contribution and the entitlement of benefits shall be determined by Sub-decree on the

formulation of NSSF (Article 6).

PENSION SCHEME

The benefits of the pension scheme include old age pension and allowance, invalidity pension, survivors' pensions and allowance (Article 7).

Each NSSF member who is 55 years of age is entitles to old age pension provided that he or she has fulfilled the following conditions:

- a) To be registered in NSSF in a period of at least twenty years
- b) To pay in contribution at least for sixty qualifying months for Social Security Schemes during the period of least ten years up to the date of eligibility of the pension.

Each NSSF member who has fulfilled such conditions and reach a premature worn state, whether mental or physical, before the age of 55 that cause loss of earning capacity, may request to have an early pension. Each NSSF member who is 55 years of age has paid contribution less than 60 qualifying months for Social Security Schemes and has finished all wage-related works, but has not fulfilled other conditions in order to get old age pension is entitled to have old age allowance which shall be paid as a lump sum (Article 8).

NSSF member who becomes disabled before the age of 55 is entitled to have invalidity benefit provided that the person concerned has fulfilled

the following condition (Article 9).

- a) being registered in the NSSF at least for five years
- b) having fulfilled for six qualifying months for Social Security Schemes within the last 12 months up to the date of beginning of the incapacity leading to the validity

In case of the death of any holder of old age or invalidity or early pension, as well as in case of the death of any NSSF member who, at the date of his or her death, has fulfilled required conditions for enjoying old age or invalidity pension or has already proved for 180 qualifying months for Social Security Schemes, the beneficiaries shall be entitled to get survivors' pension (Article 10).

If any NSSF member who may be not entitled to an invalidity pension as well as has not yet justified for 180 qualifying months for Social Security Schemes up to the date that she/he died, husband or wife, whether disabled or not, and also orphanage of the person concerned shall be entitled to enjoy survivors' allowances that shall be provided as a lump sum in the amount of not less than monthly old age pension for the NSSF member hereof (Article 11).

OCCUPATIONAL RISK

An accident is considered to be employment injury. Regardless of the cause, if it happens to worker working or during the working hours, whether or not the worker was faulty, it is the accident inflicted on the body of the worker or an apprentice with or without wage, who is working in whatever capacity or whatever place for an employer or manager of an enterprise. Equally, accidents happening to the worker during the direct commute from his residence to the work place and home are also considered to be employment injury as long as the as the trip was not interrupted nor detour made for a personal or non-work-related reason (Article 12).

Occupational disease is also considered as occupational risk. The Minister in charge of the Social Security Schemes and the Minister of Health shall issue a Joint Prakas concerning identification of the occupational disease list vis-à-vis with list of employment regarding to physical work, exposure to toxic substance and other employment performs in insalubrious conditions or areas in which cause various diseases (Article 13).

Benefits for occupational risk are as follows (Article 15)

- a) Medical care services for occupational risk caused by employment injury or commuting accident or occupational diseases whether the accident interrupt the work or not
- b) Provide daily allowance for employment injury or commuting accident or occupational diseases causing temporary disability
- c) Provide disabled pension or allowance for employment injury or commuting accident or occupational diseases causing permanent disability
- d) Provide funeral benefits and survivors' pension

In case of temporary disability, with duly confirmation from doctor designated or recognized by the NSSF, the victim is entitled to have daily allowances. The daily allowances shall be given to the victim until the injury recovered or until the victim death resulting from the injury after treatment for a period of time. The daily wage of the worker for the first absent day is payable by the employer (Article 17).

A disability, which shall be duly certified by the doctor designated or recognized by the NSSF that it is a permanent disability the victim is entitled to the followings.

- a) The permanent disability pension when the degree of disability incurred at least equally to twenty percent "20%"
- b) The disability allowance that shall be provided as a lump sum if the degree of the disability incurred less than twenty percent "20%". The degree of permanent disability shall be determined by Prakas

of the Minister in charge of Social Security Schemes (Article 18).

When having the occupational risk and causing the victim died, the National Social Security Fund shall provide funeral benefits and pension for survivors of the victim (Article 19).

The method of participation of employer, worker registration, contribution payment, computing benefit and benefit service under the liability of employers and workers in the function of the Social Security Schemes shall be determined by Prakas (Article 23).

FORMULATION OF NATIONAL SOCIAL SECURITY FUND

National Social Security Fund (NSSF) was created by the Sub-Decree #16 (RGC) of March 2, 2007. NSSF shall be a public legal person under technical supervision of the MLVT and under financial administration of the MEF. It shall have a central office in Phnom Penh.

NSSF shall have the following duties:

- (1) to manage the social security regime in compliance with the Law on Social Security Regime for persons who are subject to the provisions of the Labor Law
- (2) to guarantee to appropriately provide benefits for members of the NSSF for the purpose of assisting difficulties in the case of old age, disability, death, labor risk or if they encounter illness, motherhood
- (3) to collect contribution from members of NSSF and employers, etc.

The NSSF shall source resources as follows:

- (1) Initial resources provided by the State for the establishment of NSSF
- (2) Transfer as provided in the State budget such as allowances for operation and capital
- (3) Contributions of NSSF members and employers which are kept for financing on each section of the social security regime, etc.

Registration will initially be implemented only in Phnom Penh, Kampong Speu and Kandal. All enterprises hiring eight or more employees must register for the NSSF within 45 days after the date of their openings. Following that, the NSSF will implement the regime of the occupational risks insurance schemes (Work Related Accidents) for enterprises, having upwards of 8 employees located in Preah Sihanouk, Siem Reap, Banteay Meanchey, Kampong Chhnaing and Svay Rieng provinces, from January 1, 2010. The establishments in those areas must register enterprises and workers before December 31, 2009 and commence to pay contribution from January 2010 onwards.

Injury component of the NSSF is currently the only part operational. As the NSSF scheme includes anyone deemed an employee under the Labor Law, both resident and non-resident employees, and local and expatriate staff are included in its scope.

Victims of work-related injuries must be sent to certain approved hospitals for treatment.

In Phnom Penh: Calmette Hospital, Russian Hospital, Lok Sang Hospital
In Kandal and Kampong Speu provinces: Chey Chomnas Hospital (Kandal), Kampong Speu Referral Hospital (Kampong Speu), any of the three Phnom Penh Hospitals

The monthly contribution rates for the NSSF

- Contributions are calculated based on an employee's average monthly total wage (base wage) accordingly to the table provided in Prakas #108 KB/KrK.
- Monthly wages include remuneration, overtime, commissions, bonuses, rewards, profit sharing and gratuities.
- Contribution rate: 0.8% (Minimum: 1,600 Riels/month for the base wage of 200,000 Riels and maximum 8,000 Riels/month for the base wage of 1,00,000 Riels)
- For garment and shoe enterprises, the rate has been reduced to 0.5% under "Prakas #133 (MLVT) on Payment of the Occupational Risk Contribution by the Garment and Garment and Shoe Enterprises for 2009-2010" of June 29, 2009.
- "Notification #132 (MoLVT) on Employment Risk Contribution Payment for Garment and Footwear Industry for 2011" of December 6, 2010: The contribution rate borne by garment and shoe enterprises returned to be 0.8% from January 2011.

III-11 Land

Regulatory framework for the land system in Cambodia

Land Law was first promulgated in 1992 and was amended in August 2001 (2001 Land Law). The 2001 Amendment to the Land Law especially aims to determine the regime of ownership for immovable properties in Cambodia for the purpose of guaranteeing the rights of ownership and other rights related to immovable properties. It also intends to establish a modern system of land registration that guarantees the rights of people to own land.

Land Law appointed the Ministry of Land Management, Urban Planning and Construction (MLMUPC) to be responsible for issuing titles related to the immovable properties and managing the cadastral administration of immovable properties belonging to the State.

During the civil war era, the Cambodian land system had been damaged severely and many of the land ownership titles and plots register had been lost. There are still many disputes over land ownership in Cambodia and, therefore, it is very vital for investors to verify the land ownership of landowner before they go into contract regarding land use, lease or sharing proportional interest of land ownership through Cambodian companies.

Many provisions of Land Law have been modified or deleted by Civil Code which came into effect on 20 December 2011 following the implementation of Law on the Implementation of Civil Code. It became very vital for the investors to refer the provisions of Civil Code regarding the sale, purchase, transfer of ownership, land lease right, and/or setting of mortgage on land.

Component of a land

Civil Code stipulates that things attached to land or comprising a part thereof, particularly buildings or structures immovably constructed on land, etc. are components of the land unless they are severed from the land, and may not, except as otherwise provided by law, be the subject of rights separate from those applicable to the land (Civil Code Article 122). However, as exceptional rule, it also stipulates that where the holder of a right [to occupy or use] a land of another has constructed buildings or structures, etc. on the land in the course of exercising such right, those constructed, etc. shall not become components of the land. The same shall apply to those things that are attached on the land for a purpose of temporary nature (Civil Code Article 123) and these buildings and other structures built on land by a right-holder, etc. shall be deemed components of the right [to occupy or use] the land of another (Civil Code Article 124).

Ownership

It is prohibited for any foreigner, either a natural person or legal entity, to own land. The Constitution stipulates that "All persons, individually or collectively, shall have the right to ownership. Only Khmer legal entities and citizens of Khmer nationality shall have the right to own land (Article 44)". The 2001 Land Law also says that only natural or legal entities of Khmer nationality have the right to ownership of land in Cambodia and a foreigner who falsifies national identity to become an owner of land in Cambodia shall be punished (Article 8). In this regard, the legal entities of Cambodian nationality mean the companies of which 51% or more of share are owned by Cambodians or Cambodian companies.

Furthermore, the 2001 Land Law states that "No person may be deprived of his ownership, unless it is in the public interest". An ownership deprivation shall be carried out in accordance with the forms and procedures provided by the law and regulations and after fair just compensation in advance" (Article 5).

The major provisions of 2001 Land Law regarding immovable properties ownership, which may be of the keen interest to prospective investors, are as follows:

- Any regime of ownership of immovable property prior to 1979 shall not be recognized (Article 7).
- Any entering into possession of properties in the public and private property of the State, through any means, that occurs after this Law comes into effect, is null and void (Article 18).
- Possession of immovable property, which was recognized since 1989, may constitute a right in rem over immovable property and may lead to the acquisition of ownership by the holder of the property (Article 29).
- Any person who, for no less than five (5) years prior to the promulgation of the Law, enjoyed peaceful, uncontested possession of immovable property that can lawfully be privately possessed, has the right to request a definitive title of ownership (Article 30).
- After the Law comes into force, any new occupant without title to an immovable property shall be considered as an illegal occupant (Article 34).
- In order to transform into ownership of immovable property, the possession shall be unambiguous, non-violent, notorious to the public, continuous and in good faith (Article 38).
- While waiting for the possession to be transformed into full ownership, possession in compliance with the Law constitutes a right in rem over the immovable property. The title is evidence of possession but is not in itself a title of ownership and is not indisputable. The titles of possession shall only constitute definitive and indisputable title of ownership of the property in the absence of any dispute as to the ownership of the property at the time of the land register is created. In case of a disputed claim, the determination of the lawful possessor of the property shall be based on the additional investigation of all relevant evidence. A title of possession to a property is one kind of evidence but is not in itself determinative (Article 40).

Civil Code stipulates the positive prescription of land ownership as follows (Civil Code Article 162).

- A person can acquire ownership of immovable property through peaceful and open possession of the immovable property for a period of 20 years with the intention of ownership.
- Ownership of immovable property can be acquired after 10 years if the peaceful and open possession of the immovable property is commenced in good faith and without negligence.

It also introduced the concept of co-ownership. Co-ownership is defined as ownership of a single thing by multiple persons. Each owner's interest is limited to their own share (Civil Code Article 202). Indivisible joint

ownership occurs when there is a partition, such as a wall, moat or hedge distinguishing ownership of adjacent land or buildings and both parties jointly own the partition. While the joint owners have a shared duty, limited to their own share, to preserve, maintain and repair the jointly owned partition they also share a right of use (Civil Code Article 215 and 217). Various provisions relating to the possessory rights are also provided in Article 227 to Article 243.

Acquisition of ownership over immovable properties

Ownership over an immovable may be acquired not only via contract, inheritance or other causes set forth in this Section IV but also based on the provisions set forth in Clause 4, Chapter 2, Book Three of Civil Code, other provisions of Civil Code and other laws (Civil Code Article 160).

Effect of Real Rights Existing Prior to the Date of Application of Civil Code

A long-term lease, usufruct, right of use, right of residence, or easement arisen from an agreement based on Land Law 2001 before its amendment according to Article 80 (Amendments on certain provisions of Land Law 2001) of this law shall be deemed as perpetual lease, usufruct, right of use, right of residence, or easement based on the Civil Code from the Date of Application. In this case, duration of existence of these rights shall be calculated from the date that such rights were created based on the Land Law 2001 (Law on the Implementation of Civil Code Article 38-2).

Land leases

The term of a perpetual lease may not exceed 50 years. If a perpetual lease is established with a term exceeding 50 years, it shall be shortened to 50 years. A perpetual lease may be renewed; provided that the renewed term may not exceed 50 years counting from the date of renewal (Civil Code Article 247).

If the perpetual lessee fails to pay the stipulated rental for three years, the perpetual lessor may cancel the perpetual lease (Civil Code Article 250).

Perpetual leases may be assigned with or without consideration, or otherwise disposed. The perpetual lessee may sublease the subject of the perpetual lease and may be inherited (Civil Code Article 252).

Upon termination of a perpetual lease, the perpetual lessor cannot demand that the perpetual lessee restore the immovable to its original condition unless the perpetual lessee has destroyed the immovable or fundamentally changed its nature. Upon termination of a perpetual lease, the lessor shall acquire the ownership over any improvements and any structures installed on the immovable by the perpetual lessee without having to pay compensation to the perpetual lessee (Civil Code Article 254).

With regard to long-term lease created prior to the Date of Application relied upon the Land Law 2001, when the remaining period of such a lease exceeds 50 (fifty) years on the Date of Application of Civil Code, such right shall remain in existence during the stipulated period of the agreement although there is a provision of Article 247 (Term of perpetual lease) of the Civil Code. Nevertheless, a long-term lease with a remaining period of more than 99 (ninety nine) years, existence of such a right shall be deemed to remain at 99 (ninety nine) years from the Date of Application (Law on the Implementation of Civil Code Article 41).

If the right of use or right of residence, which is created based on Land Law 2001, is registered according to provision of paragraph 3 of Article 120 of Land Law 2001 such provision shall govern the registration with the reference to provision of Article 139 of the same law even though Article 277 (Requirements for perfection of rights of use and rights of residence) of the Civil Code stipulates that it cannot be held up against third parties unless the holder of a right of use or right of residence actually uses his/

her right, and even the holder of a right of use or right of residence does not use or profit as the matter of fact, this right can be asserted against third parties (Law on the Implementation of Civil Code Article 43).

Mortgage

Nature of hypothec: A hypothec shall have the right to receive the performance of his/her claim prior to other obligee out of the immovable properties that the obligor or a third party provided to secure the obligation without transferring possession. A perpetual lease or usufruct may also be made the object of a hypothec (Civil Code Article 843).

Asserting hypothec: A hypothec may not assert the hypothec against a third party who is not the hypothecator unless the instrument creating a hypothec is notarized and registered in the land registry (Civil Code Article 845).

Scope of effect of hypothec: [The effect of] a hypothec shall extend to all things that are attached to and form part of the land comprising the object of the hypothec when the hypothec is created, including buildings residing thereon. It also extends to things that attach to the land after the hypothec is created (Civil Code Article 846).

Effect of hypothec on land over building owned by third party: Where based on a perpetual lease, usufruct or leasehold a third party owns a building on the land comprising the object of the hypothec [when the hypothec is created], [the effect of] the hypothec does not extend to the building (Civil Code Article 847).

Order of priority of hypothecs: Where multiple hypothecs have been created on an immovable in order to secure multiple debts, the order of their priority shall be based on the order of their registration (Civil Code Article 851).

Land concessions

A land concession is a legal right established by a legal document issued under the discretion of the competent authority, given to any natural person or legal entity or group of persons to occupy a land and to exercise thereon the rights set forth by this law (Land Law Article 48).

In Cambodia, there three types of concessions: Social Concessions, Economic Concessions and Use, Development or Exploitation Concessions. In case of Social Concessions, beneficiaries can build residential constructions and/or cultivate State lands for their subsistence. In Economic Concessions, the beneficiaries can clear land for industrial or agricultural exploitation. Use, Development or Exploitation Concessions include mining concessions, port concessions, airport concessions, industrial development concessions, fishing concessions but they are not regulated by the 2001 Land Law (Land Law Article 49 and 50). For Use, Development or Exploitation Concessions, Law on Concession was promulgated on October 19, 2007.

Land concessions may only create rights for the time fixed by the concession contract (Land Law Article 52) and can never result from a de facto occupation of the land. The land concession must be based on a specific legal document, issued prior to the occupation of the land by such competent authority as the State or a public territorial collectives or a public institution that is the owner of the land on which the concession is being granted. The concession must be registered with the MLMUPC (Land Law Article 53).

Land concession is revocable through government decision when its legal requirements are not complied with (Land Law Article 55). Land concessions areas shall not be more than 10,000 hectares and the maximum duration is limited to 99 (Land Law Article 59 & 61).

The provisions of the Civil Code relating to perpetual leases shall apply mutatis mutandis to land rights created by concession, within the scope of the conditions applying to such concession, except where otherwise

provided by special law (Civil Code Article 307).

Economic Land Concession (ELC)

REGULATORY FRAMEWORK FOR ELC

“Sub-Decree (RGC) No. 146 ANK/BK on Economic Land Concessions (SD-ELC)” was issued on December 27, 2005 to determine the criteria, procedures, mechanisms and institutional arrangements for initiating and granting new economic land concessions, for monitoring the performance of all economic land concession contracts, and for reviewing economic land concessions entered into prior to the effective date of this sub decree for compliance with the Land Law of 2001.

PURPOSES FOR ELC

Economic land concessions may be granted to achieve the following purposes (SD-ELC Article 3)

- To develop intensive agricultural and industrial-agricultural activities that requires a high rate and appropriate level of initial capital investment.
- To achieve a specific set of agreements from the investor for developing the land in an appropriate and perpetual manner based on a land use plan for the area.
- To increase employment in rural areas within a framework of intensification and diversification of livelihood opportunities and within a framework of natural resource management based on appropriate ecological system,
- To encourage small as well as large investments in economic land concession projects, and
- To generate state revenues or the provincial or communal revenues through economic land use fees, taxation and related services charges.

CONDITIONS FOR GANTING ELC

An economic land concession may be granted only on a land that meets all of the following five criteria (SD-ELC Article 4).

- 1) The land has been registered and classified as state private land in accordance with the Sub decree on State Land Management and the Sub decree on Procedures for Establishing Cadastral Maps and Land Register or the Sub decree on Sporadic Registration.
- 2) Land use plan for the land has been adopted by the Provincial-Municipal State Land Management Committee and the land use is consistent with the plan.
- 3) Environmental and social impact assessments have been completed with respect to the land use and development plan for economic land concession projects.
- 4) Land that has solutions for resettlement issues, in accordance with the existing legal framework and procedures. The Contracting Authority shall ensure that there will not be involuntary resettlement by lawful land holders and that access to private land shall be respected.
- 5) Land for which there have been public consultations, with regard to economic land concession projects or proposals, with territorial authorities and residents of the locality.

Evaluating Economic Land Concession proposals shall be based on the following criteria (SD-ELC Article 5):

- Increase in agricultural and industrial-agricultural production by using modern technology;
- Creation of increasing employment;
- Promotion of living standards of the people;
- Perpetual environmental protection and natural resources management;
- Avoidance or minimizing of adverse social impacts;
- Any linkages and mutual support between social land concessions and economic land concessions;
- Processing of raw agricultural materials, to be specified in the

concession contract.

MECHANISM FOR ADMINISTRATION AND IMPLEMENTATION OF ELC

The economic land concession mechanism shall be the following (SD-ELC Article 28).

- Contracting Authority
- Technical Secretariat
- Provincial/Municipal State Land Management Committee
- District/Khan State Land Working Group
- Commune-Sangkat Councils

The Minister of Agriculture, Forestry and Fisheries is authorized and responsible for granting economic land concessions with a total investment value of more than 10,000,000 (ten million) Riels or more; or a total concession land area of 1,000 (one thousand) hectares or more.

MORTGAGE AND TRANSFER OF RIGHT OVER ELC

“Sub-Decree #114 (RGC) ANKr.BK on the Mortgage and Transfer of the Rights over a Long -Term Lease or an Economic Land Concession” was issued on August 29, 2007 to determine principles and terms and conditions for granting rights to investors to put up as security and transfer of rights over a long-term lease or an economic land concession.

- Only immovable property registered in the Master Land Register can be subject of a concession (Sub-Decree #114 Article 5).
- The land concession shall be mentioned on the land title certificate at the MLMUPC and the MLMUPC shall issue a “Certificate of Economic Land Concession” (Sub-Decree #114 Article 6).
- The concessionaire shall have the right to mortgage or transfer his/her right over the land concession as well as the buildings and/or other immovable properties that he/she has constructed on the land except as otherwise specified in the economic land concession agreement or as restricted by law (Sub-Decree #114 Article 7)
- In all cases, the creditor cannot become owner and has no right to claim ownership of the immovable property rented by or conceded to his debtor who has used his right over the concession as security. The creditor shall not have the rights to claim the right to dispose of the immovable property possessed through a concession by his/her debtor (Sub-Decree #114 Article 9).
- The certificates of economic land concession shall clearly specify the category of immovable property, its size, location, the identity of the owner of the land, the identity of the concessionaire as well as the duration of the concession (Sub-Decree #114 Article 10).

The Cadastral Committee

The Cadastral Committee was established under 2001 Land Law in order to settle the dispute over unregistered land and to recognize officially the legal ownership.

Article 47 of the 2001 Land Law stipulates the Cadastral Committee shall make decisions on disputes over an immovable property between possessors so that the Committee’s decision shall be deemed final. Ownership of immovable property shall be guaranteed by the State and, for this purpose, the Cadastral Administration under the supervision of the MLMUPC shall have the competence to identify properties, establish cadastral index maps, issue ownership titles, register lands and inform all persons as to the status of a parcel of land in relation to its nature, size, owner and any relevant encumbrances over such parcel (Land Law Article 226).

Limitations on land use

“Law on Land Use Planning, Urbanization and Construction” of 1994 regulates land use nationwide in Cambodia. In reality, this Law and various land

use plans are very much general so that the investors must check carefully the actual zoning rules before they proceed with the investment projects.

III-12 Secured Transactions and Insolvency

Secured transaction

REGULATORY FRAMEWORK FOR THE SECURED TRANSACTION

“Law on Secured Transactions” was enacted on May 24, 2007, to promote economic activity through a unified set of rules on securing obligations with collateral. This law shall be applied to:

- a. all transactions where the effect is to secure an obligation with collateral as described in Article 6 of this law, including pledge, transfer of title, consignment, and assignment;
- b. the sale of accounts and secured sales contracts; and
- c. the lease of goods for a period greater than one year. (Article 3)

RELATION BETWEEN “LAW ON SECURED TRANSACTION” AND “CIVIL CODE”

Transaction which is executed prior to the Date of Application of Civil Code in accordance with the provisions of “Law on Secured Transaction” shall continue its effect after the Date of Application (Law on the Implementation of Civil Code Article 73).

The transaction stated in Article 73 above (Effect of secured transaction executed prior to the Date of Application) fulfils the conditions stated in the Civil Code if the parties show their intention to change the transaction to the one that based on provisions of the Civil Code; then it is deemed that the parties executed the transaction on the Date of Application based on provision of the Civil Code. However, this change does not impact the interest of the third parties. In this case, parties of transaction which has been changed may not claim the effect transaction according to the Law on Secured Transaction (Law on the Implementation of Civil Code Article 74).

If any transaction executed based on the provision in Law on Secured Transaction relating to a subject matter and any transaction executed based on the provisions in the Civil Code relating to same subject matter are incompatible with the priority between those transactions, priority between those transactions is decided based on time that such transactions are enforced against the third parties (Law on the Implementation of Civil Code Article 76).

SECURITY INTEREST AND SECURED OBLIGATION

A security interest is a real right in collateral that secures performance of an obligation. Any person may give a security interest, and any person may take a security interest under this law, except as provided in paragraph 3 of this article (Article 4). A security interest may secure one or more obligations, which may be described specifically or in general terms and secured obligations may be monetary or non-monetary obligations. A security interest may secure future obligations, whether mandatory, conditional, or optional (Article 5).

COLLATERAL

Collateral may be goods or movable things of any nature, intangible property, including rights and claims and other intangible property, fixtures. Collateral may be in existence or may arise in the future, located anywhere, within or outside of Cambodia. Collateral includes accounts and secured sales contracts that have been sold, consigned goods, leased goods, and proceeds of collateral. (Article 6)

Unless otherwise agreed, if collateral is in the secured party’s possession:

- a. reasonable expenses shall be charged to the debtor and secured by

the collateral, including the cost of any insurance, and payment of taxes or fees associated with the collateral;

- b. the risk of accidental loss or damage is on the debtor to the extent of a deficiency in any insurance coverage;
- c. the secured party may hold as additional collateral any fruits, except money, received from the collateral and shall apply money to reduce the secured obligation, unless the money is remitted to the debtor. (Article 8)

PERFECTION AND PRIORITY INTEREST

A security interest is perfected when it has attached to the collateral and all of the applicable requirements of the law article are satisfied. A security interest is perfected continuously if it is first perfected in one manner and later perfected in another manner, without an intermediate period when it is not perfected (Article 11).

Security interests in the same collateral have priority according to time of filing or perfection. Priority is measured from the time of the first notice filed covering the collateral, or the time the security interest is first perfected, whichever is earlier. The first security interest to attach has priority among security interests for which there is neither filing nor perfection. (Article 12)

A person takes collateral free of a security interest if the person gives value for the collateral without knowledge of the security interest and before it is perfected. If the collateral is tangible, the person must also take delivery of the collateral without knowledge of the security interest and before it is perfected (Article 14-1).

A perfected purchase money security interest in equipment has priority over a conflicting security interest in the same equipment and also has priority in its proceeds, if the purchase money security interest is perfected when the debtor receives possession of the equipment or within five days thereafter (Article 18-1). The Law on Secured Transaction also stipulates the priority of purchase money security interest in inventory and livestock and the certain lien (Article 18). It also describes the nature, conditions and/or priority of the fixtures, crops, accessions, commingled goods and purchaser of secured sales contracts or an instrument (Article 19 – 24).

FILING

A secured transactions filing office is hereby established in the Ministry of Commerce (Article 29). The secured transactions filing office is the place to file a notice of a security interest in collateral subject to this law except collateral designated in article 44 of this law, and a notice of the interest of a lien holder (Article 30).

Information contained in notices filed by filing office is public records and indexes and other records created by the filing office with respect to the notices, in any form or medium, are public records. Any person, without discrimination, has a right to inspect and obtain copies of any records held by the filing office (Article 32).

A filed notice is effective for a period of five (5) years after the date of filing and the effectiveness of a filed notice lapses on the expiration of the five (5) years period unless, before the lapse, a continuation statement is filed (Article 36-1, -2). The effectiveness of a notice may be terminated by filing a termination statement (Article 39).

ENFORCEMENT

The parties to a security agreement are free to define default with respect to the agreement. Upon default, the secured party shall have:

- a. the right to possession or control of the collateral, as the secured party prefers, even if the security agreement is silent about possession or control;
- b. other rights and remedies provided in this law;

- c. other rights and remedies in the security agreement; and
- d. rights and remedies under other law (Article 46-1, -2)

After default, a secured party may sell, lease, license or otherwise dispose of any or all of the collateral. Disposal of the collateral may be made publicly or privately, and may be made in one or more contracts. (Article 49-1, -2)

Unless otherwise agreed in writing after default, the debtor or any other secured party may redeem the collateral by fulfilling all obligations secured by the collateral and expenses reasonably incurred by the secured party in retaking, holding and preparing the collateral for disposal, including reasonable attorneys' fees and legal expenses. (Article 52)

Insolvency

REGULATORY FRAMEWORK FOR THE INSOLVENCY

The Law on Insolvency, a comprehensive law governing the insolvency in Cambodia, has been passed by the National Assembly on October 16, 2007 and was promulgated on December 7, 2007, to provide collective, orderly and fair satisfaction of creditors' claims out of a debtor's properties and, where the parties in interest deem appropriate, the rehabilitation of the business of the debtor (Article 2). This Law shall be applied to all businessmen and legal entities that own assets in the Kingdom of Cambodia (Article 3).

PETITION TO OPEN INSOLVENCY PROCEEDINGS

In case of a partnership or legal person formed under the laws of a foreign country or a natural person who is domiciled outside the Kingdom of Cambodia, insolvency proceedings shall apply only to the assets of such persons or partnerships which are situated in Cambodia and having its registered address in the Kingdom of Cambodia, in case such insolvency opening is against the persons or partnerships set out below (Article 6-2).

Insolvency proceedings shall not be opened against any debtor or creditor which is a covered entity under the Law on Banking and Financial Institutions, Law on Insurance and Law on Non-Government Securities (Article 6-3).

In the case of a petition by the debtor, a creditor or creditors, the failure of a debtor to meet one or more valid and mature obligations, other than obligations which give rise to claims of the kind mentioned in Article 36(3) to Article 36(9), to pay an aggregate amount in excess of Five Million Riels (Riels 5,000,000) shall be a ground for the opening of insolvency proceedings with respect to the debtor (Article 7-1).

A petition to open insolvency proceedings may be filed by a debtor, one or more creditors, the Director of Companies or the public prosecutor. The examination of petition, payment of court fee, secured petition shall comply with the provisions of the Code of Civil Procedure (Article 8). A debtor that has ceased to meet its mature and valid obligations to pay as mentioned in Article 7 shall, within thirty (30) days of such cessation, petition for the opening of insolvency proceedings against itself (Article 9). A creditor's petition, or a petition by director of companies or public prosecutor, shall be served on the debtor no later than seven (7) days after the petition has been filed with the court (Article 10).

From the time of the filing of a petition to the court's issuance of its ruling whether to open insolvency proceedings, the court shall, upon the written application of the debtor, any creditor, the director of companies or the public prosecutor, issue a ruling to appoint an administrator (Article 11-1).

DECISION ON THE PETITION TO OPEN INSOLVENCY PROCEEDINGS

A petition by the debtor shall be heard by the court no later than fifteen (15) days after the petition is filed and a petition by the creditors no later than thirty (30) days after the petition has been served on the debtor (Article 12-1, -2).

If the court is satisfied, after the hearing of the petition, the court shall issue a written ruling:

- (a) opening insolvency proceedings against the debtor;
- (b) appointing an administrator under Article 11 of this law;
- (c) announcing a date for the opening creditors' meeting, which shall be on a day no earlier than thirty (30) days but no later than sixty (60) days after the opening of the insolvency proceedings; and
- (d) specifying the deadline for the filing of proofs of claims, which shall be seven (7) days before the date of the opening creditors' meeting (Article 13-1).

Insolvency proceedings shall not be opened and the petition shall be dismissed if the debtor's assets will likely be insufficient to cover the costs of the proceedings, unless a sufficient amount of money is advanced by a related person to cover such costs (Article 16-1).

EFFECTS OF THE OPENING OF INSOLVENCY PROCEEDINGS

After the court ruling opening insolvency proceedings, and until the termination of the proceedings, no action, proceedings or execution process or any other action of any kind by or on behalf of a creditor shall be commenced or continued against the debtor or assets of the estate. The administrator may, however, whenever it is in the best interest of the estate, allow a secured creditor in writing to foreclose his mortgage, repossess and sell an encumbered asset (collateral), or in any other way avail himself of his security right and make himself paid by individual action (Article 19). The management and power over all debtors' assets shall vest in the administrator (Article 21).

No later than thirty (30) days after the opening of insolvency proceedings, the administrator shall determine in good faith the value of any security right held by a creditor in an encumbered asset of the estate. The administrator's valuation shall, unless challenged by the debtor or any creditor, be the valid determination of the amount of the secured portion of that creditor's claim (Article 26-1).

No later than fourteen (14) days after the opening of insolvency proceedings, the debtor shall file with the court and provide to the administrator a written statement setting out full details of the estate and all creditors known to the debtor, including the creditors' names, addresses and a brief description of the debt owed to each creditor (Article 29-1).

The court may, upon a complaint by the administrator and upon a hearing of the other party to a certain transaction, adjudicate by judgment the following transactions to be void and pronounce the appropriate effects of such declaration under Article 33:

- (1) a transaction entered into by the debtor with the intent to defraud creditors by placing the debtor's assets beyond the reach of creditors who may seek to recover claims owed by the debtor;
- (2) a transaction effected within 3 years prior to the opening of insolvency proceedings for which no consideration was received by the debtor in return, except for ordinary transactions in favor of the debtor's spouse or relatives of direct descent or ascent;
- (3) a transaction effected within 1 year prior to the opening of insolvency proceedings in which the value of the debtor's obligation considerably exceeded the value of the other party's obligation;
- (4) a transaction effected within 1 year prior to the opening of insolvency proceedings in which the debtor discharged a debt which was not due, or provided new or additional security for a debt, and in which the other party to the transaction is a related person;
- (5) a transaction effected within 6 months prior to the opening of insolvency proceedings in which the debtor discharged a debt which was not due, or provided new or additional security for a debt; and
- (6) a transaction effected within 1 year prior to the opening of insolvency proceedings in which the debtor discharged a debt which was not

due, or provided new security, or granted a security right, for a debt of the kind mentioned in Article 36 (5) (Article 32)

The estate shall be used to satisfy all admissible claims against the debtor and administrative claims. Administrative claims shall include the remuneration, fees and expenses of the administrator in the course of the proceedings (Article 35-1).

PLANS OF COMPROMISE

Any proposed plan of compromise shall be filed with the court no later than seven (7) days prior to the date of the relevant creditors' meeting. A proposed plan of compromise filed with the court shall be open for inspection by the public free of charge (Article 40). The plan of compromise shall be submitted for the consideration and approval of creditors at the opening creditors' meeting or at any subsequent creditors' meeting convened for that purpose (Article 44). No later than seven (7) days after a plan of compromise has been approved by the creditors as required under Article 45, the administrator shall make a written application to the court for court approval of the plan of compromise (Article 47-1). The court's approval of a plan of compromise shall have the effect of terminating the insolvency proceedings and beginning the period for the implementation of the plan of compromise which shall be determined by the plan but not exceed a maximum of two (2) years following court approval of the plan (Article 48-1).

CREDITOR'S MEETING

The opening creditors' meeting shall be convened and chaired by a judge with the assistance of the administrator (Article 51). At the opening creditors' meeting, the administrator shall report on the debtor's business situation and the causes thereof. The administrator shall indicate whether there is a chance to maintain the debtor's business in whole or in part, what chances exist for the approval and implementation of a plan of compromise and what effects would arise for the satisfaction of the creditors (Article 52).

LIQUIDATION AND SATISFACTION OF CLAIMS

Upon the commencement of liquidation, the administrator shall convert all non-cash assets of the estate into cash as soon as possible, in so far as it is required for the satisfaction of creditors' claims in the insolvency proceedings (Article 56-1).

The proceeds of the liquidation of the estate shall be used to satisfy claims in the following order:

- (a) employee wages, administrator's remuneration and fees, administrative fee, and the court's fees;
- (b) the secured claims, up to the higher of the value of the secured portion of the claim as determined under Article 26 or the relevant net proceeds from an effective sale of the encumbered asset (collateral);
- (c) state taxes whose notice is not filed;
- (d) all other admissible unsecured claims (Article 57-1)

TERMINATION OF INSOLVENCY PROCEEDINGS

The administrator shall submit to the court a written report on his activities. The report shall contain a final account of the distributions made and remaining unsatisfied claims. The report shall be submitted no later than thirty (30) days after the depletion of all saleable parts of the estate (Article 59). The court shall convene a final creditors' meeting within fourteen (14) days of its receipt of the administrator's report under Article 59. The creditors' meeting shall adopt the final account of the distributions made and remaining unsatisfied claims, and shall decide on the use of the parts of the estate that cannot be sold (Article 60).

In the case of a debtor which is a company, the debtor shall be deemed dissolved upon the issuance of the court ruling terminating the insolvency

proceedings upon liquidation, unless the termination of insolvency proceedings resulted from the satisfaction of all claims against the debtor in accordance with Article 57 (Article 63).

COURTS

While the commercial court has not been established in the Kingdom of Cambodia, the court of common jurisdiction of the Kingdom of Cambodia shall have jurisdiction over all insolvency cases stated in this law. When the commercial court is established in the Kingdom of Cambodia, the court of common jurisdiction shall transfer all jurisdictions in bankruptcy cases to the commercial court (Article 82).

III-13 Dispute Settlement

Regulatory framework for commercial arbitration

The "Draft Law on Commercial Arbitration", about four-fifth of which was extracted from Model Law of United Nations Commission on International Trade Law (UNCITRAL), was adopted in 2003 and the draft became law in May 2006. The purpose of the Law is to facilitate the impartial and prompt resolution of economic disputes, to safeguard the legal rights and interests of the parties and to promote the sound development of the economy (Article 1).

The major provisions of the Law are as follows.

- Regarding the matters governed by this Law, no court shall intervene except as provided for by the Law (Article 5)
- The Arbitration Agreement shall be in writing (Article 7)
- A National Center for Arbitration shall be established under the Ministry of Commerce (Article 10)
- Cambodian or foreign natural persons who are arbitrators shall register in the National Center for Arbitration and it shall be responsible for determining the qualification of arbitrators (Article 11)
- The chamber of commerce or manufacturing may set up by themselves an arbitration panel as a form of conciliation, in case of any dispute arising from their members (Article 13)
- The parties shall be treated with equality and are free to determine the governing law, the number of arbitrators, the arbitral procedures to be followed by the arbitral panel, the place of arbitration, and the language to be used (Chapter IV)

The other chapters consist of the following:

- "Jurisdiction of the arbitral tribunal"
- "Conduct of arbitral proceedings"
- "Making of award and termination of proceedings"
- "Jurisdiction of Competence Courts"
- "Resources against awards"
- "Recognition and enforcement of awards".

National Center of Commercial Arbitration (NCCA)

"Sub-Decree #124 (RGC) on Organization and Functioning of National Center of Commercial Arbitration" was issued on August 12, 2009 to determine the organization and functioning of the NCCA.

The major provisions of the Sub-Decree are as follows:

- The NCCA shall be a non-profit organization with an office in Phnom Penh municipality.
- The roles and duties of the NCCA include;
 - to promote the commercial arbitration sector in Cambodia
 - to provide training to persons who are learning this profession and to persons who wish to act as arbitrators in order to ensure high quality commercial arbitration in Cambodia
 - to identify the qualities of those who wish to become members

- of the NCCA
- to provide services for commercial dispute settlement outside of the judicial system, etc.
- Any individual who wishes to be a member of the NCCA shall be required to register with the NCCA.
- A natural person, Cambodian or foreigner, may apply to be an arbitrator to the NCCA if such person has the following qualifications:
 - (i) Age of 30 years or over
 - (ii) With a specialized post-graduate degree a university either in Cambodia or abroad
 - (iii) Completed a training course on commercial arbitration with the NCCA or any training course from the international commercial arbitration center recognized by the NCCA.
- The Ministry of Commerce shall create a commission for organizing and selecting Primary Arbitrators not exceeding 12 members.

Regulatory framework and procedures for labor dispute arbitration

Regarding the labor dispute, the Labor Law stipulates the following conciliation and arbitration procedures.

INDIVIDUAL DISPUTE:

Prior to any judicial action, at the initiative of one of the parties, an individual dispute can be referred for a preliminary conciliation to the Labor Inspector of his province or municipality (Article 300).

The Labor Inspector shall inquire from both parties the nature of the dispute and then shall attempt to conciliate the parties. To this effect, the Labor Inspector shall set a hearing that is to take place within three weeks at the latest upon receipt of the complaint. The results of the conciliation shall be contained in an official report written by the Labor Inspector, stating whether there was agreement or non-conciliation. The report shall be signed by the Labor Inspector and by the parties. An agreement made before the Labor Inspector is enforceable by law. In case of non-conciliation, the interested party can file a complaint in a court of competent jurisdiction within two months; otherwise the litigation will be lapsed (Article 301 and Ministerial Order 317).

COLLECTIVE LABOR DISPUTES:

A. Conciliation

If there is no planned settlement procedure in a collective agreement, the parties shall communicate the collective labor dispute to the Labor Inspector of their province or municipality (Article 303).

The Minister in charge of Labor shall designate a conciliator within forty-eight hours from the moment he is apprised or learns himself of the dispute (Article 304). Conciliation shall be carried out for fifteen days from the designation by the Minister in charge of Labor. It can be renewed only by joint request of the parties to the dispute (Article 305 and Ministerial Order 317).

During the period of conciliation, the parties to the dispute must abstain from taking any measure of conflict. They must attend all meetings and unjustified absence from any such meeting is punishable by a fine (Article 306).

A conciliatory agreement, signed by the parties and visaed by the conciliator, has the same force and effect of a collective agreement. However, when the party representing workers is not a trade union, the agreement is neither binding on such union nor on the workers it represents (Article 307).

In the absence of an agreement, the conciliator shall record and indicate the key points where the conciliation failed and shall prepare a report

on the dispute. The conciliator shall send such record and report to the Minister in charge of Labor within forty-eight hours at the latest after the conclusion of conciliation (Article 308).

B. Arbitration

If conciliation fails, the labor dispute shall be referred to settle:

- a) by any arbitration procedure set out in the collective agreement, if there is such a procedure; or
- b) by any other procedure agreed on by all the parties to the dispute; or
- c) by the arbitration procedure provided for in this Section (Article 309)

In case of arbitration, the Minister in charge of Labor shall refer the case to the Council of Arbitration within three days following the receipt of the report from the conciliator as specified in Article 308. The Council of Arbitration must meet within three days following the receipt of the case (Article 310).

The Council of Arbitration legally decides on disputes concerning the interpretation and enforcement of laws or regulations or of a collective agreement. The Council's decisions are in equity for all other disputes. All sessions of the Council of Arbitration shall be held behind closed doors (Article 312).

Within fifteen days starting from the date of its receipt of the case, the Council of Arbitration shall communicate its decision to the Minister in charge of Labor. The Minister shall immediately notify the parties. The latter have the right to appeal this arbitral decision by informing the Minister by registered mail or by any other reliable method within eight calendar days from the date of receiving the notification (Article 313).

The final arbitral decision that was not appealed by either party shall be implemented immediately. The arbitral decision which was already implemented shall be filed and registered the same way that a collective agreement is (Article 314).

The procedure for conciliation and arbitration shall be carried out free of charge (Article 316).

Regulatory framework for the dispute settlement of Qualified Investment Project (QIP)

The Law on Investment of 2003 stipulates the dispute settlement procedures in Article 20 as follows.

Except for land-related disputes, any dispute relating to a QIP concerning its right and obligations set forth in the law shall be settled amicably as far as possible through consultation between the Council for the Development of Cambodia, the investors and any other party involved in the dispute.

If the parties fail to reach an amicable settlement within two months from the date of the first written request to enter such consultations, the dispute shall be brought by either party for:

- Conciliation before the Council which shall provide its opinion, or
- Arbitration in or outside of Cambodia as agreed by both parties, or
- Trial by the tribunals of the Kingdom of Cambodia.

III-14 Environment Protection

Basic policy for the protection of the environment

As a basic policy of environmental protection, Article 59 of the Constitution stipulates that the State shall protect the environment and balance of abundant natural resources and establish a precise plan of management of land, water, air, wind, geology, ecological system, mines, energy, petrol and gas, rocks and sand, gems, forests and forestry products, wildlife, fish and aquatic resources.

Regulatory framework for the environmental protection

In 1996, the “Law on Environment Protection and Natural Resource Management (LEPNRM)” was enacted, followed by “Sub-Decree on Management of Solid Waste” (1999), “Sub-Decree on the Water Pollution Control” (1999) and “Sub-Decree on the Control of Air Pollution and Noise Disturbance” (2000). Numerical standard for environmental quality are set in each Sub-Decree but they are said to be very strict compared with neighboring countries.

A “Sub-Decree on the Implementation of the Environmental Impact Assessment (EIA) Process” was also proclaimed in 1999. The Sub-Decree stipulates the precise nature and formats of assessment and the kind of projects required to do such assessment by their nature, size, activity, etc (Chapter 1, Article1). The Project’s Owner must pay the service fee for the EIA examination and monitoring the project implementation. The service fee must be defined by the MEF and transfer to the National budget according to the proposal of the Ministry of Environment (Chapter 3, Article 11).

Practice of EIA

Despite the above provision of the EIA implementation, in most of the cases, the EIA are out-sourced to the private sector consultant who is hired by the project’s owner due to the lack of resources in the Ministry of Environment. The Ministry will approve the assessment result subject to the payment of service fee to the Ministry.

III-15 Standards

Regulatory framework for the Standards

“Law on Standards of Cambodia” was promulgated on June 24, 2007 with the following purposes (Article 2).

- a) to improve the quality of products, services and management;
- b) to raise and rationalize production efficiency;
- c) to ensure fair and simplified trade;
- d) to rationalize product use; and
- e) to enhance consumer protection and public welfare.

The scope of this Law shall cover all the activities related to standardization, quality assurance and related activities within the whole territory of Cambodia (Article 1).

Major provisions on the Standards

ESTABLISHMENT OF THE INSTITUTE OF STANDARDS OF CAMBODIA

There shall be established an institute namely the Institute of Standards of Cambodia within the ministry in charge of industry (Article 4). The main functions and duties of the Institute of Standards of Cambodia consist of the following (Article 5).

- a) to develop national standards for products, commodities, materials, services, practices and operations, and promote general adoption of such standards;
- b) to operate conformity assessment scheme in accordance with the provisions set out in this law;
- c) to establish and maintain laboratories, libraries, facilities and other equipments for the purpose of furthering standardization and quality;
- d) to certify the conformity of products, commodities, substances, materials and equipments for local consumption or export according to the applicant’s request;
- e) to certify the conformity to a safety standard for products, commodities,

substances, materials and equipment for local consumption or export according to the applicant’s request;

- f) to certify the conformity to the management system standards for production and service according to the applicant’s request;
- g) to suspend, withdraw and cancel license of product standards mark or certificate of conformity or certificate of registration or management system, or certificate of registration or accreditation;

NATIONAL STANDARDS COUNCIL

There shall be established a Council to be known as the National Standards Council having the Institute of Standards of Cambodia as secretariat (Article 10).

The National Standards Council shall compose of a representative of the Ministry of Industry, Mines and Energy as Chairman, President of the Institute of Standards of Cambodia as permanent Vice-Chairman, a representative of the Ministry of Commerce as Vice-Chairman, a representative of the Ministry of Agriculture, Forestry and Fisheries as Vice-Chairman, a representative of the Ministry of Health as Vice-Chairman and other 16 members (Article 11).

The National Standards Council shall have the following duties:

- a) to approve, amend and cancel any national standards;
- b) to approve, amend and cancel any standard marks ;
- c) to determine voluntary or mandatory standards or standards mark;
- d) to advise the Minister in respect of standardization priority and policy, programs, planning, projects and activities to ensure a maximum effectiveness; and others

CAMBODIAN STANDARDS

The Minister shall, by notifying in the Royal Gazette, declare any standard that has been approved by the Council to be a Cambodian standard for the purpose of this Law. The Minister may determine the effective date of a standard, amend and withdraw a standard by following the recommendation of the Council (Article 15).

For the purpose of ensuring safety to prevent harmful effect which may affect the public or industry or national economy, any kind of products or systems shall conform to any specific standards, and the said standards shall be determined as mandatory standard following the proposal of the relevant ministries/institutions and Council’s approval. The determination of a mandatory standard shall be made by a ministerial technical regulation and the effective date shall not be less than 60 days from the date signed on the above regulation (Article 16).

Prior to the issuance of ministerial regulation under Article 15 and 16 of this Law, the Institute shall publish, at least in one daily newspaper in Khmer language for a period of not less than seven days, an announcement stating the intention of the declaration and a summary content of any standard. Any person wishing to protest shall submit his/her written protest to the Institute within thirty days from the date of publication (Article 17).

CAMBODIAN STANDARD MARK

Referring to the Article 22 of this Law and based on the approval of the Council, the Institute shall notify at least in one daily newspaper in Khmer language for a period of not less than seven days stating any standard marks which have been approved by the Council in respect of Cambodian standards for product or commodity or for the production, process, processing or treatment of any product or commodity or service, or for those systems. A notification under paragraph 1 shall contain information on the relevant standard in which the conformity shall be certified by any standard mark. Any person wishing to protest shall submit his/her written protest to the Institute within thirty days from the date of such notification (Article 20).

No any standard mark, which is identical with any trademark registered in respect of any product or commodity under the Law concerning Marks, Trade Names and Acts of Unfair Competition, or which so nearly resembles to any such trademark as to be likely to mislead for it, may be declared as a standard mark prescribed under Article 20 of this Law (Article 22).

PRODUCT LICENSE

Every application for a license shall be made in written letter to the Institute. No license shall be issued, unless the following conditions have been fulfilled (Article 24):

- Inspection and sampling of product for testing are found to conform to the relevant standard;
- The applicant agrees to accept the general conditions attached to the license;
- The applicant paid the license fee to the Institute as determined by joint ministerial regulation of the ministry in charge of industry and the ministry in charge of finance.

A license is valid for a period of 3 years and may be renewed for another three-year period if the terms and conditions of the license are properly followed (Article 24).

In case of an application for a license is refused, the Institute shall inform in written letter concerning the refusal to the applicant for not more than seven days from the date of conformity assessment end (Article 24)

Any person, who manufactures or processes a product complied with an authorized standard which has already been into effect, may display the standard mark on product after having received a license from the Institute (Article 25).

The Institute has the power to suspend a license for a period not more than three months one time when it is found that the licensee violates to the provisions of this Law or the ministerial regulations issued under this Law or the conditions prescribed by the Institute, or that product did not comply with the specified standard (Article 31).

The Institute has the power to revoke a license when it is found that the licensee:

- has committed a serious mistake in connection with the requirements of the terms and conditions for granting and using license; or
- failed to fulfill the required terms and conditions within the suspension period; or
- has committed a similar mistake within the past three years; or
- failed to pay an annual license fee (Article 32)

SYSTEM CERTIFICATE

Any organization desiring to obtain a system certificate shall apply to the Institute. The applicant shall pay a certification fee to the Institute as prescribed by a joint ministerial regulation of the ministry in charge of industry and the ministry in charge of finance. After following the procedures successively, the Institute shall assess the conformity of the applicant's management system to the requirements of the relevant standard. After the approval of the Institute, the organization shall be issued with the relevant system certificate subject to such terms and conditions as prescribed by the Institute. A system certificate shall be valid for a period of 3 years but so long as the terms and conditions of the certificate are followed, such system certificate may be renewed for another three year period (Article 38).

OTHER PROVISIONS

No person or organizations shall advertise the obtaining of any system certificate even though they have been certified by any local or foreign certification body unless they have been registered and received a visa from the Institute (Article 48).

The following activities shall be prohibited (Article 49):

- doing business for which it is formed under a name containing the word “**Cambodian Standard**” or an abbreviation “**ISC**”;
- registering any trademark containing the word “**Cambodian Standard**” under the Law concerning Marks, Trade names and Acts of an Unfair Competition ;
- printing or copying Cambodian standard documents without authorization from the Institute

THE INSTITUTE OF STANDARDS OF CAMBODIA (ISC)

The ISC is a subscriber of the International Organization for Standardization (ISO), an affiliate member of the International Electrotechnical Commission (IEC) and also a member of the ASEAN Consultative Committee on Standards and Quality (ACCSQ). With the accession of Cambodia to the World Trade Organization (WTO) in October 2004, ISC operates a WTO/TBT (Technical Barriers to Trade) enquiry point and acts as a notification authority.

The ISC ‘Product Certification’ scheme is based on the ISO/IEC Guide 28 which provides rules for a third party certification system of determining conformity with product standards through testing and assessment of the factory quality management system.

ISC offers 2 types of licensing as follows:

- License for products related to health and safety conforming to mandatory standards
- License for products conforming to voluntary standards

Currently there are 55 Cambodian Standards, mainly in the fields of foods, electrical appliances and tools. (Source: <http://www.isc.gov.kh/>)

III-16 Intellectual Property Rights (IPR)

Regulatory framework for the protection of IPR

At the time of Cambodia's accession to the World Intellectual Property Organization (WIPO) in 1995 and the Paris Convention in 1998, the regulatory framework to protect IPR was weak. Since the turn of the century, the Cambodian Government has been passing series of the laws and the regulatory framework to protect IPRs in Cambodia made a considerable progress and became soundly complied with WTO obligations. The laws which have been enacted so far include the following:

- Law on Marks, Trade Names and Acts of Unfair Competition (2002)
- Law on the Copyright and Related Rights (2003)
- Law on the Patents, Utility Model Certificates and Industrial Design (2003)
- Law on Breeder Rights and Plant Variety Protection (2008)
- The following laws are currently under the consideration for enactment.
- Law on the Protection of Undisclosed Information and Trade Secret
- Law on the Protection of Layout Design of IC
- Law on the Protection of Geographical Indications

Trade marks and names

“Law on Marks, Trade Names and Acts of Unfair Competition (Trade Mark Law)” of 2002 was the first law in Cambodia to protect the IPR. The Law stipulates that the exclusive right to trade marks shall be acquired by registration (Article 3) and the right of priority in the mark registration shall be granted if the applicant attaches to the application the declaration claiming the priority of an earlier national or regional application filed by the applicant or his predecessor in any member country of the Paris Convention (Article 6). The Law also defines the registration procedures, invalidation and removal, collective marks, licensing of marks, trade names, infringement and remedies, border measures, assignment or change

in ownership, etc.

It should be noticed that Cambodian Trade Mark Law acknowledges only national exhaustion and, therefore, the exclusive right on distribution and importation is always secured by right-holder and can be assigned to any exclusive distributor through power of attorney or agreement on distributorship.

Copyright

The “Law on the Copyright and Related Rights” of 2003 was enacted to provide authors and performers with rights with respect to their works to protect the works of literature, cultural performance, performers and phonogram producers and broadcasts by broadcasting organizations in order to secure a just and legitimate exploitation of those cultural products (Article 1).

The type of works to be protected under this Law is as follows (Article 3):

- Works of authors who are Cambodian nationals or who have habitual residence in Cambodia
- Works first publishing in Cambodia, including works first published abroad which were brought to publish in Cambodia within 30 days of the first communication to the public
- Audiovisual works of producers with their headquarters or habitual residence in Cambodia
- Works of architecture erected in Cambodia and other artistic works incorporated in a building or other structures located in Cambodia
- Works for which Cambodia has an obligation to grant protection under international treaties

The following subjects are being protected under the Law (Article 7).

- All kinds of reading books or other literary, artistic, scientific and educational documents
- Lectures, speeches, sermons, oral or written pleadings and other works of the same characteristics
- Dramatic works or musical dramas
- Musical composition, with or without words
- Audio-visual works
- Works of painting, engraving, sculpture or works of collages
- Photographic works and architectural works
- Computer programs and design encyclopedia documents relevant to those programs, etc.

The author of a work shall enjoy an exclusive right to that work, which shall be enforceable against all persons and the right include moral right and economic right (Article 18). The moral right of the author is perpetual and inalienable and may not be distrainable or subject to prescription (Article 19).

The economic right of the author is the exclusive right to exploit his/her own work through the authorization of reproduction, communication to the public and creation of derivative work (Article 21). The protection of the economic right starts from the date of the creation of a work and lasts until the fiftieth year after the death of the author (Article 30).

To facilitate the enforcement of law and serve as an evidence of ownership in case of having dispute on economic rights, the authors or right-holders may deposit their works at the Ministry of Culture and Fine Arts or the registration may be voluntarily done at the same Ministry. The Ministry shall issue the Certificate of Registration for the registered works (Article 38, 39 and 40).

The authors of work and related-right holders can establish the collective management organization to protect and manage their rights upon the recognition of the Ministry of Culture and Fine Arts (Article 56).

Patents, utility model certificates and industrial design

The “Law on the Patents, Utility Model Certificates and Industrial Design” was promulgated on January 22, 2003 and provides the protection for granted patents, utility model certificates and registered industrial designs in Cambodia (Article 1).

The objectives of the Law are as follows (Article 2):

- to encourage innovation and scientific and technological research and development
- to stimulate and promote increased internal and external commerce and investment
- to promote the transfer of technology to Cambodia in order to facilitate the industrial activity and the development of the economy
- to provide protection for industrial property rights and to combat the infringement thereof, as well as illegal business practices

PATENT:

“Patent” means the title to be granted to protect an invention and “Invention” means an idea of an inventor that permits in practice the solution to a specific problem in the field of technology. An invention may be, or may relate to, a product or a process (Article 4). An invention is patentable if it is new, involves an inventive step and is industrially applicable (Article 5).

The right to a patent shall belong to the inventor (Article 10) and the application for a patent shall be filed with the Ministry in charge of industry (MIME), which shall be subject to the payment of the application fee (Article 16).

When the registrar grants a patent, he shall:

- publish a reference to the grant of the patent
- issue to the applicant a certificate of the grant of the patent and a copy of the patent
- record the patent
- Make available copies of the patent to the public (Article 39)

A patent shall expire 20 years after the filing date of the application for the patent and, in order to maintain the patent or patent application, an annual fee shall be paid in advance to the Registrar for each year (Article 45 and 46).

UTILITY MODEL CERTIFICATES:

A utility model certificate is granted for the protection of a utility model, which is new and industrially applicable and may be, or may relate to, a product or process (Article 69). When the inventive step is not included in the invention, the utility model certificates may be sought (Article 71).

Utility model certificate shall expire, without any possibility of renewal, at the end of the 7th year after the date of the filing of the application (Article 73).

At any time before the grant or refusal of a patent, an applicant for a patent may convert his application into an application for a utility model certificate or the other way around, and such application conversion cannot be made more than once (Article 75 and 76).

INDUSTRIAL DESIGN:

Under this Law, any combination of lines or colors or any three-dimensional form, or any material, which gives a special appearance to a product of industry or handicraft and can serve as a pattern for a product of industry or handicraft, is deemed to be an industrial design (Article 89). An industrial design can be registered if it is new (Article 91).

It shall be considered new if it has not been disclosed to the public, anywhere in the world, within 12 months prior to the filing date or the priority date of the application for registration (Article 92).

The application for registration of an industrial design shall be filed with the MIME and be subject to the payment of the application fee (Article 95). The making, selling or importing of articles with a registered industrial design in Cambodia by persons other than the registered owner shall require the agreement of the latter (Article 105 and 106). The registration of an industrial design shall be for a period of 5 years from the filing date of the application for registration. Such registration may be renewed for two further consecutive periods of five years (Article 109).

III-17 Law on Anti-Corruption

The Law on Anti-Corruption was promulgated on April 17 2010 with the aim to combat corruption through taking measures of education, prevention, and law enforcement to suppress offences of corruption with public participation and support and international cooperation (Article 2).

The Anti Corruption Institution is composed of the “National Council against Corruption” and the “Anti Corruption Unit” (Article 5). The National Council against Corruption shall be created to provide guidance or consultation and recommendations on anti-corruption work. The National Council against Corruption is composed of 11 members including the officers appointed by the King, Senate, National Assembly, the RGC, National Audit Authority, National Assembly-Senate Relations and Inspection, Council of Jurists, etc. who meet the requirements such as the Khmer nationality from birth, possessing the highest moral conduct and good reputation, holding a higher education degree and so on (Article 6).

The Anti-corruption Unit is led by one chairperson with the rank equivalent to senior minister, and a number of vice-chairpersons with the rank equivalent to minister as his assistants, who will be appointed by the Royal decree at the request of the Prime Minister (Article 11). The Anti-corruption Unit shall perform the duties to:

- Implement law, orders and regulations (which are in force) related to corruption
- Develop anti-corruption action plan in accordance with the strategies and policy of the National Council against Corruption
- Direct the work of preventing and combating corruption
- Monitor, investigate, check, and do research as well as propose measures related to corrupt practices in ministries, institutions, public and private units, in conformity with the procedures in force
- Receive and review all complaints on corruption and take action accordingly
- Search, review and compile the documents and information related to corruption, and so on (Article 13).

Upon taking and leaving offices, the following persons shall declare their assets and liabilities, regardless of whether those assets are inside or outside the country, and shall submit to Anti-corruption Unit (Article 17).

- 1) Members of Senate, National Assembly and the Royal Government;
- 2) Appointed public officials with a specific mandate;
- 3) Members of the National Council Against corruption, chairperson, vice-chairpersons and all officials of the Anti-corruption Unit;
- 4) Civil servants, police, military personnel and other public servants appointed by Royal Decrees or Sub-decrees;
- 5) Other officials appointed by Prakas and decided by Anti-corruption Unit’s list of declaration on assets and liabilities, after the consultation with National Council Against corruption
- 6) Trial judges, prosecutors, notary public, court clerks and bailiff;
- 7) Leaders of civil society

The Chairman and deputy chairpersons of Anti-corruption Unit are legally entitled to a status as judicial police officials in order to perform their duties and the officials of Anti-Corruption Unit may be entitled to

status as judicial police officials in accordance with the provisions in the penal procedure code (Article 23). Officials of Anti-corruption Unit, who are appointed as judicial police, take charge of investigating corruption offences. Contrary to the provisions of Criminal Procedure Code, the Chairman of Anti-corruption Unit or officially assigned representative has the duty to lead, coordinate and control the mission of those officials instead of the role of prosecutor to the point of arresting a suspect. After the arrest, prosecutor exercises his power as stated in the provisions of the criminal procedure code (Article 25).

In addition to the offenses stipulated in the Law, Article 32 stipulates that some of offenses provided in the Criminal Code are corruption offenses to be implemented as part of this law. Such offenses in Criminal Code include Article 278 (bribe taking by employees), Article 279 (bribe offered to employees), Article 280 (bribe taking by governor), Article 283 (Criminal responsibility by legal entity), Article 387 (improper bidding), Article 517 (bribe taking by judges), Article 518 (bribe offered to judges), Article 547 (bribe taking by witnesses for false testimony), Article 548 (bribe offered to witnesses), Article 553 (bribe taking by interpreter), Article 554 (bribe offered to interpreter), Article 555 (bribe taking by experts), Article 556 (bribe offered to experts), Article 595 (definition of passive business influence), Article 601 (intentional destruction and dishonest embezzlement), Article 605 (bribe offering) , Article 606 (active business influence) , Article 607 (extortion) , article 608 (destruction and embezzlement), Article 637 (bribe offered to person who has competence to issue false certificate) (Article 32).

Special Note: Article 605 of New Criminal Code dated 30 November 2009, which came into force on 1 August 2011, stipulates that any person who, without being entitled to, directly or indirectly provides a donation or gift, makes a promise or provides any benefit to a public official or a citizen entrusted with a public mandate through election, in order that such public official or elected public official performs any acts of his/her functions or facilitates any acts by using his/her functions or refrains from performing his/her duties or facilitating any acts by using his/her function, shall be penalized from 5 to 10-year imprisonment⁴.

IV INFRASTRUCTURE

IV-1 Use, Development or Exploitation Concessions

For Use, Development or Exploitation Concessions, Law on Concession was promulgated on October 19, 2007. The Law has the purpose to promote and facilitate the implementation of privately financed projects in Cambodia in order to ensure the public interest and the fulfillment of the national economic and social objectives (Article 1).

Law on Concession governs Concessions as specified in Article 5 and a concession shall be granted by a Concession Contract (Article 2).

Sectors for concession contracts

Concession Contracts in relation to Infrastructure Facility providing directly or indirectly services to the general public may be entered into by the relevant institutions in the following sectors (Article 5):

- a) power generation, power transmission and power distribution
- b) transportation facilities systems, including, but not limited to roads, bridges, airports, ports, railways, channel
- c) water supply and sanitation
- d) telecommunication and information technology infrastructure
- e) supra-structure related to tourism projects, but not limited to tourism resort museums
- f) gas and oil related infrastructures including oil and gas pipelines
- g) sewerage, drainage and dredging
- h) waste management and treatment
- i) hospitals and other infrastructure related to health, education and sport sectors
- j) infrastructure related to special economic zones and social housing
- k) irrigation and agricultural related infrastructure
- l) other sectors for which a specific law allows for the granting of Concessions

Concession contracts

A Concession Contract may provide by means of the following (Article 6).

- Build, Operate and Transfer
- Build, Lease and Transfer
- Build, Transfer and Operate
- Build, Own and Operate
- Build, Own Operate and Transfer
- Build, Cooperate and Transfer
- Expand, Operate and Transfer
- Modernise, Operate and Transfer
- Modernise, Own and Operate.
- Lease and operate manage or management arrangements or any variant thereof or similar arrangement, including joint public-private implementation of Infrastructure Facilities.

Administrative coordination

The Council for Development of Cambodia (CDC) is the one stop service entity for obtaining authorizations required to implement an Investment Project in accordance with the Law on Investment. The CDC shall upon receipt of a request for a Qualified Investment Project to be implemented under a Concession Contract from a selected Concessionaire (Article 8);

- a) Approve all investment incentives the Concessionaire is entitled to according to the Law on Investment of the Kingdom of Cambodia
- b) Specify all authorizations required to be obtained for the Concession Project, the competent institutions responsible for the issuance of the authorizations

- c) Obtain in a timely manner all required authorizations as specified in this Article from the relevant institutions on behalf of the Concessionaire provided that all required information and documents have been duly supplied.

The CDC shall be the centralized service institution providing, on request, general information to potential investors regarding investment in Concession Projects in the Kingdom of Cambodia, including such information as mentioned in Article 8 (a) and (b) of the Law. The CDC shall make available copies to all potential investors of any laws and regulations of general application to Concession Projects in Cambodia (Article 9).

Selection

The Contracting institution shall select the Concessionaire through international or national bidding procedures, by negotiated procedure according to the circumstances. The selection of the Concessionaire shall be carried out in accordance with the procedures provided for in the Sub-Decree (Article 11).

When the selection proceedings are completed and the Contracting institution is ready to accept a final bid or a negotiated proposal, the Contracting institution shall obtain approvals to the final terms of the Concession Contract as required by and in accordance with the procedures set forth in the Sub-decree (Article 12).

After approvals have been obtained, the Contracting institution shall issue a notification of award to the selected candidate prior to execution of the Concession Contract. The Contracting institution and the Concessionaire shall sign the Concession Contract within 6 months of the notification of award (Article 13).

At least within 60 days of upon receiving the notification of awards, the Concessionaire shall promptly establish and incorporate under the laws of the Kingdom of Cambodia the legal entity that will implement the Concession Project and apply, to the CDC for a final registration certificate in accordance with the Law on Investment (Article 14).

IV-2 Electricity

General situation of electricity supply

The Electricity Law was promulgated in February 2001 with the view to regulate the power sector and the Electricity Authority of Cambodia (EAC) was established as a legal public entity to act as the Regulator and the arbitrator of power sector business activities.

Cambodian strategy for the development of electricity supply is to construct transmission lines between major cities in southern and western regions¹ in order to construct large-scale power generating plants and to import electric power from neighboring countries during the construction period of such power plants.

In Cambodia, electricity is generated and/or distributed by the following entities;

- Electricite Du Cambodge (EDC), a government enterprise
- Private entities including Independent Power Producers (IPP) in the provincial towns
- Licensees in smaller towns, and
- Rural Electricity Enterprises (REE) in the rural areas

Note 1 : The southern region includes Phnom Penh City, Kandal, Kampong Speu, Takeo, Kampot and Sihanouk provinces, while the western region includes Banteay Mean Chey, Battambang and Siem Reap provinces.

EDC has a consolidated license (generation, distribution and transmission) for electricity supply in Phnom Penh, Knadal, in the 12 following provincial capitals, namely, Sihanoukville, Kampong Cham, Takeo and Battambang, Siem Reap, Banteay Meanchey, Kampot, Kampong Speu, Steng Treng, Svay Rieng, Prey Veng, Rattanakiri (Banlung), and in the four following regions bordering on Vietnam, namely Bavet (Svay Rieng), Memot (Kampong Cham), Phonhea Krek (Kampong Cham) and Kampong Trach (Kampot).

The electricity supply currently does not meet the basic demands, where 24-hour supply of electricity is not assured and the quality of electricity is not reliable. According to the Power Development Plan of the Kingdom of Cambodia in 2007, electricity demand is expected to show a rapid increase until 2020. The future power demand is summarized in Table IV-2-1.

Table IV-2-1 Power Demand Forecast (MW)

2012	2015	2018	2020
1,062	1,643	2,283	2,770

Source: MIME

Electricity supply expansion

In order to meet the increasing demand, the RGC has developed the power source expansion plan under the Power Development Plan for a period of 2008-2021. In line with the power source expansion, transmission lines are under construction and electric power has been imported from neighboring countries. Currently, 22.47% of Cambodian households have access to the electricity (54% of urban households and 13% of rural households). EDC aims to provide electricity service to 100% of all the villages by 2020 and 70% of all the rural households by 2030.

Regarding the expansion of power source, the Department of Energy Development of MIME formulated electricity supply development plan up to 2020. According to this plan, as Table IV-2-2 indicates, the construction of eight hydro power plants and three coal power plants will be completed by 2020 and approximately 6,300 MW at the maximum will be generated in 2020.

Table IV-2-2 Expansion Plan of Power Sources

No	Project	Country of Supplier	Type	Power (MW)	Year of Operation
1	Kamchay Hydro Power Plant	China	Hydro	193.2	2011
2	Kirirom III Hydro Power Plant	China	Hydro	18	2012
3	Stung Atay Hydro Power Plant	China	Hydro	120	2013*
4	200MW Coal Power Plant (I) in Sihanouk Province -Phase 1	Malaysia	Coal	100	2013
5	Stung Tatay Hydro Power Plant	China	Hydro	246	2013-2014
6	Lower Stung Russey Chhrum Hydro Power Plant	China	Hydro	338	2013-2014
7	700MW Coal Power Plant (II) -Phase 1	China	Coal	270	2014-2015
8	200MW Coal Power Plant(I) in Sihanoukville Province-Phase 2	China+ Cambodia	Coal	135	2016
9	700MW Coal Power Plant (II) -Phase 2	China	Coal	100	2017
10	Lower Se San II Hydro Power Plant	Cambodia+Vietnam	Hydro	400	2017
11	Stung Chhay Areng Hydro Poer Plant	China	Hydro	108	2017
12	700MW Coal Power Plant (II) -Phase 3	China	Coal	100	2018
13	700MW Coal Power Plant (II) -Phase 4	China	Hydro	100	2018
14	Lower Se San I Hydro Power Plant	Vietnam	Hydro	90	2018
15	700MW Coal Power Plant (II)- Phase 5	China	Hydro	100	2019
16	Sambor Hydro Power Plant	China	Hydro	2600	2019
17	Stung Treng Hydro Power Plant	Vietnam	Hydro	900	2020
18	Coal Power Plant (III) or Gas Power Pant	-	Coal/ Natural gas	400	2020
Total				6,318.2	

Source: MIME

Table IV-2-3 Expansion Plan of Transmission Line

No	Project	Length (km)	Grant/ Invest	Year
1	110kV, Kampong Cham - Vietnam, (construct 3 substations: Kampong Cham, -Soung, -Pongnearek).	68	WB	2010
2	230kV, Takeo- Kampot (construct substation in Kampot)	87	KFW	2011
3	230kV, Phnom Penh – Kampong Chhang – Pursat - Battambang (construct 3 substations: Kampong chhang – Pursat - Battambang)	294	CPG	2012
4	230kV, Pursat - Osom, (construct 1 substation in Osom Commune),	175	CPG	2012
5	230kV, Phnom Penh – Kampong Cham	110	CUPL	2012
6	230 kV, Kampong Cham- Kratie,	110	CUPL	2013
7	230kV, Stung Tatay Hydro - Odom substation,	60	CHMC	2013
8	230kV, Kampot – Sihanukville	82	ADB& JBIC	2013
9	230kV, Stung Treng - Loa PDR, (construct substation in Steng Treng),	56	WB	2014
10	220kV, Phnom Penh – Sihanukville, along national road 4, (construct substation in Sre Ambil)	165	CHMC	2014-2015
11	115kV, East Phnom Penh – Neakleung – Svay Rieng, (construct 2 substations, - Neakleung, - Svay Rieng)	120	CHMC	2015
12	230kV, Kratie – Stung Treng,	126	INDIA	2015
13	115kV, West Phnom Penh – East Phnom Penh, (construct substation GS4 at South Phnom Penh)	20	WB	2015
14	230kV, Stung Chay Areng Hydro – Osom substation	60	CGC	2017
15	230kV, Kampong Cham – Kampong Thom – Siem Reap, (construct 1 substation in Kampong Thom)	250	KTC	2019
16	500kV, Loa PDR (Ban Sok) – Stung Treng – Vietnam (Tay Ninh) , (construct substations in Stung Treng)	220	ADB	2019
Total		2,003		

Source: MIME

According to MIME, as shown in Table IV-2-3, the construction of transmission lines to import electricity from Thailand and Vietnam will be completed by the end of 2012 and, as a result, the electricity will be supplied for most parts of Cambodia. Besides, further expansion of transmission lines, which interconnects with Lao PDR as well as other neighboring countries, will be completed by the end of 2019.

The Power Cooperation Agreement with Vietnam was signed on 10 June 1999 and the Power Purchase Agreement (PPA) was made in 2001 and supposed to be renewed every five years. Since 2002, EDC has imported electricity from Power Company 2 (PC2) of Vietnam to supply for Bavet (Svay Rieng), Memot (Kampong Cham), Phonhea Krek (Kampong Cham), etc. For supplying the electricity to Phnom Penh, the purchasing agreement of 200 MW was concluded with Vietnam and the construction of 220kV-transmission line, which interconnects Phnom Penh/Takeo to Vietnam, has been completed. Under this purchasing agreement, transmission of 120 MW from Vietnam to Phnom Penh, which requires 300 MW daily, has already begun. Although another 50 MW, totally 170 MW out of contracted 200 MW, is planned to be transmitted, due to the recent shortage of electric in Vietnam, it has not been realized.

PPA was first made with Thailand in 2002 and was amended in 2007. Currently, electric power between Cambodia and Thailand is transmitted at 22 kV and 115 kV levels. An agreement was signed with Trat Province (Thailand) to supply power for Koh Kong and Poi Pet (Cambodia) by using 22 kV line. The above areas have been connected since 2001. Since November 2007, power has been imported through 115 kV transmission line from Arranh Prathet substation (Thailand) and supplied for Battambang, Siem Reap, etc.

The Power Cooperation Agreement with Lao PDR was signed in October 1999. Both countries agreed on power interconnection by 115 kV line between southern Lao and Stung Treng, Cambodia. The construction of the transmission line is scheduled to be completed in 2014.

Rural electrification is one of the key issues. Cambodia's strategy of rural electrification has been prepared basing on "Rural Electrification Master Plan" which focuses renewable energy and, under the Master Plan, Cambodia Energy Sector Strategy (CESS)² was formulated. Rural Electrification Fund (REF) was established in 2004. Two 370KW micro hydro power stations have been constructed and one reserve 300KW diesel generator has been installed. They are currently fully operational to provide electricity to the provincial town of Mondulhiri.

Electricity tariff

The electricity tariffs in major cities and provinces are shown in "Electricity cost" under "IX-4 Utility Cost" of "Chapter IX Cost of Doing Business".

IV-3 Telecommunications

General situation of telephone services

Ministry of Posts and Telecommunications (the MPTC) is a policy-maker and regulator in the field of telecommunications in Cambodia. The MPTC was also an operator of the fixed line network but, in January 2006, separated its telecom operation arm and established a new public enterprise called "Telecom Cambodia", having provided its own assets equal to US\$ 40.3 million and 700 staff members, to provide fixed line service with the 023 prefix. Telecom Cambodia is said to have been instructed by the RGC to list on the Cambodian Stock Exchange in 2012.

The Regulatory function was also separated from the MPTC through the establishment of an autonomous regulatory body called Telecommunication Regulator of Cambodia (TRC) on September 20, 2012 according to the "Royal Decree No.: ns/rkt/0312/175 on the Establishment of Telecommunication Regulator of Cambodia". Therefore, the MPTC is currently responsible only for policy formulation, strategic development plan and international cooperation in telecommunication sector.

The total length of National Optical Fiber Backbone was 22,380km as of

Note 2 : CESS was formulated in 2003 and 2008.

Table IV-3-1 Telephone Subscribers and Penetration Ratio

		2008	2009	2010	2011
Population		13,400,000	13,900,000	14,100,000	14,300,000
Subscribers	Fixed Line	43,417	100,887	358,750	559,381
	Mobile	3,791,834	6,346,720	10,537,628	15,678,829
	Sub-total	3,835,251	6,447,607	10,896,378	16,238,210
Penetration ratio (%)	Fixed Line	0.32	0.73	2.54	3.91
	Mobile	28.30	45.66	74.73	109.64
	Sub-total	28.62	46.39	77.28	113.55

Source: Ministry of Post and Telecommunication, Cambodia (MPTC)

Table IV-3-2 Mobile Telephone Service Providers

Brand Name	Prefix	Operating Company
Cellcard (Mobitel)	012/ 017/ 077/ 089/ 092/ 095	CamGSM (Royal Group+Millicom International)
Metfone	088/ 097	Viettel (Cambodia) Pte.,Ltd
Smart Mobile	010/ 069/ 070/ 086/ 093/ 098	Latelz Co., Ltd
Beeline	066/ 067/ 068/ 090	Sotelco Ltd. (Vimpelcom Group)
Mfone	011/ 061/ 076/ 085/ 099	Mfone Co., Ltd
Hello	015/ 016/ 081/ 087	Hello Axiata Co., Ltd
QB (Cadcomms)	013/ 080/ 083/ 084	Cambodia Advanced Communications Co., Ltd
ExCell	018	GT-Tell (Cambodia) Investment Company Ltd.
XinWei	038	Xinwei (Cambodia) Telecom Co., Ltd

Source: Ministry of Post and Telecommunication, Cambodia (MPTC)

the middle of 2011 which was occupied to Telecom Cambodia (1,200km), Cambodia Fiber Optic Cable Network (5,180km) and Viettel Cambodia (16,000km). The fiber optic connection to CAT Telecom Public Co., Ltd in Thailand, Vietnam Telecom International (VTI) in Vietnam and ETL Public Company in Laos was completed in July 2010.

The total number of telephone subscribers in Cambodia has drastically increased in 2011 more than four times as a whole since 2008 as shown in Table IV-3-1. Cambodian telephone penetration rate at the end of 2011 was 113.55 of which 109.64 was occupied by mobile phone subscribers. In other words, 96.56% of all the telephone subscribers use mobile phones.

Telephone service providers

In Cambodia, there are three providers of fixed-line telephone service, namely Telecom Cambodia, Camintel and Camshin, but Telecom Cambodia dominates the fixed-line service. The company also operates the connection to international calls.

Currently there are nine providers for mobile phone service and the provider names and service are summarized in Table IV-3-2.

For international calls, all the mobile telephone service providers provide the VoIP services which connect with most of the destinations in the world. The call rates are rather affordable ranging between US\$0.06 to 0.50 per minutes, although the voice quality is not satisfactory yet to some destinations.

Internet services

Internet was introduced to Cambodia in 1997 by the MPTC with support from the International Development Research Center (IDRC) of Canada and Telecom Cambodia now runs internet service under the name of CamNet.

Optic fiber was installed with assistance of German KfW in 1999 from Thailand to Vietnam through a route of Poipet – Battambang – Phnom

Penh – Bavet. In addition, a loan agreement for “Greater Mekong Telecommunication Backbone Network Project (Cambodia Growth Corridor)” was signed in March 2005 between the Cambodian Government and JBIC and a project to install the total length of 400 km of optic fiber connecting Kampong Cham, Phnom Penh and Sihanoukville has already started.

As a part of “GMS Information Superhighway” project, 650 kilometers optic fiber cable laying has been completed in July 2009. The optic fiber cable links Cambodia, China, Lao PDR, Myanmar, Vietnam and Thailand. The cable runs from Siem Reap to Kampong Cham, to Memot and then Lao border. At Siem Reap, it links with the existing line which runs from Vietnam border to Thai border. It is said that the optic fiber cable network now covers two thirds of Cambodia.

Internet backbone is from 150Mbps to 550Mbps connected via satellites of Singapore, Hong Kong, Germany and US and 400Mbps connected in optical fiber cable via IP transit to Vietnam and Thailand.

As of October 2012, there were about 37 ISP licenses issued. “Camnet”, “Online”, “TeleSurf”, “Camintel”, “Metfone”, “CityLink”, “WiCam”, “Clicnet” and “Ezecom” are among them.

The number of internet subscribers has been increasing rapidly between 2008 and 2011 as shown in the table IV-3-3. At the end of 2011, there were 1,689,389 subscribers which amounts 11.88% of the penetration ratio. 73% of internet subscribers are mobile phone users.

Table IV-3-3 Internet Subscribers and Penetration Ratio

	2008	2009	2010	2011
Population	13,400,000	13,900,000	14,100,000	14,300,000
Subscribers	20,402	291,589	320,190	1,689,389
Penetration ratio (%)	0.15	2.10	2.27	11.81

Source: Ministry of Post and Telecommunication, Cambodia (MPTC)

Postal services

Cambodia Post (C.P.) was established as a public enterprise with state company characteristics by Sub-Decree #57 (RGC) on Establishment of Cambodia Post as Public Enterprise dated on 21 June 2010. Under the Sub-Decree, it is determined that CP shall be a national operator of the postal sector and shall have the following duties and rights.

- (1) to provide services, receive, collect, transport and distribute all postal mail of all types including Express Mail Service (EMS) inside and outside the country;
- (2) to sell other materials or products for serving the postal and telecommunications sector;
- (3) to operate postal financial and banking services;
- (4) to develop a list of charges for postal services for inside and outside Cambodia;
- (5) to establish postal offices in the Kingdom of Cambodia;
- (6) to obtain rights for the use of postal stamp machines for serving the postal sector;
- (7) to cooperate with companies and institutions in the country and abroad in conducting the postal business;
- (8) to enter into a loan contract from other resources for further investment with approval from the Ministry of Posts and Telecommunication and the Ministry of Economy and Finance;

The initial capital of C.P. shall be determined by the MPTC and the MEF and the staff of C.P. shall be recruited from officers of the MPTC.

MPTC currently aims to increase the number of postal station and reduce the number of client per station as shown in Table IV-3-4.

Table IV-3-4 Number of Client per Postal Station

Particular	2008	2009	2010	2011	2012	2013
# of Client per Station	161,445	163,932	140,968	125,256	111,286	101,147

Source: NSDP Update 2009 - 2013

IV-4 Water Resource

Ministry of Water Resources and Meteorology (MOWRAM) is responsible for developing and managing water resources in Cambodia, while Ministry of Rural Development (MRD) is responsible specifically for Rural Water Supply and Sanitation (RWSS) and MIME is responsible for supply of clean drinking water to provincial capitals and medium/ small towns, as well as of the regulation of the private sector involved in piped water systems.

Urban water supply business which MIME manages is defined as;

- 1) Possessing the water treatment facilities
- 2) Supplying clean water through piped water system
- 3) Charging the users the water cost

The urban areas are also defined as the areas having;

- 1) Population density is over 2,000 persons/ km²
- 2) Ratio of agricultural population is less than 50%
- 3) Population of the area is over 2,000 persons

In Phnom Penh, the Phnom Penh Water Supply Authority (PPWSA), a public enterprise, is responsible for providing water since 1996. The Siem Reap Water Supply Authority (SRWSA) supplies water in Siem Reap. The Department of Potable Water Supply (DPWS) of MIME is responsible for water supply through piped network for 16 provincial capitals (except Phnom Penh/Kandal and Siem Reap) and for approximately 60 medium and small towns. It is said, currently, that approximately 87 private licensees supply water on a commercial basis under the supervision of MIME-DPWS.

Department of Rural Water Supply (DRWS) and Department of Rural Health Care (DRHC) of the MRD are responsible for rural water supply for the smaller towns and villages with less than 1,000 households.

In Cambodia, as shown in Table IV-4-1, 36.2% of total households have source of drinking water within their premises in 2008.³ Especially, this proportion is 29.4% in rural areas, while 67.4% in urban areas. The RGC has made efforts to improve access to safe water in urban and rural areas in collaboration with foreign donors, such as World Bank, ADB and JICA. In both urban and rural areas, one of the key issues is the poor operation and maintenance of water supply facilities. Because of the lack of government

Table IV-4-1 Distribution of Households by Location of Source of Drinking Water (2008)

Location of Source	Households		
	Total	Urban	Rural
Number	2,817,637	506,579	2,311,058
Total	100.0%	100.0%	100.0%
Within the premises	36.2%	67.4%	29.4%
Others	63.8%	32.6%	70.6%

Source: NIS (2008)

budget, however, it is difficult for the RGC to renew or improve these facilities. Therefore, RGC encourages the private sector to participate in water supply in various forms (e.g. lease, BOT/BOO concession). More and more private firms and NGOs are expected to participate actively in rural as well as urban water supply.

As of 2009, there were 111 urban centers that have access to drinking water from drinking water supply systems and it was estimated that about 51% of urban population in Cambodia have access to drinking water supplied from Water Supply Authorities of urban centers. In Phnom Penh, it is estimated that around 90% of the population could access to safe drinking water 24 hours a day.⁴

IV-5 Aviation

Currently, there are 11 airports in Cambodia. The regular flights have been available only at three airports, Phnom Penh International Airport (PPIA), Siem Reap International Airport (SRIA) and Sihanouk International Airport. The present situation of airports in Cambodia is summarized in Table IV-5-1. “Société Concessionnaire des l’Aéroports (SCA)”, which is a private consortium of French “Vinci” (70%) and Malaysian-Cambodian “Muhibbah Masteron” (30%) was given the 25-year BOT concession of PPIA in 1995 and of SRIA and Sihanouk International Airport (“Kang Keng Airport” at the time) in 2001 and 2006 respectively. Cambodia Airport Management Services Ltd. (CAMS), 100% controlled by SCA since 2005, operates these three airports. All other airports are under management of the State Secretariat of Civil Aviation (SSCA) except Kampong Chhnang Airport. In addition, the construction project of a new airport in Siem Reap, called Angkor International Airport, is now under preparation by the investors group including South Korea’s Lees & AA Co., Ltd.

Non-stop international flights to 13 destinations in 10 countries/regions are currently being operated from the PPIA. From the SRIA, 18 international air routes are being operated as of December 2012.

“Cambodia Angkor Air Ltd (CAA)”, which was established on July 27, 2009 as a joint venture among Vietnam Airlines (49%), Cambodian Investment Company (26%) and the Royal Government of Cambodia (25%), opened the thrice-weekly scheduled flights between Siem Reap and Sihanoukville

Note 3 : National Institute of Statistics (NIS) (2009) *General Population Census of Cambodia 2008*

Note 4 : National Strategic Development Plan Update 2009-2013

by ATR-72 aircraft starting from 14 December 2011. The flight is scheduled to take 70 minutes. The airline also has an expansion plan of the fleet to 15 aircraft and launch of new routes to Japan, China, South Korea and throughout the ASEAN region in the next coming years.

Myanmar Air (MAI), the national flag carrier established in 1993, started operations to Siem Reap Int'l Airport in February 2011. In November 2011, it began to operate the route to Phnom Penh with a triangular flight "Yangon - Siem Reap - Phnom Penh". It currently operates each

twice-weekly flights to Phnom Penh and Siem Reap.

In early 2012, Tiger Airways of Singapore and Easter Jet of South Korea will start the operation to Cambodia as the 22nd and 23rd airline flying to Cambodia.

Table IV-5-2 shows the number of direct flights leaving Phnom Penh. Those flights connect Phnom Penh with 14 destinations in 11 countries. There are 18 international air routes from Siem Reap.

Table IV-5-1 Present Status of Airports in Cambodia

Airport	Runway (m) Surface/Ref. Code	ILS	Area (ha)	Owner/ Operator	Status	Remarks
International Airports						
Phnom Penh	3000x45/ Asphalt/ 4D	*	387	RGC/SCA	Open	ILS for RWY 23 only
Siem Reap	2550x45/ Asphalt/ 4C	*	197	RGC/SCA	Open	ILS for RWY 05 will be operated in 2009.
Sihanouk	2500x40/ Asphalt/ 4C		123.84	RGC/SCA	Open	Re-commissioned on 15 January 2007
Domestic Airports						
Kampong Chhnang	2400x45/ Concrete/ 4C		2011	RGC/Air Force	Closed	The Area include military land use
Battanbang	1600x34/ Bitumen/ 3C		128.68	RGC/SSCA	Open	-
Stung Treng	1300x20/ Laterite/ 3C		112.5	RGC/SSCA	Open	-
Ratanakiri	1300x30/ Laterite/ 3C		48.09	RGC/SSCA	Open	-
Koh Kong	1300x30/ Laterite/ 3C		125.66	RGC/SSCA	Open	-
Mondulkiri	1500x20/ Laterite/ 3C		36	RGC/SSCA	Closed	Closed temporarily since July 2007
Preah Vihear	1400x20/ Laterite/ 3C		150.98	RGC	Closed	-
Kratie	1180x20/ Laterite/ 3C		112.5	RGC	Closed	-

Note: ILS stands for Instrument Landing System.

Source: Infrastructure and Regional Integration Technical Working Group (2009)

Table IV-5-2 Departure Flights from Phnom Penh International Airport
(Effective from 25 October 2012 – 24 March 2013)

Country/Region	Destination	Flight Frequency
China	Guangzhou-Beijing	1 daily x 1 airline company (Non-stop)
	Nanning	1 daily x 1 airline company (Non-stop)
	Shanghai	1 daily x 1 airline company (Non-stop)
Hong Kong	Hong Kong	2 daily x 1 airline company (Non-stop)
Malaysia	Kuala Lumpur	4 daily x 2 airline companies (Non-stop)
Singapore	Singapore	4 daily x 3 airline companies (Non-stop)
South Korea	Seoul - Incheon	2 daily x 2 airline companies (Non-stop)
Taiwan	Taipei	1 daily x 1 airline company (Non-stop)
Thailand	Bangkok	7 daily x 3 airline companies (Non-stop)
Laos	Vientiane	1 daily x 1 airline company (Non-stop)
Vietnam	Ho Chi Minh	3 daily x 2 airlines companies (Non-stop)
	Hanoi	1 daily x 1 airline company (1 stop)
Myanmar	Yangon	2 weekly flight x 1 airline company (Non-stop)
France	Paris	3 Weekly flight x 1 airline company (1 stop)

Source: Cambodia Airports Website (<http://www.cambodia-airports.com/>)

Table IV-5-3 Number of International and Domestic Flights (PPIA and SRIA)

	2005	2006	2007	2008	2009	2010
International Flight (PPIA)	12,9109	15,292	17,092	16,253	16,096	16,855
Domestic Flight (PPIA)	4,125	3,990	4,789	4,130	4,256	3,301
International Flight (SRIA)	12,657	14,660	16,924	15,431	13,287	15,354
Domestic Flight (SRIA)	4,266	4,197	5,088	4,551	4,960	5,093

Source: Cambodia Airports Website (<http://www.cambodia-airports.com/>)

Table IV-5-4 Number of Passengers (PPIA)

	2005	2006	2007	2008	2009	2010
Domestic Arrival	80,033	79,594	88,314	76,609	58,517	52,286
Domestic Departure	78,063	75,842	90,632	80,052	63,529	57,375
International Arrival	455,059	575,641	701,898	754,060	718,148	832,064
International Departure	468,590	591,190	717,580	781,149	747,792	774,689

Source: Cambodia Airports Website (<http://www.cambodia-airports.com/>)

Table IV-5-5 Number of Passengers (SRIA)

	2005	2006	2007	2008	2009	2010
Domestic Arrival	72,743	75,734	90,677	83,347	66,333	60,191
Domestic Departure	74,451	79,395	93,983	86,929	70,089	55,128
International Arrival	436,528	596,931	774,338	681,209	557,465	716,012
International Departure	454,396	608,328	773,430	680,335	561,279	732,968

Source: Cambodia Airports Website (<http://www.cambodia-airports.com/>)

As shown in Table IV-5-3, the number of flight using PPIA and SRIA reached its peak in 2007 and decreased in 2008 and 2009 affected by the world economic recession. However, it recovered in 2010 to almost same level as in 2007, since the tourism returned to normal in Siem Reap and the business demand has increased in Phnom Penh.

At PPIA, the growth of passenger traffic was disturbed by the sluggish economy of the world and the number of passengers considerable decreased in 2009. Such down trend was reversed in 2010 and the number of passengers increased by more than 8% over that of 2009 as shown in Table IV-5-4. As economy keeps expanding, the number of international arrival passengers at PPIA in the first 8 months of 2011 increased by 25% comparing with that of the same period in 2010.

As the tourism was also severely damaged by the world recession which began in 2008, the number of international passengers at SRIA sharply

dropped in two consecutive years from 2008. In 2010, as the economy recovered, the number of tourists visiting Angkor Wat started increasing and the international passenger traffic of SRIA reached at the almost same level of its peak year, 2007.

IV-6 Roads

Cambodia's road network currently extends approximately 52,500 km, consisting of 5,600 km of national roads and 6,600 km of provincial roads, which are under the responsibility of the Ministry of Public Works and Transport (MPWT), and approximately 40,300 km of tertiary roads for which the MRD is responsible. No divided expressway exists yet in Cambodia. Although many roads in Cambodia were severely damaged during the civil war, most of major roads have been improved under the assistance of international donors.

Table IV-6-1 Length of Road Network (as of 2012)

Road Classification	Length (Percentage)	No. of Bridge (Length)	Management Authority
1- digit national roads	2,258 km (4.3 %)	589 (17,643m)	MPWT
2- digit national roads	3,342 km (6.3%)	698 (15,710m)	
Provincial roads	6,607 km (12.6%)	904 (16,309m)	
Rural roads	40,379km (76.8%)	1,869 (26,559m)	MRD
Total Length	52,586km (100.0%)	4,060 (76,221m)	-

Note: The figures of MRD are as of July 2012. The figures of MPWT are as of 2012 for road and as of 2006 for bridge.

Source: MPWT

Table IV-6-2 International Roads in Cambodia

GMS Road No.	Asian Highway No.	ASEAN Highway No.	Cambodian Road No.	Route
R1 (Central Sub-corridor)	AH1	AH1	NR1, NR5	Poi Pet -Sisophon -Phnom Penh -Svay Rieng - Bavet
R6 (Inter-Corridor Link)	AH11	AH11	NR4, NR6, NR7	Sihanoukville -Phnom Penh - Kampong Cham - Stung Treng -Trapeng Kreal
R10 (Southern Coastal Sub-corridor)		AH123	NR48, NR3, NR4, NR33	Cham Yeam -Koh Kong -Sre Ambel -Veal Rinh -Kampot -Lork
R9 (Northern Sub-corridor)			NR66, NR7, NR78	Siem Reap –Talaborvath- O pongmoan- O Yadav Boder

Source: Infrastructure and Regional Integration Technical Working Group (2010)

Table IV-6-3 Major Road Improvement Projects in Cambodia

No.	Donor	Cost (\$ mil)	Length (km)	Section	Year		Fund
					Start	End	
1	Japan	80	56	Phnom Penh- Neak Loeung	2005	-	Grant
2	ADB	-	63	Kbal Thnal- Takeo	2001	-	Loan
3	China	71.5	109	Preak Ta Mak- Anlong Chrey	2007	2010	Loan
4	ADB	13	17	Kampong Trach - Kampot	2007	2010	Loan
5	China	57.8	157	Meanchey- Preah Vihear	2008	2011	
6	China	51.9	127	Snuol- Sen Monorom	2007	2010	Loan

Source: Infrastructure and Regional Integration Technical Working Group (2009)

Table IV-6-4 Major Bridge Constructions in Cambodia

Name of Bridge	Donor	Cost (\$ mil)	Length (km)	Location	Year		Fund
					Start	End	
Kizuna	Japan	57	1.3	Kampong Cham NR7	1996	2001	Grant
Chrouy Changvar	Japan	23	0.7	Phnom Penh NR6A	1992	1994	Grant
Neak Loeung	Japan	131	1.6	Kandal, Svay Rieng NR1	2010	2014	Grant
Preak Ta Mak	China	43.5	1.1	Prey Veng NR8 & NR6A	2007	2011	Loan
Preak Kdam	China	28.9	1	Phnom Penh NR5 & NR61	2007	2011	Loan
Kampong Bai	Korea	-	0.3	Kampot, as a part of NR3	2005	2007	Loan
Se Kong	China	-	-	Toeng Treng, as a part of NR7	2005	2008	Loan
Koh Kong	Private	7	-	Koh Kong, NR48	2001	-	BOT
New 2 nd Chrouy Changvar	China	90	-	Phnom Penh – NR6A	-	-	Loan
Prek Phnov	Private	42	1.543	Phnom Penh – NR6A	-	2010	BOT
Mekong River Bridge in Stung Treng	China	5	1,731	Stung Treng, as a part of NR9)	2012	2014	Loan
Koh Thom Bridge	China	25		Kandal Province	2012	2014	Loan

Source: MPWT

The current situation of the international roads, which link Cambodia with the neighboring countries, is shown in Table IV-6-2. National Roads No. 1 and 5 are a part of Asian Highway 1. National Roads No. 4, 6 and 7 are a part of ASEAN Highway 11. National Roads No. 48, 3 and 33 constitute a part of ASEAN Highway 123, and National Roads No. 66 and 78 constitute a part of the arterial highway of the Greater Mekong Sub-region (GMS). Japanese government and the RGC signed the Grant Agreement in October 2010 for constructing the Neak Loeung Bridge over Mekong River. It is expected to be an indispensable part of the Southern Economic Corridor and Asian Highway No.1. Currently the traffic on National Road No.1 is blocked by Mekong River and has to cross the river by ferry. Once the new bridge is completed in 2016, the travel time between Phnom Penh and Bavet at Vietnam border will be considerably reduced.

IV-7 Railways

The existing railway system in Cambodia consists of two lines: the 264 km Southern Line (SL) from Phnom Penh to Sihanoukville City and the 336 km Northern Line (NL) from Phnom Penh to Poipet on the Thai border. However, the last 48 km of the NL from Sisophon to Poipet was entirely missing. Current situation of railway facilities is shown in Table IV-7-1.

Table IV-7-1 Situation of Railway Facilities

Item	Northern Line (NL)	Southern Line (SL)
Length (km)	336 (including 48km missing line)	264km
Section	Phnom Penh - Kampong Chhnang - Pursat - Battambang - Sisophon - Poipet	Phnom Penh - Takeo - Kampot - Sihanoukville
Construction Year	1929-1942	1960-1969

Source: Infrastructure and Regional Integration Technical Working Group (2010)

Infrastructure of both lines was in poor condition due to the damages caused during the civil war, the trains operated at a speed less than 15-20 km/h. To rehabilitate the entire railway network and improve the operation, the Royal Government has concluded 30-year concession agreement with "Toll Holdings" of Australia in June 2009. ADB and AusAID agreed to fund US\$140m for the network and infrastructure upgrading work, which includes the line reinstatement of 48km missing line between Poipet and Sisophon and the construction of new inter-modal freight terminal on outskirts of Phnom Penh⁵. The rehabilitation work aims to upgrade the NL to take 20 tons of freight at maximum speed of 50 kilometer per hour and the SL to carry 15 tons of freight. Currently Toll holds 55% share and Royal Group of Cambodia has 45% in the railway concessionaire, Toll Royal Cambodia.

Following the conclusion of concession agreement, the Department of Railway was created under the supervision of Ministry of Public Works and Transportation by Sub-Decree #163 (RGC) of October 1, 2009, and the legal status of Royal Railway of Cambodia as a public enterprise was terminated as from November 15, 2009 by Sub-Decree # 164 of the same date.

As the rehabilitation work started, all the train operation on NL and SL was suspended from November 2009. On October 1, 2010, however, the rehabilitation work of railway section between Phnom Penh and Touk Meas, which locates at 118km from Phnom Penh and near Kampot, has been completed and currently a cargo train is being operated once or twice per week carrying cement from Kampot to Phnom Penh. The remaining section between Touk Meas and Sihanoukville is expected to be connected by the end of 2012 and the commercial operation in SL is expected to be resumed in the first half of 2013. Upon completion of

rehabilitation work of whole SL route, Toll Royal Cambodia expects to transport containers, construction materials, oil, coal and cement from Sihanoukville or Kampot to Phnom Penh. It is said that a train of 1-km long may be operated mainly for container transportation. In order to meet the requirements of the container transportation by railway, a new container handling yard is planned to be constructed between the Sihanoukville Port and Sihanoukville railway station.

Regarding NL, the rehabilitation work of a section between Phnom Penh and the separating point of NL and SL, which locates at 32km from Phnom Penh, has already been completed and a partial railway service has begun since April 2011. The reinstalling work of a section of 48-km "Missing Line" between Poipet and Sisophon on NL has also started in 2008. However, as the whole work has been suspended since July 2012 due to the problems of contractor, it is difficult to predict at this moment the reopening date of NL.

The feasibility study for the section of the missing link between Bat Deoung and Trapeang Sre or Lognign (railway connecting point between Cambodia and Vietnam) was completed and the feasibility report was also finalized in December 2010.

The Railway Cross Border Agreement between Cambodia and Vietnam was signed on November 4, 2008 and the same with Thailand is currently under discussion. The Minutes of Discussion for Railway Connecting Point has been signed between the Railway Department of MPWT of Cambodia and the State Railway of Thailand (SRT) on August 16, 2012.

The Study of Railway Master Plan for Cambodia is currently undertaken by KOICA and is expected to complete in June 2013.

IV-8 Sea Port

In Cambodia, there is only one deep seawater port in Preah Sihanouk Province. The Sihanoukville Autonomous Port (PAS) has been expanded steadily and it has now 12 berths equipped with modern cargo handling facilities. It has two channels, namely South Channel (Length 5.5km, Depth 8.4m, Width 80-100m) and North Channel (Length 1km, Depth 10m, Width 150-200m). The details of current situation of the Port are shown in the following tables. (Source: PAS brochure, April 2012)

Although the container cargo throughput volume of the Sihanoukville Port increased steadily until 2008, it sharply dropped in 2009 mainly because of the decrease of garment export to American and EU market being affected by the economic disorder started in 2008. General cargo throughput also decreased in 2009 due to the decrease in import of construction materials caused by the sluggish domestic real estate market. Container throughput returned to the growth track as the garment export started increasing in 2010. General cargo throughput also sharply increased in 2010 and surpassed the peak volume recorded in 2008. The import of construction materials to be used for the various large-scale development projects and factory construction by the investors surged throughout the year. In 2011, the container throughput further increased, while the general cargo remained at the same level as in 2010.

The construction of Sihanoukville Port Special Economic Zone (SPSEZ), which occupies 70ha of Port Authority's land adjoined to a container terminal of the Sihanoukville Autonomous Port, has been successfully completed by utilizing Japanese soft loan provided in October 2009. It was opened on May 1, 2012 and is now available for the investors to construct factories.

Note 5 : Source: <http://www.tollroyalrailway.com/>

Table IV-8-1 Berthing Capacity of Sihanoukville Port

Terminal	Length (m)	Depth (m)	Berths	Use
New Wharf	350	-9.0 (-10.50)	2	Medium size vessels
Container Terminal	400	-10.50 (-11.50)	3	Medium size vessels
General Cargo	290	-8.40	2	Inner berth of Old Jetty
Passenger Terminal	290	-8.40	2	Outer berth of Old Jetty
The following jetties belong to the private companies.				
Sokimex	200	-10.00	1	Oil jetty
Pontoon	110	-6.00	1	Oil jetty
Stone Wharf	53	-4.50	1	Oil jetty
Tela	220	-7.10	1	Oil jetty

Table IV-8-2 Cargo Handling Facilities of Sihanoukville Port

Type	Capacity	Quantity (Unit)
Mobile Harbour Cranes	60t	2
Quay Gantry Cranes	30.5t	2
Rubber Tired Gantry Cranes	35.5t	7
Super Stackers	45t	8
Empty Stackers	7.5t	1
Trailers	20' – 40'	33
Shore Cranes	10t – 50t	9
Forklifts	3t – 25t	17
Trucks for General Cargo	10t – 20t	8

Table IV-8-3 Storage Facilities of Sihanoukville Port

Terminal	Size (m ²)	Capacity	Quantity
Container Terminal (750m length)	139,000	2,724 (TEUs)	1
		10, 176 (TEUs)	
		370,406 (TEUs)	
Warehouse	36,000	60,000 tons	5 blocks
Reefer Container			54 socket

Table IV-8-4 Cargo Throughput of the Sihanoukville Port

	2007	2008	2009	2010	2011
Total cargo throughput (tons)	1,818,877	2,057,967	1,874,095	2,217,150	2,439,384
Container throughput (TEU)	253,271	258,775	207,861	222,928	237,941
General cargo throughput (tons)	193,572	291,114	241,494	374,801	372,554

Table IV-8-5 Current Ship Calling Status in Sihanoukville Port

Lines	Frequency	Rotation Ports
Maersk (8 calls/month)	2 calls/week	SGN-SHV-LZP-TPP-SIN-BTG-MNL-KAO-YAT-HKG-SGN-SIN-SHV-TPP-SIN
RCL (12calls/month)	3 calls/week	SIN-SHV-SGZ-SIN HKG-SHV-SGZ-HKG-(HPH-TXG-KEL) KUN-SHV-SGZ-SIN-KUN
SITC (Ben Line) (4 calls/month)	1 call/week	HCM-SHV-BKK-LZP-HCM-NSA-NBO-SGH-OSA-KOB-BUS-SGH-HKG-HCM
ITL (ACL) (4calls/month)	1call/week	SGZ-SHV-SIN-SGZ
APL (4calls/month)	1call/week	SIN-SHV-SIN
Cots (2 calls/month)	1 call/2 weeks	BKK-SHV-BKK-(LZP)
Total		9 calls/week

The ship calling frequency and rotation ports are shown in Table IV-8-5.

Beside, six offshore oil fields have being developed or are planned to be developed at offshore of Sihanoukville Port. A new multi-purpose terminal, which will consist of a supply base for those offshore oil fields and a handling area for bulky materials such as wood chip or coals, is now in the process of detailed design with assistance of Japan International Cooperation Agency.

Beside the Sihanoukville Autonomous Ports, there are other smaller ports such as Sre Ambel Port, Kampot Port and Oknha Mong Port. Among them, Oknha Mong Port is quite active for imports of smaller general cargo. Kampot Port is now under the expansion works. Kirisakor of Koh Kong has an expansion plan for sugar transportation. There are also the plans for developing new ports in Kirisakor of Koh Kong Province (deep seawater port), Steung Hav of Prea Sihanouk Province (International port) and Kep Province (tourist port).

IV-9 Inland Water Transportation

The Cambodian inland water network mainly consists of the Mekong River and its sub-streams, Tonle Sap River and Bassac River, of which total length is approximately 1,750km in the rainy season and may decrease to 580km in dry season when navigation is limited. The bends of the river prevents the passage of vessels more than 110 meters long. The Mekong's mainstream accounts for 30% of the total length, the Tonle Sap River 15%, the Bassac River 5%, and other tributaries 50%. Year-round navigation is possible through 580km.

Phnom Penh Autonomous Port locates at about 100 km from Kaam Samnar of the Cambodia-Vietnam border and about 332km by rive from the Cuu Tieu, an entrance mouth to the South China Sea. It provides one local terminal which is the base for distributing and collecting the goods to/from many provinces. The major ports along the inland water are as follows.

- Stung Treng Port (Stung Treng Province): on the mainstream of the Mekong 1280km up from Kratie Port
- Kratie Port (Kratie Province): on the mainstream of the Mekong 121km up from Kampong Cham Port
- Tonle Bet Port (Kampong Cham Province): on the mainstream of the Mekong 106km up from Phnom Penh
- Neak Loeang Port (Prey Veng Province): on the mainstream of the Mekong 60km down from Phnom Penh Port
- Chong Khneas (Siem Reap Province) Port: on the Tonle Sap River 190km up from Phsar Krom Port
- Phsar Krom Port (Kampong Chunang): on the Tonle Sap River 100km up from Phnom Penh Port

In recent years, the inland waterways transport activities have decreased, except between Phnom Penh and Cai Mep of Vietnam, as a result of an increase in road transport. Transport by inland waterways vessels through the Mekong River and its tributaries would provide access to markets and other necessary services for those who live in rural areas. Maximum navigable vessel size in the Mekong River basin is shown in Table IV-9-1.

The Phnom Penh Autonomous Port accommodated 472 international

Table IV-9-1 Maximum Navigable Vessel Size in the Mekong River Basin

	Mekong Mainstream up to Phnom Penh	Tonle Sap, Phnom Penh to Siem Reap
Petroleum	Tanker barges 1,000 DWT/ Draught 4.0m	
Container	Barges 1,900 DWT (120TEU)/ Draught 3.8m	
General Cargo	Barges 1,500 DWT/ Draught 4.0m	
Tourism Cruise Vessels	50-65 passengers Draught 1.5m	50-65 passengers Draught 1.5m
Speedboats	25 passengers Shallow Draught	25 passengers Shallow Draught

Source: Infrastructure and Regional Integration Technical Working Group (2010)

Table IV-9-2 Current Situation of Phnom Penh Port

Channel	Berth			Other Facilities & Remarks
	Name	Structure	Length	
Maintenance Dredging (at Chaktomok) Depth: 7m Width: 60m Length: 1,290m Volume: 159,648 Cube Meter	Port No.1			[Container Yards] 2 yards for laden containers, 1 yard for empty containers
	No.1	Jetty apron width 20m	Total 300m	
	No.2			
	No.3			
	Port No.2(for passengers)			1km downstream from Port No.1
	No.5b	pontoon	15x45	
	No.5c	Pontoon	15x45	
	Private Facilities			Between 4 and 13km upstream from Phnom Penh
	8 facilities for oil barges	Ship size from 600-1,000DWT		

Source: Infrastructure and Regional Integration Technical Working Group (2010)

vessels and barges, 885 tanker barges and 103 Cambodian vessels and barges in 2010 and handled 81,631 TEU of containers in 2011. The current situation of Phnom Penh Port is shown in Table IV-9-2.

Phnom Penh Autonomous Port also handles the international container cargo. Following the commencement of operation of Cai Mep deepwater port in southern Vietnam in June 2009, some of the exporters in Phnom Penh area now tend to send cargoes through the Mekong River to Cai Mep Port, then to the global markets, particularly to Singapore and the USA, which is said to be cheaper and faster. To meet the increasing demand, Phnom Penh Port started on 9 March 2011 the construction of new container dock which will locate at 30km east of Phnom Penh, along Mekong River and the National Road No. 1 in Kien Svay District of Kandal Province. New container dock will have a space of 10 hectares, allows two 5,000-ton ships to anchor simultaneously and has an annual handling capacity of 120,000 TEUs. The project will be financed by Chinese government, constructed by Shanghai Construction Group and take 30 months to be completed.

IV-10 Industrial Land

Special Economic Zones (SEZs) as industrial land

In recent years, the industrial investment into the SEZ has been accelerated. While the number of companies or projects located in the SEZ was 36 in October 2009, it jumped up to 94 in October 2011 and more projects which plan to locate in the SEZ are waiting for the approval of QIP registration by CSEZB.

The Cambodian government has so far officially approved 22 SEZs. Among them, fourteen SEZs have been authorized by the Sub-Decree and eight other SEZs already received the licenses from the CSEZB. The locations of each SEZ are shown in the map below.

Among the approved SEZs, 21 are privately owned and operated and one is owned by the state company. As of November 2011, 94 investors locate in 8 SEZs and, among all the SEZs, the investors' favorable locations are Phnom Penh, Svay Rieng and Preah Sihanouk as shown in Table IV-10-1.

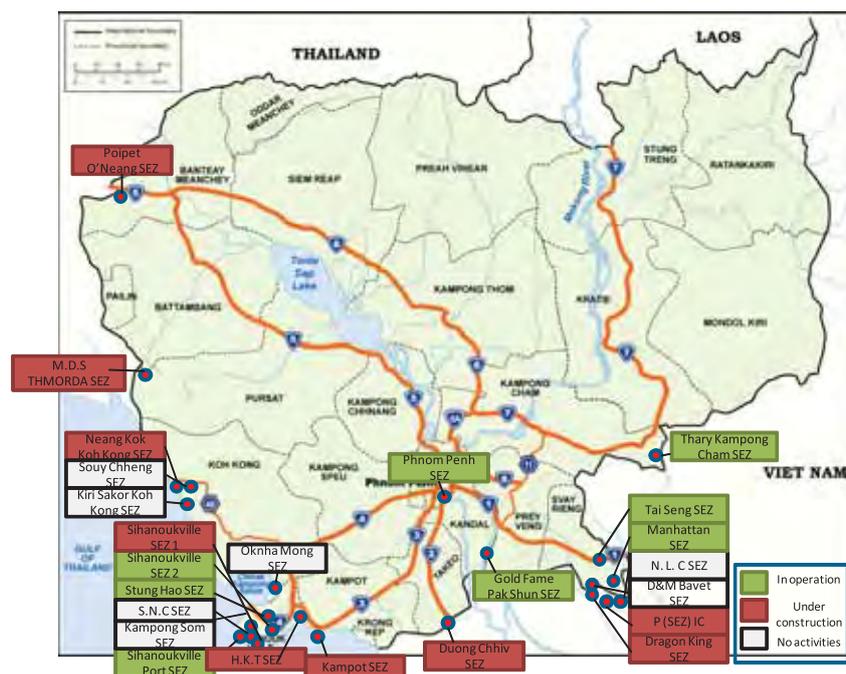


Figure IV-10-1 Locations of SEZs

Table IV-10-1 Cambodia's SEZ as of the end of October 2011

1. Neang Kok Koh Kong SEZ	
1) Location	Neang Kok Village, Pakkhlong Commune, Mundul Seyma Destrict, Koh Kong Province - 5km from Thai border
2) Land area	335.43 ha.
3) Project Implementation	Entrance, road, power grid from Thailand and water: Completed Fencing, administration building, waste water treatment: To be developed
4) Zone Investor	1-Camko Motor Company Ltd. (Vehicle assembly and spare part) 2-Yazaki Cambodia Products Co., Ltd. (Wire harness) 3-KKN Apparel Co., Ltd. (Garment) 4-MIKASA Sports (Cambodia) Co., Ltd. (Sporting goods)
2. Suoy Chheng SEZ	
1) Location	Neang Kok Village, Pakkhlong Commune, Mundul Seyma Destrict, Koh Kong Province
2) Land Area	100 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	None
3. S.N.C SEZ	
1) Location	Sangkat Bet Trang, Khan Prey Nob , Preah Sihanouk Province
2) Land area	150 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	None
4. Stung Hav SEZ	
1) Location	Sangkat O Tres, Stung Hav District, Preah Sihanouk Province
2) Land area	196 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	None
5. N.L.C SEZ	
1) Location	Phum Prey Phdao abd Phum Thlok, Khum Chrok Mtes, Srok Svay Teab, Sray Rieng Province
2) Land area	105 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	None
6. Manhattan (Svay Reing) SEZ	
1) Location	Bavet Commune, Chantrea District, Svay Rieng Province - 6km from Vietnam border on National Road No.1
2) Land area	180 ha. - 1 st phase: 20 ha (Commercial zone) - 2 nd phase: 60 ha (Manufacturing zone: completed) - 3 rd phase: 100 ha
3) Project Implementation	Fencing, entrance, administration building, power grid from Viet Nam, water for the first phase: Completed Waste water treatment: To be developed

4) Zone Investor	<ul style="list-style-type: none"> 1- Best Way Industry Co., Ltd. (Bicycle) 2- S.Y.G. Steel International Co., Ltd. (Bold-Nut) 3- Kingmaker Footwear Co., Ltd. (Footwear) 4- Sheico (Cambodia) Co., Ltd. (Neoprene wet suits) 5- Forest Packing (Cambodia) Co., Ltd. (Packing bag) 6- Pique Garment Co., Ltd. (Garment) 7- Leegrow Plastic Packaging Co., Ltd. (Packaging bag) 8- Ampac Packaging (Cambodia) Ltd. (Packaging products) 9- Eastern Industrial Enterprise Inc. (Garment and textile) 10- Visca Plastics Joint Stock Company (Plastic) 11- Angkor Spring Co., Ltd. (Mattress products) 12- Kaoway Sports Ltd. (Sport Shoes) 13- Morofuji (Cambodia) Co., Ltd. (Bags and package products) 14- Top Sports Textile Ltd. (Textile and garment) 15- Wally Packaging (Cambodia) Co., Ltd. (Packing bags) 16- Elite (Cambodia) Co., Ltd. (Garment) 17- Front Packaging (Cambodia) Ltd. (Packaging products) 18- Seed Tech Industrial Co., Ltd. (Bicycle) 19- Randy Crafts Co., Ltd. (Gifts products) 20- Long Bright Electric Enterprise Co., Ltd. (Light string) 21- J F Industrial (Cambodia) Co., Ltd. (Umbrella) 22- Felecity Garment (Cambodia) Corporation Ltd. (Garment) 23- San Feng (Cambodia) Company Limited (Blinds and window covering) 24- Xia Fang Hanger (Cambodia) Co., Ltd. (Hanger) 25- Angkor Shine Development (Cambodia) Co., Ltd. (Garment and hanger) 26- Powerjet Home Product (Cambodia) Company Limited. (Household and car cleaning tools) 27- Qingdao Yiqing (Cambodia) Co., Ltd. (Clock and craft)
7. Poi Pet O'Neang SEZ	
1) Location	Poipet Commune and Nimit Commune, O' Chhrov District, Banteay Meanchey Province
2) Land area	467 ha.
3) Project Implementation	Infrastructure Developing: Fencing, Entrance gate, Electric pole
4) Zone Investor	<ul style="list-style-type: none"> 1- Campack Co., Ltd. (Jewelry Packing) 2- Wireform Precision Parts Co., Ltd. (Plastics) 3- Simmers Inter Co., Ltd. (Jewelry Product) 4- ML Intimate Apparel (Cambodia) Co., Ltd. (Garment accessories) 5- Hi-Tech Apparel (Cambodia) Co., Ltd. (Garment)
8. Doung Chhiv Phnom Den SEZ	
1) Location	Kiri Vong District, Takeo Province
2) Land area	79 ha.
3) Project Implementation	Infrastructure Developing: Landfill and fencing.
4) Zone Investor	None
9. Phnom Penh SEZ	
1) Location	Khan Dangkao, Phnom Penh and Ang Snuol District, Kandal Province (18km from Phnom Penh)
2) Land area	<p>360 ha.</p> <ul style="list-style-type: none"> - 1st phase: 141 ha (Completed) - 2nd phase: 162 ha (Construction started from January 2011) - 3rd phase: 57ha (Living area)
3) Project Implementation	Fencing, roads, administrative building, entrance, electricity, water, waste water treatment and telecommunication system: Completed.

<p>4) Zone Investor</p>	<ol style="list-style-type: none"> 1- Navy Water Production Co., Ltd. (Drinking water) 2- Bok Seng PPSEZ Dry Port Co., Ltd. (Dry port) 3- Redial Industrial Co., Ltd. (Plastic) 4- Civil (CP) Construction Product Ltd. (Pole) 5- Tiger Wing Co., Ltd. (Footwear) 6- Evergreen Industrial Co., Ltd. (Garment) 7- Yamaha Motor Cambodia Co., Ltd. (Motorcycle assembly, accessories and spare parts) 8- Cambodia Success Industries Co., Ltd. (Steel processing for construction material) 9- Agricom (Cambodia) Co., Ltd. (Sugar packaging) 10- Cambox Private Limited. (Plastic) 11- Ji-Xiang Co., Ltd. (Cartons and papers processing) 12- Colben Energy (Cambodia) PPSEZ Ltd. (Power Plant) 13- Yi Xiang Co., Ltd. (Plastic) 14- Ajinomoto (Cambodia) Co., Ltd. (Seasoning and food processing) 15- Sin Chn Hong (Cambodia) Plastics Industry Co., Ltd. (Plastic) 16- Clean Circle Co., Ltd. (Leather shoes) 17- Cambodian Food Processing and Distribution Co., Ltd. (Food processing) 18- Sichuan New Hope Agribusiness (Cambodia) Co., Ltd. (Animal feed) 19- MKK Co., Ltd. (Cigarette and cigar) 20- Liwayway (Cambodia) Food Industries Co., Ltd. (Food Processing) 21- Haru Phnom Penh Comic Center Co., Ltd. (Comic book assembly and authoring) 22- Dishells (Cambodia) Ltd. (Heat insulation and its products) 23- Proceeding (Phnom Penh) Co., Ltd. (Japanese traditional clothes) 24- FST PP Co., Ltd. (Japanese traditional clothes) 25- Shin Feng Paper Co., Ltd. (Carton box and paper processing) 26- Atlas Ice (Cambodia) Co., Ltd. (Ice manufacturing) 27- Thibidi (Cambodia) Co., Ltd. (Electrical equipment) 28- Minebea (Cambodia) Co., Ltd. (Small-size motor) 29- O and M (Cambodia) Co., Ltd. (Leather products) 30- Combi (Cambodia) Co., Ltd. (Baby goods and toy) 31- Marunix (Cambodia) Co., Ltd. (Wire harness assembly) 32- Sumi (Cambodia) Wiring Systems Co., Ltd. (Wiring Harness) 33- Kyowaseikan (Cambodia) Co., Ltd. (Packaging materials) 34- Sunhsin Thread and String (Cambodia) Co., Ltd. (Shoulder pads) 35- Zion Label and Printing Co., Ltd. (Labels) 36- Fontz Power Co., Ltd. (Garment and bags) 37- KLB Bio-Energy Investment (Cambodia) Co., Ltd (Briquette) 38- Japan Rocks S.E.A (Phnom Penh) Co., Ltd. (Garment) 39- Soon-West (Cambodia) Co., Ltd. (Electric parts) 40- Medipro (Cambodia) Co., Ltd. (Medical device and sterilization) 41- Weibo EIC Garment Manufacturing (CAMBODIA) Co., Ltd (Garment) 42- Weibo Best Production (Cambodia) Co., Ltd. (Garment) 43- Mega Labels and Strikers (Cambodia) Co., Ltd. (Labels and strikers) 44- Yamato Konpo International (Cambodia) Co., Ltd. (Packaging materials) 45- Jia Long Plastic Porducts Co., Ltd. (Plastics) 46- Marusan Plastic (Phnom Penh) Co., Ltd. (Automobile parts) 47- KEZA (Cambodia) Limited. (Elastic bands) 48- Taica (Cambodia) Corporation (Plastics) 49- Taiwa Seiki (Cambodia) Corporation (Rice mill) 50- CH Steel Wire Industries (Cambodia) Co., Ltd. (Steel wire for construction) 51- Footmark (Cambodia) Co., Ltd. (Sportswear and sport equipment) 52- Meikodo (Cambodia) Co., Ltd. (Pin product) 53- G.S.Electech (Cambodia) Inc. (Wire harness)
<p>10.Kampot SEZ</p>	
<p>1) Location</p>	<p>Koh Toch commune, Kampot district, Kampot Province</p>
<p>2) Land area</p>	<p>145 ha.</p>
<p>3) Project Implementation</p>	<p>Infrastructure Developing: Landfill and building Kampot seaport.</p>
<p>4) Zone Investor</p>	<p>1- Kampot Electricity Supply Co., Ltd. (Power plant of 270 MW by Coal fired)</p>

11. Sihanoukville SEZ 1	
1) Location	Stung Hav District, Preah Sihanouk Province
2) Land area	178 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	1- Cambodian Energy Limited (To build, operate and own 100 MW coal-fired power generation plant) 2- C.I.I.D.G Erdos Hongjun Electric Power Co., Ltd. (Power plant of 3x135 MW by coal-fire)
12. Tai Seng Bavet SEZ	
1) Location	Bavet District, Svay Rieng Province - 7km from Vietnam border on National Road No.11
2) Land area	125 ha. - Main phase: 77 ha. - Sub phase: 48 ha. (5km from the main phase site toward Phnom Penh)
3) Project Implementation	Entrance, administration buildings, road, power grid from Viet Nam and water: Completed Fencing and waste water treatment: To be developed
4) Zone Investor	1- Atlantic Cycle Co., Ltd. (Bicycle) 2- La More (Cambodia) Ltd. (Footwear) 3- DK Inc. (Garment) 4- Yorks (Cambodia) Co., Ltd. (Gloves) 5- Smart Tech (Cambodia) Co., Ltd. (Bicycle) 6- A and J (Cambodia) Co., Ltd. (Bicycle) 7- Swany (Cambodia) Corporation (Gloves) 8- Helsa South East Asia Co., Ltd. (Shoulder Pads) 9- Towa (Cambodia) Co., Ltd. (Men's Suits) 10- Nakayama Cambodia Co., Ltd. (Baby underwear) 11- Ronchester Inc (Garment) 12- ATX Industrial (Cambodia) Co/, Ltd. (Footwear, Sports leisure and related components) 13- Jiangsu Likang (Cambodia) Co., Ltd. (Medical products) 14- Japana (Cambodia) Co, Ltd. (Sport wear and gloves) 15- Xinsheng Plastic Pack (Cambodia) Co., Ltd. (Packaging products) 16- Tokyo Parts Industrial (Cambodia) Co., Ltd. (Coils and transformers) 17- La Peluche Couture Co., Ltd. (Stuffed Toys, Baby Sewing Goods and Sewing Bags) 18- Fopack (Cambodia) Enterprise Corporation (Plastics)
13. Oknha Mong SEZ	
1) Location	Srea Ambel District, Koh Kong Province
2) Land area	100 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	None
14. Goldfame Pak Shun SEZ	
1) Location	Sa Ang District, Kandal Province
2) Land area	80 ha.
3) Project Implementation	Infrastructure Development: Fencing
4) Zone Investor	1- Gold Dragon Printing & Carton Boxes Factory Co., Ltd. (Carton, Printing plastic label, Knitting) 2- Kingway Manufacturing Limited (Garment) 3- Good Ray Development Limited (Garment)
15. Thary Kampong Cham SEZ	
1) Location	Da commune, Memot District, Kampong Cham Province
2) Land area	142.14 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	None
16. Sihanoukville SEZ 2	
1) Location	Pou Thoug Village, Betrang Commune and Smach deang Village, Ream Commune, Prey Nop District, Preah Sihanouk Province - 12km from Sihanoukville Port
2) Land area	1,688 ha.
3) Project Implementation	Infrastructure Developing: internal roads, the administrative building, entrance, electricity, and telecommunication system: Completed Building fence, water and waste water treatment: To be developed.

4) Zone Investor	<p>1- Nanguo Garment co., Ltd (Garment) 2- Hongdou International Garment Co., Ltd. (Garment) 3- Qianlima Vehicle Co., Ltd. (Vehicle assembling) 4- Taihua Plastic Products Co., Ltd. (Plastics) 5- Huang Jia Arts and Crafts Co., Ltd. (Arts and crafts candle) 6- Wealth (Cambodia) Steel Industry Engineering Co., Ltd. (Steel processing for construction material) 7- Horseware Products Cambodia Co., Ltd. (Horse ware products) 8- Zhong Zheng (Cambodia) Co., Ltd. (Material for construction) 9- Keptop Sporting Goods (Cambodia) Co., Ltd. (Bags) 10- Brilliant Shoes Factory Co., Ltd. (Shoes) 11- Prosource Electronics (Cambodia) Co., Ltd. (Household appliances) 12- Wan Hai Hanger (Cambodia) Co., Ltd. (Founded hanger) 13- Continental Cycles Cam Co., Ltd. (Bicycles) 14- Galey Global (Cambodia) Co., Ltd. (Garment) 15- Oufeiya Leather (Cambodia) Co., Ltd. (Leather Products) 16- Asle Electronic (Cambodia) Co., Ltd. (Electronics parts) 17- Shandong Forest Wood (Cambodia) Co., Ltd. (Floor and plywood) 18- Izumi (Cambodia) Co., Ltd. (TV frame and electric parts) 19- Rebecca Hair Products (Cambodia) Co., Ltd. (Hair Products) 20- Cambodian Gateway Underwear Co., Ltd. (Underwear Garments) 21- Sure Success (Cambodia) Industrial Co., Ltd. (Lever arch & ring mechanism) 22- Clear Water Leather Supply Co., Ltd. (Sofa cover of leather) 23- Happy Leather (Cambodia) Co., Ltd. (Leather products) 24- J.D.Y Pharm Co., Ltd. (Bio-Tech pharmaceuticals) 25- Janda (Cambodia) Garments Mfg Co., Ltd (Garment)</p>
17- D&M Bavet SEZ	
1) Location	Bavet commune, Chantrea District, Svay Rieng Province
2) Land area	117.95 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	None
18- Kiri Sakor Koh Kong SEZ	
1) Location	Khum Prek Kasach, Srock Kirisakor, Koh Kong Province
2) Land area	1,750 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	None
19. Sihanoukville Port SEZ	
1) Location	Tomnop Rolok Area, Sangkat Lek1 and Lek3, Sihanoukville City, Preah Sihanouk Province - Adjoining Sihanoukville Port
2) Land area	70 ha.
3) Project Implementation	Fencing, Entrance, roads, administration buildings, electricity and water distribution system, waste water treatment, telecommunication lines, workers dormitories, apartments: Whole construction completed in early 2012
4) Zone Investor	1- Ojitex Harta Packaging (Sihanoukville) Limited (Carton box)
20. Kampong Saom SEZ	
1) Location	Village 4, Ortres Commune, Stung Hav District, Preah Sihanouk Province
2) Land area	255 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	None
21. P (SEZ) I C	
1) Location	Salatean and Preytob Villages, Chhrokmates Commune, Svayteab District, Svay Rieng Province.
2) Land area	107.55 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	None
22. MDS THMORDA SEZ	
1) Location	Khum Thmorda, Srock Veal Veng, Pursat Province
2) Land area	2,265 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	None

23. Kandal S.E.Z	
1) Location	Puk Rouesey and Prek Om Pel Commune, Khsach Kandal District, Kandal Province
2) Land area	105 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	None
24. H.K.T SEZ	
1) Location	Prek Torl and Terk Tlar Commune, Prey Nub District, Preah Sihanouk Province
2) Land area	345.20 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	None
25. Dragon King SEZ	
1) Location	Road No.1, Ang Sela Village, Prey Angkunh Commune, Bavet City, Svay Rieng Province
2) Land area	106.5 ha.
3) Project Implementation	Infrastructure Developing
4) Zone Investor	None

Source: Project Implementation Sheets prepared by the CSEB

Investment location outside of the SEZs

The investment projects locate in various areas of Cambodia according to the nature of projects. In any case, the investment projects tend to accumulate along the main national roads. Provinces along the single-digit national roads are summarized as follows.

- National Road No.1: Kandal and Svay Rieng
- National Road No.3: Kandal and Kampot
- National Road No.4: Kampong Speu, Koh Kong and Preah Sihanouk
- National Road No.5: Kampong Chhunang, Pusat and Battambang
- National Road No.6: Banteay Meanchey, Siem Riap
- National Road No.7: Kampong Cham

V INVESTMENT

V-1 Policies toward FDI

Laws and regulations governing FDI in Cambodia are basically designed to encourage investments. As the Law on Investment stipulates, FDIs are treated in a non-discriminatory manner except for land-ownership, which is stated in the Constitution, and allowed to invest freely in many areas. Under the current Law on Investment, the investors, who are given Final Registration Certificates, will be entitled to various incentives.

In addition, the Cambodian government has been improving their investment facilitation services. For example, the Government decided in 2005 to establish the Cambodian Special Economic Zone Board (the CSEZB) under the CDC to promote the special economic zone (SEZ) scheme in Cambodia. Administered by the CSEZB, the Special Economic Zone Administration is to be established in authorized SEZ and expected to provide one-stop service to zone investors from the registration of investment projects to routine export-import approvals.

V-2 Regulatory Framework for Investment

In Cambodia, the FDI is free to be implemented except in those areas listed in Section 1 of ANNEX 1 (Negative List) of the Sub-Decree No. 111 on the Implementation of the Law on the Amendment to the Law on Investment, which are prohibited for both Cambodian and Foreign investors. It has to only be registered at the Ministry of Commerce and obtain relevant operating permits. However, if the foreign investors seek investment guarantee and/or incentives, they have to apply for the investment project registration which would be approved by the CDC or the Provincial-Municipal Investment Sub-Committee (PMIS). The application for the investment project registration can be made either before or after the incorporation (or a registration within the MOC).

The investment license scheme was originally regulated by the “Law on Investment”, which was promulgated in August 1994. In March 2003, in order to make the licensing schemes to be simpler and more transparent, predictable, automatic and non-discretionary, the original Law on Investment was amended substantially by the current “Law on the Amendment to the Law on Investment (Amended Law on Investment)”. In addition, the “Sub-Decree on the Establishment of the Sub-Committee on Investment of the Provinces-Municipalities of the Kingdom of Cambodia” was issued in February 2005 to regulate the licensing scheme for investment less than two million US Dollars. The “Sub-Decree No. 111 on the Implementation of the Law on the Amendment to the Law on Investment” was also issued in September 2005. (The provisions of three laws and sub-decrees are shown in Appendix II, III and IV respectively.)

V-3 Outline of Investment Approval Scheme

- “Amended Law on Investment” of 2003 was made to adopt the automatic approval system of the investment projects, which must be completed within 31 working days after the receipt by the CDC or PMIS of the investment proposal, unless they are among the fields prohibited in the negative list or investment project related to the national interest/ environmental sensitivity.
- An investment approval will be issued not to an investor or investing enterprise but to a project. A project which receives the investment approval is called a Qualified Investment Project (or “QIP”).
- “Amended Law on Investment” governs all QIPs and defines the procedures by which any person establishes a QIP.
- The investment incentives are granted automatically to a QIP.

- The CDC is expected to act as One-Stop Shop and obtain all of necessary licenses required from relevant ministries entities listed in the Conditional Registration Certificate (CRC) for investment on behalf of the investment applicant.
- A QIP may be in the form of a joint venture. A joint venture may be formed between Cambodian entities, between Cambodian entities and foreign entities or between foreign entities. There is no limitation based on nationality or the share-holding proportion of each shareholder, except in the case a joint venture owns or intends to own land or an interest in land in Cambodia. In such a case, the maximum combined share-holding of all foreign parties must not exceed 49%.

V-4 Responsible Organization

The CDC is the sole and One-Stop Service organization responsible for the rehabilitation, development and oversight of investment activities. The CDC is responsible for the evaluation and the decision-making on all rehabilitation, development and investment project activities (Article 3, “Amended Law on Investment”).

However, the CDC shall submit for the approval of the Council of Ministers any of the following investment projects (Article 11, “Sub-Decree No.147 on the Organization and Functioning of the Council for the Development of Cambodia”).

- Capital investment of US\$ 50 million and above
- Politically sensitive issues
- Exploration and the exploitation of mineral and natural resources
- Possible negative impact on the environment
- Long-term development strategy

Infrastructure projects such as projects on the basis of Build-Own-Transfer (BOT), Build-Own-Operate-Transfer (BOOT), Build-Own-Operate (BOO) or Build-Lease-Transfer (BLT)

V-5 Qualified Investment Project

To be admitted as a QIP, the investor has to register the investment project with the CDC or PMIS and receive a Final Registration Certificate (FRC) under the Law on Investment (Article 2 and 6, “Amended Law on Investment”).

V-6 Investment Incentive

Investment incentives granted to a QIP

QIPs are entitled to the following investment incentives (Chapter 5, “Amended Law on Investment”):

- QIPs may elect to receive a profit tax exemption or use special depreciation.
- Profit tax exemption (Selective): A tax holiday period is composed of “Trigger period + 3 years + Priority Period” (Maximum total 9 years)
 - Trigger Period (Maximum 3 years): Commencing on the issuance of the Final Registration Certificate and ending on the last day of the taxation year immediately preceding the earlier of:
 - (a) if the QIP derives a profit, the taxation year that the profit is first derived; and
 - (b) if the QIP derives income from the Investment Activity in respect of the sale of goods or services, the third taxation year after the taxation year in which the income is first derived.
 - Priority Period (Maximum 3 years): To be determined according to the type of project and investment capital in the Financial Management Law.

Table V-6-1 Priority Period

<p>A. Investment Project in Light Industry:</p> <ul style="list-style-type: none"> - Investment capital amount below US\$5million: 0 year - Investment capital amount between US\$5million and US\$20million: 1 year - Investment capital amount more than US\$20million: 2 years <p>B. Investment Project in Heavy Industry</p> <ul style="list-style-type: none"> - Investment capital amount below US\$50million: 2 years - Investment capital more than US\$50million: 3 years <p>C. Investment Project in Tourism Industry</p> <ul style="list-style-type: none"> - Investment capital amount below US\$10million: 0 years - Investment capital more than US\$10million: 1 year <p>D. Investment Project in Agriculture and Agro-industry</p> <ul style="list-style-type: none"> - Short cycle agriculture project: 1 year - Long cycle agriculture project: 2 years <p>E. Investment Project in Backbone Infrastructure</p> <ul style="list-style-type: none"> - Investment capital amount below US\$10million: 1 year - Investment capital amount between US\$10million and US\$30million: 2 years - Investment capital amount more than US\$30million: 3 years
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Source: Chapter 2, Royal Kram NS/RKM/1205/140 on the Promulgation of the Law on the Financial Management in the year 2006

- An annual Certificate of Obligation Satisfaction (or “Certificate of Compliance”) has to be obtained by the QIP to be entitled “Profit Tax Exemption”.
- A QIP shall be subject to a profit tax rate after its tax exemption period as determined in the Law on Taxation
- Special depreciation (Selective): 40% special depreciation allowance on the value of the new or used tangible properties used in the production or processing.
- Duty free import of production equipment, construction materials, etc. as shown in Table V-6-2:
- A QIP located in a designated SPZ or EPZ: To be entitled to the same incentives and privileges as other QIP stipulated in the Amendment to the LOI.
- A QIP shall be entitled to 100% exemption of export tax, except for activities as stipulated in laws in effect.
- The rights, privileges and entitlements of a QIP can be transferred or assigned to a person who has acquired or merged a QIP subject to the approval of the CDC or PMIS.

Projects not eligible for the incentives

The investment projects listed in Section 2 (Investment Activities Not Eligible for Incentives) of Annex 1 of the Sub-Decree No.111 are not eligible for investment incentives. Those investment projects include the following:

- All kinds of commercial activity, import, export, wholesale, and retails, including duty free shops
- Any transportation services by waterway, by road, by air except investment in the railway sector
- Restaurants, karaoke parlors, bars, nightclubs, massage parlor, fitness, etc.
- Tourism service
- Casino and gambling business
- Currency and financial business and services such as banks, financial institutions, and insurance companies
- Activities related to newspaper and media, including radio, television, press, magazine, etc.
- Professional services
- Production and processing of wood products using wood from natural forest with a legal domestic supply source for raw materials
- Complex resort, including hotel, theme park, sport facilities, zoo with less than 50 hectares
- Hotel below 3-star grade
- Real estate development, warehouses facilities

Projects eligible for the incentives

Section 2 of Annex 1 of the Sub-Decree No.111 also sets the minimum amount or other conditions of investment projects in various fields, which are required for granting the incentives. Some of those requirements are shown in Table V-6-3.

V-7 Investment Guarantee

The Law on Investment guarantees the investment as follows (Article 8 to Article 11 of “Amended Law on Investment”):

- A foreign investor shall not be treated in any discriminatory way by reason only of the investor being a foreign investor, except in respect of ownership of land.
- The Royal Government shall not undertake a nationalization policy that would adversely affect private properties of investors in Cambodia.
- The Royal Government shall not fix the price or fee of the products or services of a QIP.
- The Cambodian Government shall permit investors to purchase foreign currencies through the banking system and to remit abroad these currencies for the following purposes:

Table V-6-2 Duty-Free Import for QIPs

Type of QIP	Commodities to be imported free of duty
Domestically oriented QIPs	Production equipment, construction materials and production input to be used in the production of exports goods
Export oriented QIPs (except those which elect or which have elected to use the Customs Manufacturing Bonded Warehouse mechanism)	Production equipment, construction materials, raw materials, intermediate goods and accessories
Supporting Industry QIPs	Production equipment, construction materials, raw materials, intermediate goods and production input accessories. In the case where the Supporting Industry QIP fails to supply 100% of its manufactured products to the export industry or directly export its products, the QIP shall pay the customs duties and taxes on production inputs for the quantity that has not been supplied to the export industry or directly exported

Table V-6-3 Minimum Conditions Required for the Provision of Incentives

Fields of Investment	Requirement for Investment
Supporting industry, which has its entire production (100%) supplying export industry	US\$100,000- or more
Production of animal feed	US\$200,000- or more
Production of leather products and related products Production of all kinds of metal products Production of electrical and electronic appliances and office materials Production of toys and sporting goods Production of motor vehicles, parts and accessories Production of ceramic products	US\$300,000- or more
Production of food products and beverages Production of products for textile industry Production of garments, textiles, footwear and hats Production of furniture and fixtures that do not use natural wood Production of paper and paper products Production of rubber products and plastic product Clean water supplies Production of traditional medicines Freezing and processing of aquatic product for export Processing of any kind of cereals and crop products for export	US\$500, 000- or more
Production of chemicals, cement, agriculture fertilizer and petrochemicals Production of modern medicines	US\$1,000,000- or more
Construction of modern market or trade center	US\$2,000,000- or more More than 10,000 square meters Adequate space for car park
Training and educational institutes that provide training for skill development, technology or poly technology that serves industries, agriculture, tourism, infrastructure, environment, engineering, sciences and other services.	US\$4,000,000- or more
International trade exhibition center and convention halls	US\$8,000,000- or more

- 1- Payment for imports and repayment of principle and interest on international loans
- 2- Payment of royalties and management fees
- 3- Remittance of profits
- 4- Repatriation of invested capital

V-8 Limitation on Foreign Investment

Although there is no sector closed only to foreign investment, the activities listed in Section 1 of ANNEX 1 (“Negative List”) of the “The Sub-Decree No. 111 on the Implementation of the Law on the Amendment to the Law on Investment” are prohibited for the investment of both Cambodian and foreign entities. Those investment activities are as follows:

- Production/processing of psychotropic substances and narcotic substances
- Production of poisonous chemicals, agriculture pesticide/insecticide and other goods by using chemical substances prohibited by international regulations or the World Health Organization, that affect the public health and environment
- Processing and production of electrical power by using any waste imported from a foreign country
- Forestry exploitation business prohibited by Forestry Law
- Investment activities prohibited by law: Deleted by Sub-Decree # 34 (RGC) on Adjustment to Sub-Decree No. 111 of April 23, 2007

In addition, “investment activities not eligible for incentives” are listed in Section 2 and the “investment activities with specific characteristics which shall be eligible for Custom Duties Exemption, but not eligible for the Profit Tax Exemption,” are listed in Section 3 of ANNEX 1.

V-9 Restrictions on Foreign Citizenship

Some restrictions on foreign citizenship in terms of investment activities are described below.

Ownership and use of land

Ownership of land by investors for the purpose of carrying on a QIP shall be vested only in natural persons holding Cambodian citizenship or in Cambodian entities but the use of land shall be permitted to investor, including concessions, perpetual lease (min.15 years and max. 50year. renewable for 50 years) or limited short-term leases that are renewable. The investor is also admitted to have the right to own and pledge as security the real and personal property on the land (Article 16, “Amended Law on Investment”).

Employment of foreigners

A QIP is entitled to obtain visas and work permits for the employment in Cambodia of foreign citizens as managers, technicians and skilled workers, if the qualification and expertise are not available in Cambodia (Article 18, “Amended Law on Investment”).

V-10 QIP Approval Procedures

The QIP application process from submission of Investment Proposal until obtaining a Final Registration Certificate (FRC) is shown in Table V-10-1 below (Article 7, “Amended Law on Investment”).

Details of procedures of QIP application and investment-related registration/ permit for the light industry are summarized in Table V-10-2.

V-11 Incentives entitled to Specific Fields

Despite the provisions regarding the investment incentives for QIPs under Chapter 5 of the Amended Law on Investment, the industry-specific or additional incentives have been introduced by the RGC in forms of Prakas or other regulations.

- Import duty reduction or exemption and the government-borne VAT scheme (VAT exemption) have been introduced on various agricultural materials such seeds, breeds or residues and agricultural machines including tractors: Prakas No.390 (MEF) on Adjustment to Customs Duty and Imposition of VAT borne by the State.
- QIPs in the area of agriculture and agro-industry may obtain incentives in the form of a priority period of tax exemption on profit for three (3) years. Investment activities in the area of agriculture and agro-industry shall receive such incentives according to the Sub-Decree relating to the Implementation of the Law on Investment.: Royal Kram NS/RKM/0609/009 on Promulgation of the Law on the Adjustment to the Law on Financial Management for the Year 2009 of June 20, 2009
- VAT on the imported production input by garment factories is exempted as long as the final products are exported. : The Letter No.110 SCN.CS of the Council of Ministers of January 27, 1999

- VAT on the imported production input and equipment of supporting industry, which serves to the export of garment, textile or footwear, shall be exempted. The supply of the products or services for the export of the garment by the supporting industry or contractor shall be exempted. : Prakas No.298 (MEF) on the Implementation of VAT for Supporting Industry or Contractor who Supplies Products for the Exports of Garment, Textile and Footwear.

Table V-10-1 QIP Application Process

Party to Take Action	Process	Condition/ Remarks
Applicant	Submission of an Investment Proposal to the CDC or PMIS	Use a completed Application Form* Payment of Application Fee of 7,000,000 Riels
The CDC or PMIS	1) Issuance of "Conditional Registration Certificate" (CRC) - if the Investment Proposal contains all the information required, and - if the proposed activity is not in the Negative List or not related to national interest/ environmental sensitivity	To be Issued within 3 working days after submission of the Investment Proposal The CRC specifies the approvals, authorizations, clearances, licenses, permits or registrations required for the QIP to operate, as well as the government entities responsible to issue such approvals, etc.
	2) Issuance of "Letter of Non-Compliance" - - If the Investment Proposal does not satisfy the above condition	The CRC confirms the incentives to which the QIP is entitled and recognize the statutes of the legal entity. Letter of Non-Compliance shall clearly state the reasons why the Investment Proposal was not acceptable and the additional information required for enabling the CDC or PMIS to issue a CRC.
	If a CRC or Letter of Non-Compliance is not issued within 3 working days, the CRC shall be considered automatically approved.	
The CDC or PMIS	Obtains all of the licenses from relevant ministries-entities listed in the CRC on behalf of the Applicant	All government entities responsible for issuing an authorization, clearance, license, permit or registration listed on the CRC shall issue those no later than the 28th working day from the date of the CRC. Any government official who, without proper reason, fails to respond to an Applicant's request by this deadline shall be punished by law.
The CDC or PMIS	Issuance of a "Final Registration Certificate" (FRC)	To be issued within 28 working days of the issuance of the CRC. The date of issuance of the FRC shall be the date of QIP commencement.

Note: A sample of "Application Form" is shown in ANNEX 2 of "Sub-Decree No.111 on the Implementation of the Amendment to the Law on Investment" attached in APPENDIX III herein.

Table V-10-2 Procedures of QIP Application and Investment-related Registration/Permits

Step	Application/Permit	Description/Contents
1	Submission of Draft QIP Application Form	To submit the Draft QIP Application Form (written in English) with the following documents to CDC: - Original Contract for Perpetual Lease of Land or Rental Factory (Legal notary should be needed) - Location Map of the Factory - Company Registration or Company Statute of the Parent Company (Translation Certificate should be needed) - Letter of Appointment from the legal person of parent company to all directors of the company in Cambodia - Passport Copies of all directors - Photographs of all directors - Police Certificate (Non Criminal Record) of all directors - Production Line Flowchart (to check Environmental Impact)
2	Submission of Official and Signed QIP Application Form	To submit the Official and Signed QIP Application Form (written in Khmer) with following the documents (written in Khmer) to CDC: - Feasibility Study (according to the format of Royal Government of Cambodia) - Company Statute (according to the format of Royal Government of Cambodia)
3	Payment of QIP Application Fee	To pay the application fee of 7,000,000 Riels to CDC
4	Issuance of Conditional Registration Certificate (CRC)	To be issued by CDC within 3 days after submission of the official QIP Application
5	Submission of Commercial Bank Statement	To submit Bank Statement for 25% of the amount of the registered capital of the company to CDC
6	Submission of VAT Registration Application Form	To submit VAT Registration Application Form to Tax Office, Ministry of Economic and Finance via CDC
7	Issuance of Final Registration Certificate (FRC)	To be issued by CDC within 28 days after issue of CRC with following documents. - Company Registration Certificate (Ministry of Commerce) with Company Stamp - Patent Tax Registration Certificate (Tax Office, Ministry of Economic and Finance) - VAT Registration Certificate (Tax Office, Ministry of Economic and Finance)
8	Submission of Import Tax Exemption Application ("Master List")	To submit Import Tax Exemption Application ("Master List") for building materials, production equipment and raw materials to General Department of Custom and Excises (GDCE), Ministry of Economic and Finance via CDC.
9	Submission of Factory Operation Application	To submit Factory Operation Application to Ministry of Industry, Mining and Energy (MIME) via CDC
10	Submission of Construction Permit Application	To submit Construction Permit Application to Ministry of Land Management, Urban Development and Construction (MLMUDC) via CDC
11	Submission of Environment Assessment Declaration	To submit Environment Assessment Declaration to Ministry of Environment (MOE) via CDC
12	Submission of Labor Registration	To submit Labor Registration to Ministry of Labor and Vocational Training (MLVT) via CDC

Source: Japan Desk, CDC

QIP Application in Practice

Although Article 7 of "Amended Law on Investment" stipulates the QIP application process as explained above, there are some discrepancies between the provisions of the "Amended Law on Investment" (the Law) and those of "Sub-Decree No.111 on the Implementation of the Amendment to the Law on Investment" (the Sub-Decree). In practice, the provisions of such Sub-Decree are being applied to the QIP application process by the CDC. The major discrepancies are as follows.

1. 1) Although the Law stipulates a CRC shall be issued within 3 working days after submission of Investment Proposal, the Sub-Decree stipulates under Article 6.1 (d) that "the CDC or the PMIS has the right to postpone the registration of specific Investment Projects related to the national interest or are environmentally sensitive which required to be processed through the one-stop mechanism of the Council and the Provincial/Municipal Investment Sub-committee who shall notify the specific grounds to the applicant within 3 (three) Working Days of the submission of the Investment Proposal. In fact, a CRC is seldom issued within 3 working days and most of the investment projects, except those in garment and footwear which are considered as routine projects or those to locate in the SEZ, will be processed in One-Stop Meeting of the CDC. Therefore, it takes longer time to obtain a CRC. The investment projects to locate in the SEZ will not be processed in One-Stop Meeting of the CDC.
2. 2) The Law stipulates that the CDC shall obtain all of necessary licenses from relevant ministries-entities listed in the CRC on behalf of the Applicant within 28 working days after issuance of a CRC. The Sub-Decree provides under Article 7.1, nevertheless, that "after issuing the CRC, the CDC or the PMIS, on behalf of the Applicant, assist with the issuance of the approvals, authorizations, licenses, permits or registrations listed in a CRC by the relevant ministries, departments, authorities, entities of the provinces/municipalities or agencies of the Royal Government. In practice, the QIP applicant is expected to obtain such authorizations, license or registrations.

VI THE SPECIAL ECONOMIC ZONES

VI-1 Legal Frame for the Special Economic Zone (SEZ) Scheme

The examination of introducing the concept of economically promoted zone/area into Cambodia was originally started back in 1960's, and the SEZ scheme has been finally introduced to Cambodia for the first time in December 2005. "Sub-Decree No.147 on the Organization and Functioning of the CDC" was issued on 29 December 2005 to restructure the organization of the CDC and a new wing of the CDC called the "Cambodian Special Economic Zone Board (CSEZB)" was established to manage the SEZ scheme. To govern the SEZ scheme, "Sub-Decree No. 148 on the Establishment and Management of the Special Economic Zone" (the SEZ Sub-Decree) was issued on 29 December 2005. In addition, the "Law on the Special Economic Zones" has been drafted by the CDC in 2008 and is now under examination of the RGC.

VI-2 Basic Concept and Conditions for the SEZ

Regarding the basic concept and conditions for the SEZ, the SEZ Sub-Decree defines as follows (Article 2 and 3.1.3).

- SEZ refers to the special area for the development of the economic sectors which brings together all industrial and other related activities and may include General Industrial Zones and/or Export Processing Zones. Each Special Economic Zone shall have a Production Area which may have a Free Trade Area, Service Area, Residential Area and Tourist Area.
- It must have a land of more than 50 hectares with precise location and geographic boundaries.
- It must have a surrounding fence (for Export Processing Zone, Free Trade Area and the premise of each investor in each zone).

- It must have management office building and Zone Administration offices and all necessary infrastructures must be provided.
- It must have water sewage network, waste water treatment network, location for storage and management of solid wastes, environment-protection measures and other related infrastructures as deemed necessary.

VI-3 Application Process for the Development of the SEZ

The Special Economic Zone may be established by the State, private enterprise or joint venture between State and private enterprise (Article 3.1.2, the SEZ Sub-Decree).

Zone developer has to have the following ability and duties (Article 4.4, the SEZ Sub-Decree).

- Have sufficient capital and means to develop the infrastructures in the zone, including the human resources to manage the activities of the zone
- Have the legal rights to possess the land for establishing the SEZ
- Construct the infrastructures in the zone
- Lease the land and provide services to the Zone Investors
- Arrange security personnel and ensure good public order in the zone at all the time, etc.

The application process for the development of the SEZ is summarized in Table VI-3-1 (Article 3.2, The SEZ Sub-Decree).

Table VI-3-1 Application Process for the SEZ Development

Item	Description
1. Application for the development of the SEZ	Zone Developer submits a request for approval for the development of a Special Economic Zone to the CSEZ and applies for the QIP (Application fee: 7 million Riels).
2. Examination of an application	The CSEZB shall notify whether to approve or reject the request to the Zone Developer within 28 working days. When it is approved, a CRC shall be issued.
3. Feasibility study	The Zone Developer conducts the detailed economic feasibility study, infrastructure master plan and other certified documents as stipulated in the CRC within 180 working days.
4. A Final Registration Certificate (FRC)	Within 100 working days after it receives the above project materials, the CSEZB obtains all necessary approvals and authorization from the government and issues the FRC.
5. Declaration of the establishment of the SEZ	Upon issuance of the FRC by the CSEZB, the Sub-Decree is issued to define the establishment of the SEZ and its boundaries.
6. Withdrawal of the approval	The CSEZB has the right to withdraw the approval on the establishment of the zone and incentives which were granted through the FRC on the basis that the Zone Developer has not implemented at least 30% of the total investment capital of the project within 365 working days after receiving the FRC.

VI-4 Management Structure of the SEZ

The CSEZB under the CDC is the “One-Stop Service” organization in charge of the development, management and supervision of operations of the SEZ and the SEZ Administration is the State administration management unit which is the “One-Stop Service” mechanism at the site of the SEZ and set up by the CSEZB in order to be permanently stationed in each SEZ (Article 2, Article 4.2 and 4.3, The SEZ Sub-Decree).

The “Special Economic Zones Trouble Shooting Committee (SEZ TSC)”, which is located at the CDC, has a duty to promptly settle all issues occurring in the SEZ, whether pertaining to technical or legal aspects, or issues under the joint jurisdiction of ministries or institutions and beyond the competence of the SEZ Administration or the CSEZB. It has the further duty to be a mechanism to receive any complaint, and find solutions to such complaints filed by Zone Developers as well as by Zone Investors. The composition of the SEZ TSC is as follows (Article 4.1, The SEZ Sub-Decree):

- | | |
|---|-----------|
| 1) Chairmen of the CDC | Chairmen |
| 2) Minister of the Council of Ministers | Member |
| 3) Minister of Economy and Finance | Member |
| 4) Minister of Commerce | Member |
| 5) Minister of Land Management, Urbanism and Construction | Member |
| 6) Minister of Environment | Member |
| 7) Minister of Industry, Mines and Energy | Member |
| 8) Minister of Public Works and Transportation | Member |
| 9) Minister of Labor and Vocational Training | Member |
| 10) Secretary General of the CDC | Member |
| 11) Secretary General of the CSEZB | Secretary |

VI-5 Procedures for Registration of the Investment Project in the SEZ

The Zone Investor who starts its activity of production or services in the fields permitted by related Laws and Sub-Decrees in any SEZ shall complete the formalities based on the procedure by preparing all the required documents and submit to the office of the SEZ Administration in the SEZ for registering investment proposals during working hours and before the office of the SEZ Administration. The SEZ Administration has a duty to decide on the registration of the investment proposal based on the legal, administrative and technical aspects and on the issuance of the FRC. Such process has to be in compliance with the procedures of investment registration set forth in the Law and Sub-Decree on the Implementation of the Law on Amendment to the Law on Investment.

Any incentive provided to the Zone Investor shall be decided by the SEZ Administration through the “One-Stop Service” mechanism located on the site and in accordance to the relevant laws and regulations.

On all other requests in the investment process of Zone Investors, the SEZ Administration shall play the role of facilitator to address issues of the Zone Investor with the relevant ministries/institutions of the Royal Government of Cambodia (Article 3.3, The SEZ Sub-Decree).

VI-6 Incentives (Chapter 4, the SEZ Sub-Decree)

The SEZ Sub-Decree sets forth that the CSEZB shall examine and provide incentives to all the SEZs and that all the incentives shall be specified in the FRC.

As the Law on Amendment to the Law on Investment of 2003 defines in Article 14.9, a QIP located in a designated Special Promotion Zone (SPZ) or Export Processing Zone (EPZ) is entitled to the same incentives and privileges as other QIPs stipulated in the Law. The incentives to be granted to the Zone Developers and Zone Investors are summarized below in Table VI-6-1.

Table VI-6-1 Incentives in the SEZ

Beneficiary	Incentives
Zone developers	<ul style="list-style-type: none"> -The exemption period for the Tax on Profit shall be provided for a maximum period of 9 years, in compliance with article 14.1 of the Law on the Amendment to the Law on Investment. -The import of equipments and construction materials to be used for infrastructure construction in the zone shall be allowed and exempted of import duties and other taxes. -The Zone Developer shall receive custom duty exemption on the import of machineries, equipments for the construction of the road connecting the town to the zone, and other public services infrastructures for the public interests as well as for the interests of the zone. -The Zone Developer may request, under the form of a temporary admission (AT), the import of means of transport and machineries used for the construction of the infrastructures in accordance with the laws and regulations in force. -The Zone Developer may obtain a land concession from the State for establishing the SEZ in areas along the border or isolated region in accordance with the Land Law, and may lease this land to the Zone Investors
Zone investors	<ul style="list-style-type: none"> -The same incentives on customs duty and tax as other QIP shall be entitled. -The Zone Investor entitled to the incentive¹ on Value Added Tax (VAT) at the rate of 0% shall record the amount of tax exemption for its every import. The said record shall be disregarded if the Production Outputs are re-exported. In case the Production Outputs are imported into the domestic market, the Zone Investor shall refund the amount of Value Added Tax as recorded in comparison with the quantity of export.
Common	<ul style="list-style-type: none"> -Zone developers, investors or foreign employees have the right to transfer all the income derived from the investment and salaries received in the zone to banks located in other countries after payment of tax. -The Zone Developer and the Zone Investor are entitled to obtain the investment guarantees as stated in Article 8, Article 9 and Article 10 of the Law on Investment in the Kingdom of Cambodia and other relevant regulations. -Non-discriminatory treatment as foreigners, non-nationalization and no-fixing price

Note 1 : The Zone Investor entitled to the incentive: Investors such as garment and footwear manufacturers, their supporting industries or contractor.

Additional Incentives to the Zone investors in SEZ

(a) Incentive on VAT Exemption (the Prime Minister's Notation on Letter #2128 SHV (MoEF) dated on 2 March 2010 of Ministry of Economic and Finance on the request to continue the temporary suspension of VAT for the investors in the Special Economic Zones)

Incentive on VAT exemption to the investors located in the SEZ has been extended without specific time limit. The imposition of VAT shall be automatically suspended for the followings. This incentive shall not be applied to the immovable property development project in the SEZ.

- The construction materials, production equipments and materials to be imported by Export-oriented QIP in SEZ.
- The construction materials and production equipments to be imported by Domestic Manufacturing QIP in SEZ
- Products produced by QIP in the SEZ, which will become the production input to other QIP in the same SEZ

(b) It has been decided that the special customs procedures shall be applied to the SEZ (Prakas No. 734 MEF on the Special Customs Procedures to be implemented in SEZ, dated September 11, 2008).

1) SEZ located within 20km from the official border

- For importation: At border check point, only present and provide the duplicated copies of goods and not required to submit customs declaration. No customs seal shall be affixed. The goods shall be transported through the Seamless Route. At SEZ gate, submit Customs Summarized Declaration. Customs officers shall preliminarily verify the identification of involved staff, mean of transport and related documents then allow the goods to be transported to investor's premise. Importer can use the imported goods without the presence of customs offices.
- For exportation: The customs procedure must be conducted in the SEZ. If no irregularity found, goods shall be immediately released to the border with copy of relevant export documents. At border check point, present the customs export documents to customs officer for verification. If no irregularity found, the goods shall be released for export.

2) SEZ not located within 20km from the official border

- For importation: Applying the National Transit Procedure. Containers must be sealed by customs officers.
- For exportation: The customs procedures must be conducted in the SEZ and the container be sealed before shipping out to border.

VI-7 Other Regulations**Rules for the Export Processing Zone (EPZ)**

In the EPZ, such special rules are applied as follows (Chapter 5, The SEZ Sub-Decree):

- The EPZ has specific entrances/exits, which are determined by the CSEZ.
- Nobody can stay after working hours except for permanent guards and persons authorized by the SEZ Administration.
- Scheduled time for entry and exit from the EPZ for the authorized persons, including the import-export of goods, shall be determined by the internal rules of the SEZ Administration according to the agreement between the Zone Developer and the SEZ Administration.
- Import/Export of goods to/from the EPZ shall be considered as Import/Export of goods to/from Cambodia, which requires the owner of the goods to fulfill the formalities of import-export with the competent authority in the EPZ prior to its import-export.
- The aforementioned competent agent shall prepare all forms which should be simplified, transparent and do not cause any difficulty for the control of those goods.
- The goods shall be properly sealed by the customs officers before Import/Export.
- No retail business can locate in the EPZ, even though it is conducted for serving the public or social interests.
- The Zone Investor, although being the owner, shall not use Output Materials of Production produced in the EPZ without permission of the Administration of the SEZ.

Workforce

Foreign managers, technicians or experts may be employed, provided that the number of foreign staff does not exceed 10% (Ten) of the total number of its personnel (Article 11, The SEZ Sub-Decree).

Vocational training

Zone Developer has a duty to cooperate with the Ministry of Labor and Vocational Training (MLVT) to facilitate the training of Cambodian workers and employees and to promote new knowledge and skills for them with specific and effective programs (Article 12, The SEZ Sub-Decree).

VII PRIVATE SECTOR IN CAMBODIA

VII-1 General Situation of Private Sector in Cambodia

Number of establishments in private sector

According to the preliminary results of the 2011 Economic Census of Cambodia¹, there were 503,008 establishments in Cambodia as of March 1, 2011, except those as classified in the United Nations International Standard Industrial Classification of Economic Activities, Revision 4 (hereinafter, quoted as the ISIC) into:

- "Section A: Agriculture, forestry and fishing", "Section O, Public administration and defense; compulsory social security"
- "Section T: Activities of households as employers; undifferentiated goods-and services-producing activities of households for own use" and;
- "Section U: Activities of extraterritorial organizations and bodies"

The number of establishment was increased by 34.1%, comparing to 375,095 establishments in Establishments Listing 2009 (EL2009)². Large-size firms³, 636 establishments, occupy only 0.13% in all Cambodian establishments, while Micro establishments, 483,117, occupy 98.0%.

On the other hand, in the Preliminary Results of the "Pilot Survey 2010 (PS2010) of 2011 Economic Census"⁴ which was conducted from 1 to 31 March 2010, the number of establishments was 533,516 in which the number of the street business was 82,891.

Number of establishment by sub-sector

In PS2010, the number of establishments by section of ISIC is as follows.

- "Wholesale and retail trade and repair of motor vehicles and motorcycles" was 299 thousand accounting for 56.0%.
- "Manufacturing" was 100 thousand or 18.7%
- "Accommodation and food service activities" was 49 thousand or 9.2%
- "Other service activities" was 37 thousand or 6.9%

Number of new Establishments

There were 89,580 new establishments which started business between 1 January 2009 and 1 March 2010. New establishments account for 16.8% of the total number of establishments. New establishments with one or two persons engaged account for 86.1%, more than three fourth of the total number of new establishments.

The number of new establishments by section of ISIC is as follows.

- "Wholesale and retail trade and repair of motor vehicles and motorcycles": 54 thousands accounting for 61.2%
- "Manufacturing": 10 thousands or 11.7%
- "Accommodation and food service activities": 10 thousands or 11.4%
- Other service activities": 8 thousands or 8.6%

In terms of the ratio of new establishments in each section of ISIC, new establishments account for 29.3% in "Information and communication" along with the popularization of mobile and Internet. In "Other service activities" the ratio was 21.0%, followed by 20.7% in "Accommodation and food service activities" and 20.1% in "Transportation and storage".

Street business

There were 82,891 street businesses which were not counted in EL2009. Street businesses account for 15.5% of the total number of establishments. Female representatives account for 76.9%, more than three fourth, of the total number of street businesses. Street businesses with one or two persons engaged account for 93.3% of the total number of street businesses.

Annual sales of establishments

The total amount of annual sales of establishments in Cambodia was USD 14.3 billion and annual sales per establishment in Cambodia were USD 27,292. The annual sales amount by the size of establishment was as follows.

- Establishments with employment 100 persons and over: USD 4.2 billion (29.0%)
- Establishments with employment of 50 to 99: USD 2.5 billion (17.5%)
- Establishments with employment of two: USD 2.3 billion (16.0%)
- Establishments with employment of one: USD 2.1 billion (14.8%)

Annual sales per large-size establishment can be ranked as follows according to its size.

- Establishment with employees of 1,000 and over: USD 13.7 million
- Establishment with employees of 500 to 999: USD 5.9 million
- Establishment with employees of 100 to 499: USD 7.7 million

In terms of sub-sector, annual sales amount was like below.

- "Wholesale and retail trade and repair of motor vehicles and motorcycles": USD 4.2 billion (29.0%)
- "Manufacturing": USD 3.5 billion (24.1%)
- "Information and communication": USD 2.4 billion (16.7%)
- "Accommodation and food service activities": USD 1.4 billion (9.5%)
- "Transportation and storages": USD 1.0 billion (6.9%)

(Source: Brief Analysis of Preliminary Results of the "Pilot Survey 2010 (PS2010) of 2011 Economic Census": http://www.nis.gov.kh/nis/ps_ec2010/PS2010_Brief_Analysis.pdf)

VII-2 Regional Distribution of Private Firms

Number of establishments by province and size of employment

In 2011EC, the top five and lowest provinces in terms of the number of establishments are as shown in Table VII-2-1. These five provinces are located in the plain areas, and cover more than 50% of the total number of establishments in the country.

Phnom Penh has a gigantic size of the number of establishments. This is partly because the recent amalgamation of Phnom Penh with 20 communes in Kandal Province. As observed in Phnom Penh, a large number of constructions of high-rise buildings are under way and there are many retail shops, restaurants, repair workshops and the formation of SEZ.

In Kampong Cham, there are six large-scale industries: rubber, starchy food, animal feed, footwear, timber and wearing apparel. Recently, some town streets have newly been paved and this improvement has

Note 1 : The 2011 Economic Census of Cambodia was conducted as of 1st March 2011 by National Institute of Cambodia (NIS).

Note 2 : Establishments Listing 2009 was taken from 9 February to 8 March 2009 as 9 February as reference date.

Note 3 : MIME defines large firms as those with employment more than 100, medium with 51-100, small with 11-50 and micro with 1-10 persons.

Note 4 : Preliminary Results of PS2010 was released by NIS on 27 October 2010.

expanded business areas. In addition, power supply from Viet Nam has been expanded to all over the Province and it enabled local people to do business throughout the Province.

In Kandal, two new bridges have been completed and they activated the economic activities and brought about a slight increase in number of establishments despite a decrease of area by merger of its 20 communes with Phnom Penh.

In Battambang, there are four main industries: rice milling, long distance bus services, hotel and hospital. Power supply has been expanded to the rural areas, roads have been newly paved up to remote areas, and modern markets have been developed. Now the farmers can enjoy easy access to the towns and they sell their products such as agricultural products, fishes or handicrafts. On the other hand, brick and tile manufacturing are decreasing. Since tourism is a main industry in Siem Reap, there are many hotels, guesthouses, restaurants, bars, etc. Clean water supply has been expanded recently as well as the expansion of power supply and roads paving. These improvements have brought about an increase in the number of tourists and enabled the tourists to visit remote places easily, which resulted in the more business chances there.

Number of establishment per 1,000 persons

Number of establishments per 1,000 persons is 34.6, an increase of 23.6% over 28.0 in 2009. The top five and lowest five provinces are shown in Table VII-2-2.

In Preah Sihanouk, there are three large-scale state-owned companies; autonomous harbor, water supply and electricity generation and supply. Besides, there are four large size private companies: wearing apparel, footwear, beer manufacturing and petroleum industry. Tourism is the main industry there as well. The number of visitors has increased recovering from global recession and there have been more new hotels, guesthouses, restaurants and bars to open.

In Kep, there are three main industries: hotel, salt production and fish sauces. Recently, the access to the natural resorts and tourism related facilities have been quickly renovated there and this has brought more national and international tourists to the Province.

In Kampong Chhunang, there are four main industries: wearing apparel and textile, footwear, brewery and medical supply manufacturing. Beverage, grocery and food product manufacturing are growing while rice milling is decreasing.

In Koh Kong, there are three main industries: sugar cane, tourism and sea transport. Since Road No.48 has been paved together with completion of construction of four bridges, the access from Phnom Penh was remarkably improved, which is bringing more and more tourists there. In addition, the hydroelectric power plants and SEZ already started to function.

Number of establishments per 1,000 households

Number of establishments per 1,000 households was 162.5 in Cambodia. The lowest province was Oddar Meanchey Kampot, Svay Rieng, Prey Veng and Pusat. These five provinces have fairly lower positions as compared with their positions in the establishment density except Pusat. It means

Table VII-2-1 Number of Establishments, Percent to Total & Size of Employee in 2011

Rank	Province	Establishments in 2011	% to total Cambodia	Size of Employee (Person)			
					11-50	51-100	100<
Cambodia Total		503,008	100.0	493,117	8,476	779	636
1	Phnom Penh	95,467	19.0	92,233	2,589	297	348
2	Kampong Cham	55,903	11.1	54,968	833	73	29
3	Kandal	40,359	8.0	39,667	571	72	49
4	Battambang	33,982	6.8	33,424	489	46	23
5	Siem Reap	32,034	6.4	31,304	627	64	39

Source: Preliminary Results of 2011 Economic Census of Cambodia, NIS

Table VII-2-2 Number of Establishments per 1,000 Persons by Province in 2011

Rank	Province	# of Establishments in 2011	Projected Population in 2011	# of Establishments per 1,000 Persons
Cambodia Total		503,008	14,521,275	34.6
1	Phnom Penh	95,467	1,744,901	54.7
2	Preah Sihanouk	10,649	247,355	43.1
3	Kep	1,643	40,142	40.7
4	Kampong Chhunang	19,655	512,667	38.2
5	Koh Kong	5,014	133,047	37.7
20	Banteay Meanchey	21,619	745,618	29.0
21	Preah Vihear	5,310	185,509	28.6
22	Pusat	12,007	425,704	28.2
23	Kampot	16,900	613,305	27.6
24	Oddar Meanchey	4,896	218,786	22.4

Source: Preliminary Results of 2011 Economic Census of Cambodia, NIS

Table VII-2-3 Number of Establishments per 1,000 Households by Province in 2011

Rank	Province	# of Establishments in 2011	Estimated # of Household in 2011	# of Establishments per 1,000 Households
Cambodia Total		503,008	3,095,242	162.5
1	Phnom Penh	95,467	348,980	273.6
2	Preah Sihanouk	10,649	51,532	206.6
3	Kep	1,643	8,192	199.5
4	Stung Treng	4,596	23,607	194.7
5	Koh Kong	5,014	27,718	180.9
20	Pusat	12,007	90,575	132.6
21	Prey Veng	29,863	233,492	127.9
22	Svay Rieng	15,054	119,113	126.4
23	Kampot	16,900	136,290	124.0
24	Oddar Meanchey	4,896	46,550	105.2

Source: Preliminary Results of 2011 Economic Census of Cambodia, NIS

there is a room to have more establishments in these five provinces as compared with their number of households. Top five and the lowest five provinces are shown in Table VII-2-3.

VII-3 Employment by Private Sector

Number of employment

According to PS2010, the number of persons engaged in the establishments was 1,820,342 composed of 761,109 males accounting for 41.8% and 1,059,234 females (58.2%). On the other hand, the number of establishments except street business was 450,625 and the number of persons engaged in these establishments was 1,700,263. Compared with the final results of EL2009, the number of persons engaged increased 15.7% and the estimated annual increase rate is 14.5%. It shows that the persons engaged in the primary sector have begun to move to the secondary or tertiary sector.

Employment by sub-sector and new establishments

The number of persons engaged by section of ISIC was as follows.

- "Manufacturing": 611 thousands accounting for 33.5%.
- "Wholesale and retail trade and repair of motor vehicles and motorcycles": 600 thousands (32.9%)
- "Accommodation and food service activities": 165 thousands (9.0%)
- "Other service activities": 142 thousands (7.8%)
- "Education" (Section P): 127 thousand (7.0%)

In terms of the number of persons engaged in new establishments by Section of ISIC, "Wholesale and retail trade and repair of motor vehicles and motorcycles" was the largest section with 94 thousands accounting for 49.1%, followed by "Manufacturing" with 38 thousands (19.9%), "Accommodation and food service activities" with 28 thousands (14.8%) and "Other service activities" with 15 thousands (7.8%).

(Source: Brief Analysis of Preliminary Results of the "Pilot Survey 2010 (PS2010) of 2011 Economic Census" of Cambodia)

VII-4 Recent Tendency in Manufacturing Sector

Factories registered under Ministry of Industry, Mines and

Energy

Manufacturing sector has been suffered when the recent global economic recession hit the wearing apparel industry since 2008. The share of manufacturing sector in GDP at current prices decreased in two consecutive years of 2008 and 2009. However, it started growing as the apparel industry recovered in 2010 and 2011. Table VII-4-1 shows the tendency of the share of each sub-sector and total manufacturing in GDP at current prices from 2006 to 2012 (estimated figure).

According to the database⁵ regarding the registered firms with Ministry of Industry, Mine and Energy (MIME) which was prepared basing on QIP approval information, the number of factories in manufacturing sector in 2012 was 869, an increase of 51.7% comparing with those in 2008. The registered companies employ 536,029 workers as a whole in 2012.

Table VII-4-1 Share of Manufacturing Sector in GDP at Current Prices (%)

	2006	2007	2008	2009	2010	2011	2012e
Food, Beverages & Tobacco	2.2	2.2	2.2	2.3	2.3	2.2	2.1
Textile, Wearing Apparel & Footwear	13.0	12.1	10.3	9.1	9.4	10.0	10.1
Wood Products, Paper & Publishing	0.6	0.6	0.6	0.6	0.6	0.6	0.5
Rubber	0.6	0.4	0.4	0.4	0.5	0.5	0.5
Others	2.2	2.1	1.9	2.0	2.0	1.9	1.8
Total Manufacturing	18.6	17.3	15.3	14.4	14.7	15.2	15.1

Source: MEF

Note 5 : MIME's database was provided by General Department of Industries in November 2012. It was created basing on the information provided by CDC but does not cover all the QIPs. It does not directly connect with the results of 2011 Economic Census, PS2010 and/or EL2009. The figures in this database show the general tendency of the manufacturing sub-sector in Cambodia.

Table VII-4-2 Number of Factories Registered under Ministry of Industry, Mines and Energy: 2008 & 2012

Classification			2008		2012	
			No of Factories	Share	No of Factories	Share
1. Food, Beverages & Tobacco			42	7.3%	70	8.1%
	A	Food	21	3.7%	42	4.8%
	B	Beverage	12	2.1%	16	1.8%
	C	Tobacco	9	1.6%	12	1.4%
2. Textile, Wearing Apparel & Leather Industries			450	78.5%	651	74.9%
	A	Textile, Embroidery & Printing	49	8.6%	71	8.2%
	B	Wearing Apparel	343	59.9%	476	54.8%
	C	Hat, Cap, Bag and Glove	8	1.4%	19	2.2%
	D	Jeans and Washing	16	2.8%	14	1.6%
	E	Shoes and Shoes part	32	5.6%	69	7.9%
	F	Leather	2	0.3%	2	0.2%
3. Wood Products (Including Furniture)			4	0.7%	12	1.4%
4. Paper, Paper product, Printing & Publishing			11	2.0%	16	1.8%
5. Chemicals, Petroleum, Coal, Rubber & Plastic Products			33	5.8%	58	6.7%
6. Non-metallic Mineral Products (except petroleum and coal)			9	1.6%	15	1.7%
7. Fabricated Metal Products			21	3.7%	38	4.4%
8. Other			3	0.5%	9	1.0%
Grand Total			573	100%	869	100%

Source: MIME

As shown in Table VII-4-2, among the sub-sectors in manufacturing, “Textile, Wearing Apparel and Leather Industries” still takes the largest share accounting for 74.9%, although it decreased by 3.6% comparing with those in 2008. The number of factories increased in all industries, in particular the number of factories in “Food” and “Chemicals, Petroleum, Coal, Rubber & Plastic Products” increased by more than 20 comparing with those in 2008.

SMEs

There was a 29.0% increase in total number of SME⁶ factories between 2005 and 2011, as shown in Table VII-4-3. The food, beverages and tobacco sector is by far the largest of all. This sector accounted for approximately 83.8% in 2011. There is no factory of basic metal industries in Cambodia. Manufacturing of fabricated metal accounts for approximately 5.5%.

In manufacturing SMEs, the number of employee increased by 58.2% between 2005 and 2011. The food, beverages and tobacco sector accounts for approximately 68.5% in 2011. The share of the manufacturing of fabricated metal production is 5.1% and that of manufacturing of non metallic mineral production (except production of petroleum & coal) is 8.6% in 2011.

The outputs of manufacturing SMEs increased 60.5% as a whole between 2005 and 2011. While “Food, Beverages and Tobacco” sector decreased in 2007 and 2008, but recovered in 2009 and increased by 36.0% in 2011. The outputs of “Manufacturing of Non Metallic Mineral Products” and “Fabricated Metal Products, Machinery & Equipment” steadily increased in 2010 and 2011 after sharp decrease in 2008 and 2009.

Table VII-4-3 Number of Registered Factories of Manufacturing SMEs: 2005-2011

Industrial Sector	2005	2006	2007	2008	2009	2010	2011
Food, Beverages, Tobacco	23,727	25,455	26,379	26,208	29,987	31,479	31,662
Textile, Wearing Apparel and Leather industry	1,665	1,689	1,474	1,478	1,443	1,485	1,551
Wood & Wood product	2	-	-	-	-	-	-
Paper product, Printing & Publishing	31	33	39	43	48	59	63
Chemicals	153	159	177	192	203	224	240
Non Metallic Mineral products except products of Petroleum & Coal	719	797	813	875	987	1,037	1,053
Basic Metal Industries	-	-	-	-	-	-	-
Fabricated Metal products, Machinery & Equipment	2,334	2,380	2,918	3,039	1,902	2,052	2,093
Other Manufacturing Industries	666	636	819	965	990	1,086	1,137
Total	29,297	31,149	32,619	32,800	35,560	37,422	37,799

Source: MIME

Note 6 : MIME categorizes manufactures in Cambodia based on investment capital excluding land, i.e., i) micro scale: USD 3,000 -50,000, ii) small scale: USD50,000 – 250,000, iii) medium scale: USD250,000-500,000 and iv) large scale: more than USD 500,000. Manufactures capitalized less than USD 3,000 are not required to register in MIME.

Table VII-4-4 Number of Employees in Manufacturing SMEs: 2005 - 2011

Industrial Sector	2005	2006	2007	2008	2009	2010	2011
Food, Beverages, Tobacco	57,557	58,512	60,262	57,496	90,148	93,704	94,382
Textile, Wearing Apparel and Leather industry	7,073	6,347	10,580	12,104	12,173	14,569	16,663
Wood & Wood product	4	-	-	-	-	-	-
Paper product, Printing & Publishing	338	351	849	884	923	1,207	1,275
Chemicals	1,393	1,448	1,542	1,678	1,810	2,000	2,079
Non Metallic Mineral products except products of Petroleum & Coal	8,505	8,932	9,298	11,615	10,737	11,570	11,767
Basic Metal Industries	-	-	-	-	-	-	-
Fabricated Metal products, Machinery & Equipment	9,741	8,243	9,407	9,821	6,170	6,722	6,950
Other Manufacturing Industries	3,205	3,239	2,897	3,285	3,371	3,909	4,230
Total	86,816	87,072	94,835	96,883	125,332	133,681	137,346

Source: MIME

Table VII-4-5 Outputs of Manufacturing SMEs: 2005-2011

(Million Riel)

Industrial Sector	2005	2006	2007	2008	2009	2010	2011
Food, Beverages, Tobacco	2,352,833	2,461,530	2,294,293	2,219,803	2,527,085	3,119,559	3,437,150
Textile, Wearing Apparel and Leather industry	14,212	12,933	14,072	75,426	21,136	26,040	27,006
Wood & Wood product	75	-	-	-	-	-	-
Paper product, Printing & Publishing	2,215	2,285	3,513	4,031	4,173	5,211	5,533
Chemicals	23,193	24,266	23,534	56,713	62,623	68,632	72,375
Non Metallic Mineral products except products of Petroleum & Coal	35,340	38,190	122,832	98,014	105,623	119,525	130,000
Basic Metal Industries	-	-	-	-	-	-	-
Fabricated Metal products, Machinery & Equipment	35,942	38,186	91,172	116,318	80,446	104,965	105,962
Other Manufacturing Industries	21,533	21,690	65,513	123,962	150,310	201,501	209,985
Total (million Riel)	2,485,343	2,599,080	2,614,929	2,694,267	2,951,396	3,645,433	3,988,237
Total (million USD)	621.3	649.8	653.7	673.6	737.8	911.4	997.1

Source: MIME

Note: Exchange rate: 4,000 Riel/ US\$

VII-5 Recent Situation of Major Sub-Sectors

Garment industry

Based on the GSP/MFN trade privileges provided by the USA and EU since 1996 as well as an export-oriented strategy taken by the RGC, garment industry has taken a role of leading force of Cambodian exporting industry, which accounts for 70-80% of the total export value continuously, and has contributed to the remarkable economic growth of Cambodia.

In this regard, the investment in the garment industry also has steadily increased from 2003 to 2007. Despite sharp decrease in 2008 and 2009, the investment started to recover in 2010 and drastically increased in 2011. In 2012, 63 projects related to garment industry were approved as QIP by CDC and its total approved investment amount reached to USD 346.11 million as of September 2012. The average investment amount per project in 2012 exceeded the level of 2011 which was peak in the last decade.

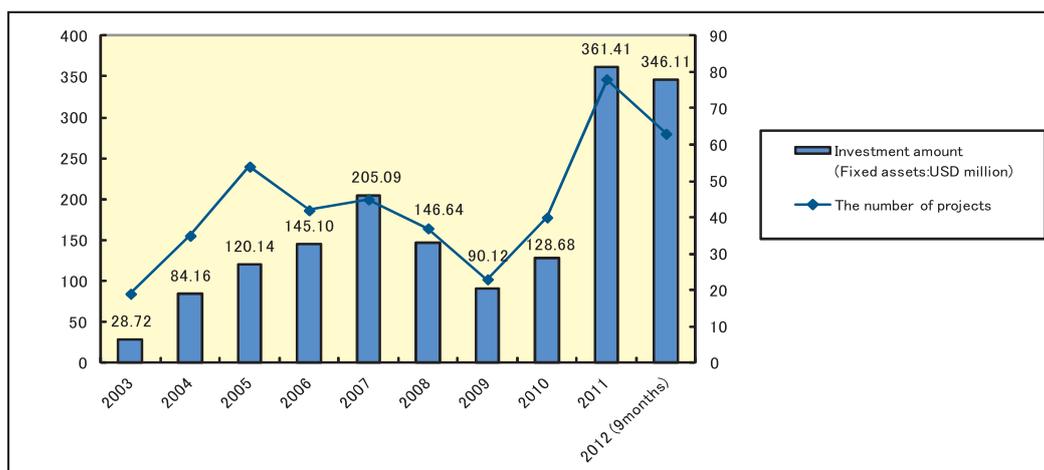
Cambodian garment industry has been developed by foreign direct investors such as Taiwan, China and Hong Kong with few Cambodian investors.

As can be seen from the Figure 5-2 which shows the composition of the members for Garment Manufacturers Association in Cambodian (GMAC), the ratio of the Cambodian owners is only around 6.7% of the 449 members as of October 2012.

Cambodian export amount of garment in 2011 reached USD 3,996.66 million and main destinations were the USA and EU. In 2011, the total export values to the USA and EU were USD 2,051.71 million and USD 1,156.81 million respectively.

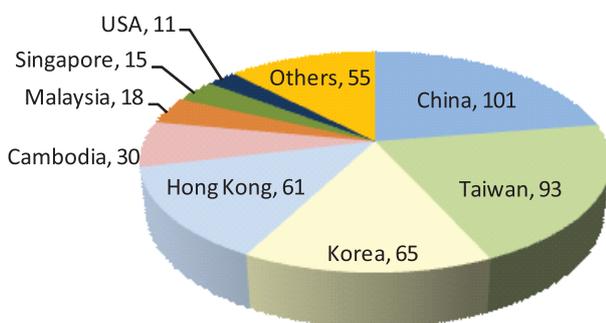
According to MIME, around 61.8% of large establishments are occupied by textile and wearing apparel industries and their total number of workforce reached around 487,134 in 2012.

In terms of the contribution to the GDP of Cambodia, textile, wearing apparel, and footwear sector has gained the ratio from 9% to 13% of the GDP between 2006 and 2012.



Source: CIB (CDC)

Figure VII-5-1 CDC-approved Investment Projects in Garment (2003-2012)



Source: GMAC

Figure VII-5-2 Composition of the GMAC Member Companies

Footwear industry

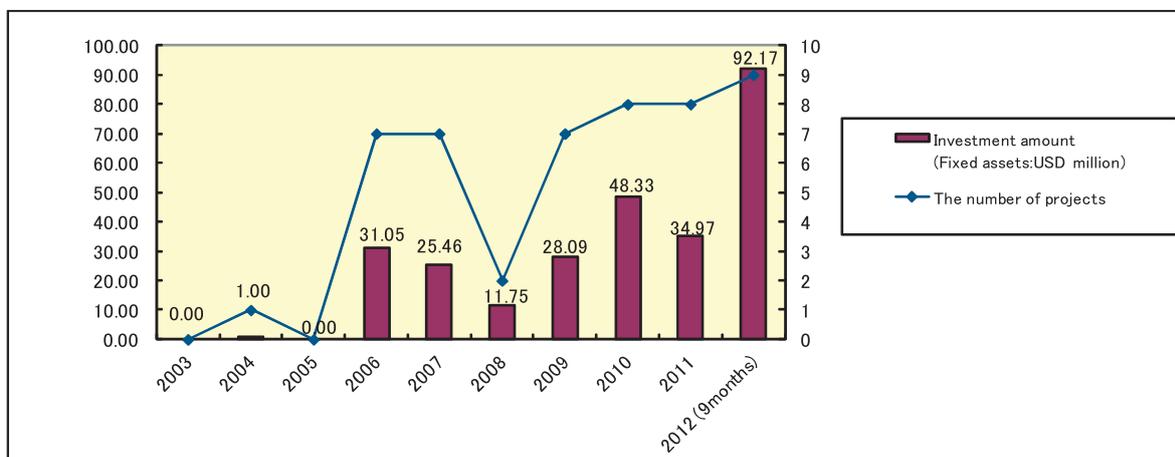
Footwear industry is a main exporting industry as well as garment industry in Cambodia. However, the production scale is of much smaller than that of garment industry. The growth of the footwear industry has been led by foreign enterprises which invested in Cambodia for enjoying the incentives

offered by the RGC and the benefits of GSP/MFN privileges provided by advanced countries such as EU and Japan.

Figure VII-5-3 shows the investment projects approved by the CDC. Since the sudden FDI increase in 2006 which might be caused by shifts in investment from China or Vietnam due to the application of anti-dumping to these countries by EU, the investment in footwear industry has remained stable until 2011 except for 2008 and drastically increased in 2012. 9 projects related to footwear industry were approved by CDC and its total approved investment amount reached to USD 92.17 million as of September 2012.

Footwear export from Cambodia amounted to UDD263.99 million in 2011, which is more than six times comparing to the export amount of USD 43.85 million in 2004. Main export markets are currently EU and Japan. According to the data of MOC, 58 enterprises have registered the GSP privilege since 1997. As of June 2012, 45 enterprises are operating their factories. Main investors are Taiwan, China and others. The footwear industry contributes to the job creation more than 74,000, which account for around 11.1% of the total workforce in large establishments of Cambodia. The average number of workers is about 1,180 persons in each factory.

In July 2011, the Footwear Association in Cambodia was approved by the RGC to operate under the Garment Manufacturers Association in Cambodia (GMAC) for enhancing their capacity on industrial policy dialogue with



Source: CIB (CDC)

Figure VII-5-3 CDC-approved Investment Projects in Footwear (2003-September 2012)

the RGC. As of October 2012, 38 footwear factories registered as the members of GMAC.

Machinery, fabricated metal, electric/electronics products industries

In 2008, 21 companies were registered under MIME⁷ in sub-sector of “Fabricated Metal Products” which include electric/electronics products. The number of companies increased to 30 in 2011 and its share among the manufacturing sector rose to 4.4% from 3.7% in 2008.

Among those 30 companies, there were 9 companies for assembling and repairing of cars, motorcycles and bicycles, followed by 8 companies for manufacturing construction materials and roof materials. Other 3 companies manufacture or assemble electric wire and cable and electric motors.

MOTORCYCLE:

Cambodia Suzuki Motor Co., Ltd., which was established as a joint venture between Suzuki (Japan) and OMC (Cambodia) in which Suzuki holds 85% shares and OMC 15%, has been assembling motorcycle of Suzuki since 1999.

Asia Motors Co., Ltd., a joint venture of Toyota Tsusho Corporation (Japan) and Kong Nuon Import & Export Company (Cambodia), imports the SKD set of Yamaha Motorcycle and assembles them. Although Yamaha Motor Co., Ltd. (Japan) established Yamaha Motor Cambodia Co., Ltd. in September 2008 as a joint venture with Toyota Tsusho Corporation (Japan) and Kong Nuon Import & Export Company (Cambodia), it has been suspending the factory construction until now, due to the weakening domestic market affected by global economy slow-down.

Honda motorcycles have been assembled by N.C.X. Company of Thailand at a factory near Phnom Penh since 1998 and they occupied the largest share in domestic market of motorcycle. Qianlima Vehicle Co., Ltd. also engages in vehicle assembling in Sihanoukville SEZ. There are several other local and Chinese motorcycle assemblers in operation.

BICYCLE:

The first bicycle manufacturing and assembling companies moved into Cambodia in 2005-6 from China and Vietnam where the supply chain for bicycle assembling had been furnished. The main reason for moving their factories from China/Vietnam to Cambodia was that the import duty rate levied in the importing countries such as EU became much lower if the assembled bicycle was exported from Cambodia comparing with those exported from China/Vietnam. Atlantic Cycle from China was registered as QIP by CIB in 2005, followed by Best Way Industry Co., Ltd. of Taiwan which has been operating as a QIP since 2006 in Manhattan SEZ.

Since many of the parts and components are being imported from or through Vietnam, these bicycle assembling factories tend to be accumulated in Bavet area near Vietnam border. In addition to Best Way and Seed Tech Industrial in Manhattan SEZ., Atlantic Cycle Co., Ltd., Smart Tech (Cambodia) Co., Ltd., A and J (Cambodia) Co., Ltd. operates in Tai Seng SEZ. On the other hand, Continental Cycles Cam Co., Ltd. locates in Sihanoukville SEZ 2.

MOTOR VEHICLE:

Camko Motor Company Ltd., which is a joint venture between KH Motors (domestic distributor of Hyundai vehicles) and Phnom Penh-based Ly Young Phat group, currently assembles Hyundai's USV in a factory locating at Neang Kok Koh Kong SEZ for domestic market, by importing CKD kits. Although the actual number of cars assembled in 2011 was 300, they plan to increase to 800 in 2013.

Khmer First Car Factory, the US\$15 million joint venture between Cambodian shareholders and Chinese car company, Beijing Automobile Works (BAW), was registered as QIP in 2010. The company currently assembles vehicles in Phnom Penh from the parts imported from China and plans to sell 1,000 cars of its three BAW models per year in Cambodia. R.M Asia Co., Ltd. also assembles Ford's ambulance cars in a warehouse of Sihanoukville Port and plans to construct own factory and increase its assembling capacity.

STEEL PROCESSING:

Eastern Steel Industry Corporation was incorporated as a joint venture between Sumitomo Corporation of Japan and a local company (currently Sumitomo holds 90% share of the company) and registered as Investment Project in 1996 for manufacturing of galvanized steel sheet for roofing. It imports the cold coil, galvanizes, forms and cuts into the final products, while other manufacturers of galvanized steel sheet in Cambodia import galvanized steel sheet and form and cut into the final products.

Cambodia Success Industries Co., Ltd., Wealth (Cambodia) Steel Industry Engineering Co., Ltd., Zhong Zheng (Cambodia) Co., Ltd and CH Steel Wire Industries (Cambodia) Co., Ltd. are among the companies engaging with steel processing for construction materials.

ELECTRIC WIRE AND CABLE:

KTC, a South Korean-owned company, was established in December 2005 and it manufactures the building wire, power cable, overhead electrical aluminum conductors, telecommunication cable, etc. Dy-Tech Cam Co., Ltd. of Korea was registered as a QIP in 2011 and plants to manufacture electric wires in Cambodia. There is other Chinese company called, Viniton Electric Cable and Equipment Co., Ltd., which is said to manufacture electric cables.

ELECTRIC AND ELECTRONICS PRODUCTS

Until recently, there was no notable manufacturer of electric or electronics products existed in Cambodia. However, Minebea of Japan established Minebea (Cambodia) Co., Ltd. and started assembling of small-size motor, which will be used for the mobile phone or other electronics products, from April 2011 in Phnom Penh SEZ's rental factory, which is the first motor assembling factory in Cambodia. They currently plan to employ 900 workers by the end of 2011. The construction of own 1st factory began in May 2011 and the second factory construction is also being planned. In future, they plan to hire maximum 5,000 workers in those two factories.

Following Minebea, many Japanese manufacturers of wire harness decided to invest in Cambodia in 2010 and 2011. Among them, there are Yazaki Cambodia Products Co., Ltd., Sumi (Cambodia) Wiring Systems Co., Ltd., a subsidiary of Sumitomo Wiring Systems, Ltd., Marunix (Cambodia) Co., Ltd, Asle Electronic (Cambodia) Co., Ltd. and G.S.Electech (Cambodia) Inc. They assemble the wire harness for automobile or electric equipment and appliance.

Among other electric and electronics parts and products manufacturers, “Soon-West (Cambodia) Co., Ltd. (Electronics parts and products)” of Japan and “Thibidi (Cambodia) Co., Ltd. (Electrical equipment)” of Vietnam locate in the Phnom Penh SEZ, Tokyo Parts Industrial (Cambodia) Co., Ltd. (Coils and transformers) in the Tai Seng SEZ and “Izumi (Cambodia) Co., Ltd. (TV frame and electric parts)” in the Sihanoukville SEZ 2.

Note 7: Department of Industrial Affairs (DIA) of MIME

Food processing

The output of food, beverages & tobacco industries accounts for 14.7% of total manufacturing in 2011, increased by 5.8%, 9.5% and 8.6% annually from 2008 to 2011. However, the contributing ratio of the industries to the total GDP remained at 2.2% in 2011.

70 factories are registered in the field of food processing with the MIME as of 2012, which is an increase of 66.7% from 42 factories in 2008. Foreign enterprises accounts for around 51.4% of the total number of enterprises in the sector. The average number of workers is around 179, with the range between 8 and 1,546 and 4 factories employs more than 500 workers.

Among 42 food companies, 9 companies engage in the manufacture of rice mill, 5 companies in animal foods, 4 in the flour manufacturing and 4 in the sugar and alcohol. In beverage, 6 companies are the beer brewery out of total 16 companies. Among them, Ajinomoto (Cambodia) Co., Ltd., a global giant in food industry, has begun operation near Phnom Penh. It currently imports the Monosodium Glutamate and other seasoning from its factories in Thailand and China, processes them into a final package and sells directly to the domestic market.

As the Cambodian economy soundly grows and the household consumption increases, the food processing industry is expected to grow at faster speed in the coming years.

Agricultural, fishery and forestry

The agriculture, Fishery and Forest sector occupied the share of 29.7% in GDP (Current Prices) in 2007 and it took 34.6% share in 2011 as shown in Table VII-5-1. Among them, the steady growth of crops contributed to an increase of share in last five years.

AGRICULTURE:

Agriculture of Cambodia has been developed gradually as one of backbone industries of Cambodian economy contributing to 20.6 % of the GDP in 2011 as shown in Table VII-5-1. The Gross Valued Added (GVA) for agriculture increased from 7,174 billion Riels (Constant 2000 price)⁸ in 2007 to 8,311 billion Riels in 2010 (an increase of 15.8%) and further to 8,567 billion Riels in 2011 (an increase of 19.4% over 2007) by having grown at 3.1% to 5.7% each year during the period.

Since the rice is a main crop for Cambodia, continuous efforts have been made by the government to increase the production. As a result, cultivated areas, yield per hectare and total production of rice has increased steadily from 2007 to 2011, while the harvested areas slightly decreased in 2011 as shown in Table VII-5-2. This result was based on the attempt to recover the damaged areas as well as the efforts made by farmers with better knowledge and know-how on rice, especially high-yielding rice seed.

Table VII-5-1 Transition of Share of Agriculture, Fishery and Forest Sector in GDP (Current Prices) (%)

	2007	2008	2009	2010	2011	2012e
Crops	15.5	17.9	18.4	19.0	20.6	20.8
Livestock & Poultry	4.4	4.4	4.5	4.5	4.2	3.9
Fisheries	6.9	7.4	7.7	7.5	7.2	9.6
Forestry & Logging	2.9	3.0	2.9	2.8	2.6	2.5
Total Agriculture, Fishery & Forest	29.7	32.8	33.5	33.9	34.6	36.8

Source: MEF

Table VII-5-2 Rice Production in Cambodia 2007-2011

Description	2007	2008	2009	2010	2011	Change 2011/2010 (%)
Cultivated Areas (ha)	2,585,905	2,615,741	2,719,080	2,795,892	2,968,529	6.17
Harvested Areas (ha)	2,566,952	2,613,363	2,674,603	2,776,323	2,766,617	-0.39
Rice Yield (t/ha)	2.621	2.746	2.836	2.97	3.17	6.85
Production (t)	6,727,127	7,175,473	7,585,870	8,249,452	8,779,365	6.42
Rice Surplus (t)	1,649,640	2,025,033	2,244,598	2,515,752	2,780,328	10.47
Paddy Surplus (t)	2,577,562	3,164,114	3,507,185	3,930,425	4,344,263	10.47

Source: Annual Report for Agriculture, Forestry and Fisheries 2011-2012, April 2012, MAFF

Table VII-5-3 Cultivated Areas for Four Main Crops 2007-2011 (Unit: Hectare)

Crop	2007	2008	2009	2010	2011
Maize	142,391	163,106	206,058	213,622	174,257
Cassava	108,122	179,945	160,326	206,226	391,714
Mung Bean	65,261	45,605	49,599	69,206	68,111
Soya Bean	76,981	74,413	96,388	103,198	70,584
Total 4 Crops	392,755	463,069	512,370	592,250	704,666

Source: Annual Report for Agriculture, Forestry and Fisheries 2011-2012, April 2012, MAFF

Note 8 : Annual Report for Agriculture, Forestry and Fisheries 2011-2012, April 2012, MAFF

Table VII-5-4 Livestock and Poultry Production in Cambodia 2007-2011

	2007	2008	2009	2010	2011
<i>Livestock</i>	6,530,618	6,593,383	6,445,832	6,243,986	6,195,133
<i>Cattle</i>	3,368,449	3,457,787	3,579,882	3,484,481	3,405,972
<i>Buffalo</i>	772,780	746,207	739,646	702,074	689,829
<i>Pig</i>	2,389,389	2,389,389	2,126,304	2,057,431	2,099,332
<i>Poultry</i>	15,825,000	16,928,000	20,193,000	20,834,000	21,619,000

Source: Annual Report for Agriculture, Forestry and Fisheries 2011-2012, April 2012, MAFF

The cultivated areas for four main cash crops have been fluctuated according to the market demand as shown in Table VII-5-3.

Livestock production in Cambodia has been declining slightly in the recent years, while the production of pig recovered in 2011 as indicated in Table VII-5-4. This result is explained by the diseases and unofficial inflow of pigs in to Cambodia as well as the increase of use of tractors by farmers. On the other hand, the production of poultry remarkably increased from 2007 and reached approximately 22 million in 2011.

FISHERY:

Fishery production is as presented in Table VII-5-5 with three categories, i.e. inland fish, marine fish and aquaculture fish. The production of inland fish has accounted for 73.2% of the total fishery production in 2011. While the production volumes of inland fish decreased by 7.6% in 2008, it started to recover in 2009 and has increased gradually up to 2011. The production of marine fish and aquaculture has drastically increased by 43.3% and 104.2% respectively from 2007 to 2011.

Forestry and Logging:

According to MAFF, the LANDSAT forest assessment was conducted by Forest Administration in 2010 and the results were verified in 104 areas of 13 provinces. Initial finding shows that there are 10,339,826 hectares of forest remained, which is equal to 56.94% of whole Cambodia.

In 2010, 68,340 cubic meters of logs and sawn woods have been supplied to local use. Such logs and sawn woods were collected from forest bidding by private companies, land clearance in some economic land concession areas and/or hydropower station clearance.

The reforestation activity covered 33,540 hectares in 2011. Among them, 1,820 hectares were planted by Forest Administration, 31,720 hectares by private companies and small-scale farmers or households. Forestry Administration cooperated with development partners and local communities to establish and develop 561 forest communities.

Natural rubber industry

Rubber has been supporting the society and economy of Cambodia as long-time major industrial product. Through the export of its latex and timber products, it contributed to the poverty reduction by generating employment and income in rural areas.

As tapping areas kept widening, the production and export amount also steadily grew. In 2011, the production and export amount increased by 21.5% and 7.1% respectively, comparing with these in the 2010. However, Cambodia's share in the world rubber production still remains at 0.46% in 2011, namely 45.0 thousand tons out of 10,100 thousand tons. The average price of Cambodian natural rubber, which was exported by rubber estate, was USD 4,309 tons in 2011. Transition of tapping area, production and export of Cambodian rubber in recent years is shown in Table VII-5-6.

There were 10 rubber estates, 67 rubber-planting Economic Land Concession companies and many small holders in 14 provinces at the end of 2011. The transition of total rubber plantation area by type of firm is shown in Table VII-5-7 and the current tapping and planting areas by development stage are shown in Table VII-5-8.

Cambodian rubber price is still lower than the average international market price. This is partly because the quality of Cambodian products is viewed as poorer, and partly because it is difficult for Cambodians to provide a large volume of products for foreign customers. The issues for Cambodian natural rubber industry are thought to be the low productivity, high processing cost and poor infrastructure.

Table VII-5-5 Fishery Production from 2007 to 2011 (Metric tons)

Type of Fish	2007	2008	2009	2010	2011
Inland Fish	395,000	365,000	390,000	405,000	445,000
Marine Fish	63,500	66,000	75,000	85,000	91,000
Aquaculture	35,260	40,000	50,000	60,000	72,000

Source: Annual Report for Agriculture, Forestry and Fisheries 2011-2012, April 2012, MAFF

Economic Land Concession

Although the ELC website of MAFF says there were 85 contracted and validated companies with total land area of 956,690 hectares located in 16 provinces as of October 2010, it is reported that MAFF has granted the ELC investment projects to 96 companies with total land of 1.012.902 hectares located at 17 provinces since 1993 till May 2011. Since MAFF has not clarified yet the currently validated ELC contracts, it is uncertain which ELC contracts have been cancelled and/or newly granted.

The RGC issued "Order #01 on the Measures to Strengthen and Increase the Effectiveness of the Management of Economic Land Concessions" on 7 May 2012. By this Order, the RGC ordered the relevant ministries and authorities to stop granting ELC immediately but temporarily, implement the Government policy regarding the ELC and focus on the implementation of contract on ELCs. The Order also describes that the RGC will seize ELCs from companies which obtained ELC but failed to develop the concession land or failed to comply with the ELC contracts.

The ELC website of MAFF currently carries the list of profiles of only 98 ELC contracts as shown in Table VII-5-9.

Table VII-5-6 Tapping Area, Production and Export of Rubber 2006-2011

Year	Tapping Area (Ha)	Production (Ton)	Export (Ton)
2006	20,583	36,400	31,184
2007	30,490	36,903	33,121
2008	33,670	37,050	36,000
2009	34,135	37,380	36,500
2010	38,406	42,247	42,000
2011	45,162	51,339	44,969

Source: Department of Rubber Development of General Department of Rubber, MAFF

Table VII-5-7 Transition of Total Rubber Plantation Area 2006-2011

Unit: thousand hectares

Type of Firm	Year					
	2006	2007	2008	2009	2010	2011
Rubber Estate	45	44	45	45	47	51
ELC Company	0	2	8	22	52	66
Small Holders	25	36	54	59	82	96
Total	70	82	107	126	181	213

Table VII-5-8 Cambodia Natural Rubber Plantation Area by Stage in 2011

Type of Firm	No. of Firm	Area (Ha)		
			Immature	Total
Rubber Estate	10	23,176	27,538	50,714
ELC Company	67	-	66,459	66,459
Small Holders	(14 Provinces)	21,986	73,944	95,930
Total	-	45,162	167,941	213,103

Source: Department of Rubber Development of General Department of Rubber, MAFF

Table VII-5-9 List of Economic Land Concessions related to Agro-industry

	Company Name	Nationality	Land Site	Land Area (ha)	Purpose of Investment
1	LEANG HOUR HONG Import and Export, Agro Industry Development and Processing	Cambodia	Battambang	8,000	Sugar Cane and Tapioca
2	Rath Sambath	Cambodia	Battambang	5,200	Rubber plantation
3	AGRO STAR Investment	Cambodia	Kampong Cham	2,400 + 2,000	Cashew-Apple plantation and Animal husbandry
4	Men Sarun Import Export	Cambodia	Kampong Cham	4,400	Rubber plantation and other crops
5	Mieng Ly Heng Investment	Cambodia	Kampong Cham	3,000	rubber plantation
6	TTY Industrial Crops Development Import-Export	Cambodia	Kampong Cham	1,070	Cassava plantation
7	VANNMA Import-Export Co.; Ltd	Cambodia	Kampong Cham	1,200	Sugar Cane and Tapioca (Cassava)
8	Phea Phimex Co., Ltd	Cambodia	Kampong Chhnang	315,028	Trees Plantation and Papers Factory
9	C.J Cambodia Co., Ltd 1	Korea	Kampong Speu	5,000	Tapioca (cassava or manioc)
10	C.J Cambodia Co., Ltd 2	Korea	Kampong Speu	3,000	Tapioca (cassava or manioc)
11	Fortuna Plantation (Cambodia) Limited	Malaysia	Kampong Speu	7,955	Oil Palm and Jatropha plantation
12	Golden Land Development Co., Ltd	Taiwan	Kampong Speu	4,900 +4,900	Agro-Industrial Crops
13	Grandis Timber Ltd	USA	Kampong Speu	9,820	Maysak plantation
14	Uk Khun Industrial Plants and Other Development	Cambodia	Kampong Speu	12,506	Cashew apple, Agro-Industrial Crops, and Animal Husbandry
15	BNA (Cam) Corp	Korea	Kampong Thom	7,500	Rubber and Cassava plantation
16	An Mardy Group	Cambodia	Kampong Thom	9,863	Agro-industrial plantation and animal husbandry
17	BNA (Cam) Corp	Korea	Kampong Thom	7,500	Rubber and Cassava plantation
18	C C V Co., Ltd	Cambodia	Kampong Thom	5,730	Acacia plantation
19	C R C K Rubber Development Co., Ltd	Vietnam	Kampong Thom	6,155	Rubber Plantation
20	Gold Foison (Cambodia) A/C Import Export & Construction	China	Kampong Thom	7,000	Acacia plantation and construction processing factory
21	H.M.H Co., Ltd	Cambodia	Kampong Thom	5,914	Acacia plantation and other trees
22	Mean Rithy Co., Ltd	Cambodia	Kampong Thom	9,784	Agro-industry
23	Ta Bien Kampong Thom Rubber Development	Vietnam	Kampong Thom	8,100	Rubber Plantation
24	Cam Try Cooperation	Israel	Kampot	4,209	Acacia plantation
25	CAMLAND Co., Ltd.	Cambodia	Kampot	16,000	Oil Palms
26	FIRST BIO-TECH AGRICULTURAL (CAMBODIA) Co., Ltd	Cambodia	Kampot	10,000	Agro-industrial plantation and animal husbandry
27	WORLD TRISTAR ENTERTAINMENT (CAMBODIA) Co.; Ltd	Cambodia	Kampot	9,800	Corn plantation and construction of processing factory
28	Asia World Agricultural Development (Cambodia) Co., Ltd	China	Kratie	10,000	Tectona replantation and construct processing factory
29	(Cambodia) Tong Min Group Engineering	China	Kratie	7,465	Rubber, acacia, jatropha plantation and construct processing factory
30	Agri-Industrial Crops Development (Cambodia)	China	Kratie	7,000	Rubber and acacia plantation
31	C & V Group	Vietnam	Kratie	7,000	Rubber Plantation
32	C X P B Development	Cambodia	Kratie	8,202	Rubber Plantation
33	Carmadeno Venture (Cambodia) Limited	India	Kratie	7,635	Sugar cane plantation
34	Central First Company Limited	USA	Kratie	7,000	Rubber plantation
35	Chhun Hong Rubber Better	Cambodia	Kratie	7,000	Rubber Plantation
36	Crops & Land Development (Cambodia)	China	Kratie	7,200	Rubber and acacia plantation
37	Doty Saigon-Binh Phouc (SBK)	Vietnam	Kratie	6,436	Rubber, cassava, cashew nut plantation and construct processing factory

38	Global Agricultural Development (Cambodia) Co., Ltd	USA	Kratie	9,800	Tectona replantation and construct processing factory
39	Great Asset Agricultural Development (Cambodia) Co., Ltd	China	Kratie	8,985	Pistacia Chinasis Bunge and other trees plantation
40	Great Wonder Agricultural Development (Cambodia) Limited	China	Kratie	8,231	Pistacia Chinasis Bunge and other trees plantation
41	Green Island Agricultural Development (Cambodia) Co., Ltd	USA	Kratie	9,583	Tectona replantation and construct processing factory
42	Mega Star Investment and Forestry Development	Vietnam	Kratie	8,000	Rubber Plantation
43	PDA (Cambodia) Co., Ltd	Korea	Kratie	5,256	Rubber, Acacia and Cassava plantation
44	Koh Kong Plantation Company Limited	Cambodia	Koh Kong	9,400	Sugar Cane
45	Koh Kong Sugar Company Limited	Thai	Koh Kong	9,700	Sugar Cane
46	The Green Rich Co., Ltd.	China	Koh Kong	60,200	Oil palms, fruit trees and acacia
47	Agro Forestry Research	China	Mondulkiri	7,000	Rubber and Acacia plantation
48	Benh Hoeurk Kratie Rubber 1 Co., Ltd	Vietnam	Mondulkiri	8,926	Rubber plantation
49	Covyphama Co., Ltd	Cambodia	Mondulkiri	5,345	Rubber plantation
50	D.T.C (Group)	Cambodia	Mondulkiri	4,000	Rubber plantation
51	HUOR LING (Cambodia) International Insurance	China	Mondulkiri	8,400	Pine plantation
52	Land and Developing (Cambodia)	China	Mondulkiri	7,000	Rubber and Acacia plantation
53	MO HY PA MASU ORN Kampuchea Co., Ltd	Malaysia	Mondulkiri	7,800	Rubber plantation
54	Mondul Agri-Resource Co., Ltd	Foreign	Mondulkiri	9,100	Rubber plantation
55	Pacific Lotus Yory Stock Co., Ltd	Vietnam	Mondulkiri	9,014	Rubber plantation
56	Seang Long Green Land Investment (Cambodia) Co., Ltd	China	Mondulkiri	7,000	Rubber and Acacia plantation
57	Unigreen Resource Co., Ltd	China	Mondulkiri	8,000	Rubber plantation
58	Wuzhishan L.S Group	China	Mondulkiri	10,000	Merkusii plantation and construct processing factory
59	P N T Co., Ltd	Vietnam	Preah Vihear	7,900	Rubber plantation
60	Thy Nga Development and Investment Co., Ltd	Vietnam	Preah Vihear	6,060	Rubber plantation
61	Ratana Visal Development Co., Ltd	Cambodia	Pusat	3,000	Cashew-apple and oil palms
62	30/4 Gialani Company Limited	Vietnam	Ratanakiri	9,380	Agro-industrial crops, animal husbandry and processing factory
63	CRD	Vietnam	Ratanakiri	7,591	Rubber plantation
64	CHAING LY Investment	Vietnam	Ratanakiri	1,900	Rubber plantation
65	Dai Dong Yoeurng Commercial Yornh Stock Co., Ltd	Vietnam	Ratanakiri	4,889	Rubber and Cashew plantation and animal husbandry
66	Global Tech Sdn., Bhd, Rama Khmer International and Men Sarun Friendship	Cambodia	Ratanakiri	20,000	Oil palms, Coffee and additional crops
67	Heng Brother	Vietnam	Ratanakiri	2,361	Rubber and Acacia plantation
68	Heng Development Co., Ltd	Cambodia	Ratanakiri	8,654	Agro-industry and other trees plantation
69	Heng Heap Investment	Cambodia	Ratanakiri	7,000	Rubber and Jatropha plantation
70	Holy Ykho Investment (Cambodia)	China	Ratanakiri	7,497	Rubber plantation and other industrial crops
71	Hong An Mang Yang K Rubber Development	Vietnam	Ratanakiri	6,891	Rubber plantation
72	Hong An Oyadav Co., Ltd	Vietnam	Ratanakiri	9,000	Rubber plantation
73	Kao Su Ealev Bm Yoi Stock	Vietnam	Ratanakiri	8,400	Rubber plantation
74	Kiri Development	Cambodia	Ratanakiri	807	Rubber plantation
75	Krong Pok Ratanakiri Rubber Development Co.Ltd	Vietnam	Ratanakiri	6,695	Rubber plantation
76	Oryung Construction (CAM) Co., Ltd	Korea	Ratanakiri	6,866	Rubber plantation
77	Veasna Investment	Vietnam	Ratanakiri	5,080	Rubber plantation

78	Kain Co., Ltd	Cambodia	Siem Reap	4,535	Rubber and agro-industry plantation.
79	Samrong Rubber Industries Pte., Ltd	Cambodia	Siem Reap	9,658	Rubber and other trees plantation
80	Sophorn Theary Peanich Co., Ltd	Cambodia	Siem Reap	5,042	Rubber and agro-industry plantation
81	Mong Reththy Investment Cassava Cambodia Co., Ltd.	Cambodia	Preah Sihanouk	1,800	Cassava plantation and construct processing factory
82	Mong Reththy Investment Oil Palm Cambodia Co., Ltd.	Cambodia	Preah Sihanouk	11,000	Oil palms
83	(Cambodia) Research Mining and Development	Cambodia	Stung Treng	7,200	Rubber and Acacia plantation
84	Cassava Starch Production Co., Ltd	Cambodia	Stung Treng	7,400 +6,190	Agricultural and Agro-industrial crops
85	GG WORLD GROUP (CAMBODIA) DEVELOPMENT Co., Ltd	China	Stung Treng	5,000	Agro-industrial crops, animal husbandry and processing factory
86	GRAND LAND AGRICULTURAL DEVELOPMENT (CAMBODIA) Co., Ltd	China	Stung Treng	9,854	Agro-industrial crops
87	Green Sea Agriculture Co., Ltd.	Cambodia	Stung Treng	100,852	Trincomali plantation
88	PHOU MADY INVESTMENT GROUP	Cambodia	Stung Treng	10,000	Acacia, Trincomali wood, and other plantation crops
89	SAL SOPHEA PEANICH Co., Ltd.	Cambodia	Stung Treng	9,917	Acacia, Trincomali wood, and other plantation crops
90	Sekong Aphivath Co., Ltd	Cambodia	Stung Treng	9,850	Agro-industry and animal husbandry
91	SIV GUEK INVESTMENT Co., Ltd.	Cambodia	Stung Treng	10,000	Acacia, Trincomali wood, and other plantation crops
92	SOPHEAK NIKA Investment Agro-Industrial Plants Co., Ltd	Cambodia	Stung Treng	10,000	Acacia, Trincomali wood, and other plantation crops
93	Un-Inter Trading and Development Group (Cambodia)	China	Stung Treng	7,000	Rubber and Acacia plantation
94	(Cambodia) Cane and Sugar Valley	Thai	Uddor Meanchey	6,595	Sugar plantation and construction processing factory
95	Angkor Sugar	Thai	Uddor Meanchey	6,523	Sugar plantation and construction processing factory
96	Crystal Agro Company Limited	Thai	Uddor Meanchey	8,000	Cassava and agro-industry plantation
97	River Sugarcane	Thai	Uddor Meanchey	6,618	Sugar plantation and construction processing factory
98	N K Venture (Cambodia) Limited	India	Svay Rieng	1,200	Sugar Can plantation

Source: ELC Website, MAFF (<http://www.elc.maff.gov.kh/en/profile>)

Tourism industry

The MOT's data indicates that number of international visitors arrivals sharply increased by 43.0% in last 5 years, namely 2,015,128 in 2007 to 2,881,862 in 2011.

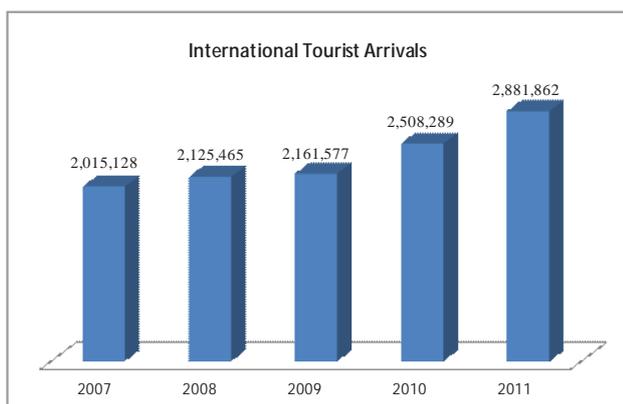
73.1% of all visitors came from Asia and the Pacific region and more than half of them were from ASEAN countries. Europe, Americas, Africa and Middle East occupied 18.8%, 7.5%, 0.2% and 0.3% respectively.

Average length of stay of those tourists was 6.5 days in 2011. As the number of tourists increased, the hotel occupancy also has been improved from 54.8% in 2007 to 66.2% in 2011. Consequently the amount which tourism sector generated has also increased from US\$1,403 million in 2007 to US\$1,912 million in 2011.

In the first 7 months in 2012, 2,040,934 visitors arrived in Cambodia, which was an increase by 25.6% comparing to the same period of 2011. 47.9% of visitors came to Cambodia by air, while 49.7% arrived by land and 2.4% by water ways.

After Vietnam appeared in top-ten rank of foreign visitors for the first time in 2005, it gradually came up the rank and became the biggest source of visitors to Cambodia in 2009 by occupying the share of 14.6% or 316,202 visitors. In 2011, Vietnamese visitors reached to 614,090 and occupied 21.3% share in all visitors to Cambodia from outside world. This tendency continued in the first 7 months of 2012 and its share was 22.2% in the period.

South Korea's share suddenly and sharply dropped to 12.5% in 2008 from previous years' 16.4% due to its sluggish economy affected by global financial crisis. After having been down to 9.2% in 2009, it started picking up to 11.6% in 2010 and increased up to 11.9% in 2011. China's share continued to rise since 2005. Although its share was 4.2% in 2005, it rose to 8.6% in 2011 and 8.8% in the first 7 months of 2012. On the contrary, Japan has been losing its share since 2002. It occupied 18.5% share in 2002 but now took only 5.6% in 2011. While the number of visitors from Japan slightly increased in 2011, its share further decreased from 6.1% in 2010 to 5.6% in 2011.



Source: Annual Report on Tourism Statistics 2011, Ministry of Tourism

Figure VII-5-4 Number of International Tourist Arrivals in Cambodia

Among top-ten source of visitors to Cambodia, the number of visitors from Thailand decreased while the number of visitors from Lao PDR, and Australia sharply increased. In the first 7 months in 2012, the number of visitors from all top-ten source markets has increased comparing to the same period of 2010.

Table VII-5-10 Top Ten Source Markets 2010-July 2012

Rank	Country	2010	2011	Share (%)	Change (%)	2012 (1-7)	Share (%)
1	Vietnam	514,289	614,090	21.3	19.4	453,894	22.2
2	South Korea	289,702	342,810	11.9	18.3	256,315	12.6
3	China	177,636	247,197	8.6	39.2	179,251	8.8
4	Japan	151,795	161,804	5.6	6.6	95,877	4.7
5	USA	146,005	153,953	5.3	5.4	103,813	5.1
6	Lao PDR	92,276	128,525	4.5	39.3	127,297	6.2
7	France	113,285	117,408	4.1	3.6	70,866	3.5
8	Thailand	149,108	116,758	4.1	-21.7	105,393	5.2
9	Australia	93,598	105,010	3.6	12.2	67,202	3.3
10	UK	103,067	104,052	3.6	1.0	65,873	3.2

Source: Tourism Statistics Report July 2012, MOT

Table VII-5-11 Number of Business Visitors by Major Country/Region in 2011

Country/Region	Number of Business Visitors
China	42,100
South Korea	13,608
Taiwan	9,538
Thailand	9,325
USA	7,707
France	6,383
Malaysia	6,100
Japan	6,051
Australia	4,963
UK	4,456

Source: Annual Report on Tourism Statistics 2011, Ministry of Tourism

Table VII-5-12 Number of Tourism Services

	Hotels	Guesthouses	Travel Agency
2002	267	509	259
2003	292	549	270
2004	299	615	302
2005	317	684	336
2006	351	742	382
2007	395	891	451
2008	398	925	473
2009	451	1,018	485
2010	440	1,087	507
2011	476	1,142	589

Source: Annual Report on Tourism Statistics 2011, Ministry of Tourism

Table VII-5-13 CDC-approved Investment Projects in Tourism Industry (2002-2011)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
The number of projects	4	10	6	6	8	13	20	12	3	8
Approved Investment Amount (US\$ million)	70	114	65	103	408	1,250	8,776	3,901	132	2,760

Source: CIB (CDC)

Top-ten countries/regions of visitors to Cambodia from 2010 to July 2012 are shown in the Table VII-5-10.

In terms of purpose of visit, 93.9% of all visitors came for tourism and 5.0% were for business in 2011. Top-ten countries/region of business visitors to Cambodia and number of visitors in 2011 are shown in Table VII-5-11.

Approximately 14% of those who arrived at Phnom Penh International Airport were for business in 2011 and 99.0% of those who arrived at Siem Reap International Airport were for vacation.

Table VII-5-12 shows the number of hotels, guesthouses and travel agencies in Cambodia at the end of each year.

In view of the investment trend of tourism, as shown in Table VII-5-13, although the approved investment amount was US\$8,776 million in 2008, it remained at US\$4,926 million if the gigantic project of US\$3,850 million is deducted from the total approved amount. In this context, the approved amount of investment of US\$3,901 million in 2009 showed the strong confidence of the investors in Cambodia's tourism industry. While the approved investment amount in 2010 stood merely at US\$132 million, it recovered to US\$2,760 in 2011.

VIII COST OF DOING BUSINESS

VIII-1 Logistics cost

For Export

For Export from Sihanoukville Port:
- Phnom Penh to Sihanoukville Port for 20'container: Approximately USD520- (Including Trucking, Documentation Fee, Export Clearance Fee, Loading Charge, Certificate of Origin, Toll Fee, Agency Fee, Miscellaneous Charges and VAT)
- Charges at Sihanoukville Port: Approximately USD350
- Approximately 7 – 8 hours by roads

For Export through Bavet and HCMC:
- Phnom Penh to HCMC for 40'container: Approximately USD1,050- (Including the customs clearance fee in Cambodia but excluding the charges at port in Vietnam)
- Approximately 15 hours by roads

For Export through Cai Mep (Vietnam):
- Phnom Penh Port to Cai Mep: Approximately USD1,250- (Including customs fee in Cambodia and Vietnam side)
- Approximately 36 hours by river

For Import

For Import through Cai Mep (Vietnam):
- Cai Mep to Phnom Penh Port: Approximately USD1,300- (Including customs fee in Cambodia and Vietnam side)

For Import from Thailand:
- Thailand to Phnom Penh for 40' container: Approximately USD1,600- (Including customs clearance fee in Thailand but excluding customs clearance fee in Cambodia)
- Approximately 20 hours by roads

Note: Above logistics costs have been obtained as reference data through interviews with some logistics companies. The actual delivery cost may vary according to the goods, container size, scope of fees and charges included, and other conditions.

VIII-2 Real estate cost

Industrial land cost

Location	Land Category	Land Cost (USD/m2)
Phnom Penh	First Commercial Land	4,000-6,000
	Second Commercial Land	2,500-3,000
	Third Commercial Land	1,000-1,500
	First Residential Land	1,800-2,500
	Second Residential Land	800-1,200
	Third Residential Land	50-300
	Development Land	15-50
Siem Reap	First Commercial Land	1,500-2,500
	Second Commercial Land	800-1,000
	Third Commercial Land	300-500
	First Residential Land	300-500
	Second Residential Land	150-200
	Third Residential Land	50-100
	Development Land	5-20
Sihanoukville	First Commercial Land	800-1,200
	Second Commercial Land	400-600
	Third Commercial Land	200-300
	First Residential Land	300-500
	Second Residential Land	150-200
	Third Residential Land	50-100
	Development Land	5-20

Source: Bonna Realty Group (Cambodian Estate) as of November 2012

Office space cost

Type of office	Average Rental Cost per Month (USD/ m ²)
Prime Areas	15 – 25
Secondary Area	8 – 13

Source: Bonna Realty Group (Cambodian Estate) as of November, 2012

Factory rent/purchasing cost

Type of Factory	Location	Average Factory Lease Cost (USD/m ² /month)	
Ready-built Factory	Prime Areas	1.35 – 1.80	
	Other Areas	1.15 – 1.35	
Location	Size (m ²)	Factory Rental Cost per month (USD/ m ²)	Factory Sale Cost (USD/ m ²)
National Road No. 2	2,900	1.35 – 1.80	250 – 350
Boeung Tompun St.371	5,000	1.15 – 1.35	150 – 300
Veng Sreng Road Road 4 and 3	Land size: 3,250	1.0 – 1.5	70 – 150
	Land Building: 2,750		40 – 120

Source: Bonna Realty Group (Cambodian Estate) as of November, 2012

Warehouse cost

Location	Size Available	Average Rental Cost (USD/ m ²)
Industrial zone (Veng Sreng Road)	1,000 – 6,000 m ²	1.00
Boeung Tom Pun area	---	1.00 – 1.50
Chamkadong area	---	1.00 – 1.35
Cham Chao	---	1.00 – 1.50
Steng Meanchey	---	1.00 – 1.80

Source: Bonna Realty Group (Cambodian Estate) as of November, 2012

VIII-3 Manpower cost

Position	Monthly Median Salary Range (as of Sep 2011)	
	(USD)	(Riel)
General Worker	82.00	335,747
Engineer (mid-level)	204.00	835,274
Middle Management	663.00	2,714,639
Legal Minimum Wage	55.00	222,145

Source: JETRO <http://www.jetro.go.jp/>

VIII-4 Utility cost

Electricity cost

Regarding the electricity tariff in Phnom Penh/Kandal, Kampong Speu, Preah Sihanoukville and Kampong Cham, customers are categorized into five groups, i.e., “Residence”, “Customers paid by government budget”, “Embassy”, “Foreign residence” and “Industrial and commercial sectors”. Tariffs are applied according to the level of electricity consumption. The electricity tariffs applied in each region are shown in the following tables.

Major Provinces

Category		Electricity Tariff
Phnom Penh, Kandal, Kampong Speu		
Residence of Phnom Penh and Takmao (Kandal)	Monthly used≤50kWh	610 Riel/kWh
	Monthly used>50kWh	720 Riel/kWh
Residence of Chamom (Kampong Speu)	For all customers	720 Riel/kWh

Customers paid by government budget, Embassy, Foreign Residence	For all customers	820 Riel/kWh
Residence of administration, Commercial and industrial sectors	Small customers	*MA + 0.036 USD/kWh
	Medium customers	MA + 0.028 USD/kWh
	Large customers	MA + 0.024 USD/kWh
	**MV customers	MA + 0.020 USD/kWh
Preah Sihanouk		
Local Residence	For all customers	720 Riel/kWh
Customer paid by government budget	For all customers	820 Riel/kWh
Embassy, Foreign Residence, Commercial and industrial sectors	Small customers	MA + 0.046 USD/kWh
	Medium customers	MA + 0.038 USD/kWh
	Large customers	MA + 0.034 USD/kWh
	MV customers (275-500 KVA)	MA + 0.025 USD/kWh
	MV customers (501-1000 KVA)	MA + 0.022 USD/kWh
	MV customers (1001-3000 KVA)	MA + 0.018 USD/kWh
	MV customers (> 3000 KVA)	MA+ 0.015 USD/kWh
Kampong Cham		
Local residence	For all customers	940 Rile/kWh
Customers paid by government budget	For all customers	940 Rile/kWh
Embassy, Foreign Residence, Commercial and industrial sectors	Small customers	MA + 0.046 USD/kWh
	Medium customers	MA + 0.038 USD/kWh
	Large customers	MA + 0.034 USD/kWh
	MV customers (275-500 KVA)	MA + 0.025 USD/kWh
	MV customers (501-1000 KVA)	MA + 0.022 USD/kWh
	MV customers (1001-3000 KVA)	MA + 0.018 USD/kWh
	MV customers (> 3000 KVA)	MA + 0.015 USD/kWh

Other Provinces

Province	Category	Electricity Tariff
Siem Reap	Small customers	820 Rile/kWh
	Medium customers	800 Riel/kWh
	Large customer	750 Riel/kWh
	MV customers	700 Riel/kWh
	Shu Jing Electronics company	600 Riel/kWh
	Licensees and hole sale customers	600 Riel/kWh
Banteay Meanchey	Small customers	1,000 Rile/kWh
	Medium customers	900 Rile/kWh
	Large customer	850 Riel/kWh
	MV customers	750 Riel/kWh
	Licensee and hole sale Customer	600 Rile/kWh
Battambang	Small customers	1,000 Rile/kWh
	Medium customers	900 Riel/kWh
	Large customers	850 Riel/kWh
	MV customers	750 Riel/kWh
	Licensees and hole sale customers	600 Rile/kWh
Takeo	Small customers	920 Riel/kWh
	Medium customers	0.1825 USD/kWh
	Large customers	0.1730 USD/kWh
	MV customers	0.1655 USD/kWh

Province	Category	Electricity Tariff
Svay Rieng (Bavet)	For all customers	650 Riel/kWh
	MV customer	0.1150 USD/kWh
Kampot (Kampong Trach)	For all customers	1,100 Riel/kWh
	MV customers	0.1150 USD/kWh
Prey Veng	For all customers	1,220 Riel/kWh
Stung Treng	For all customers	980 Riel/kWh
Rattanak Kiri	For all customers	670 Riel/kWh

Note: * MA: IPP's monthly average price in the month before last.

**MV: Medium Voltage customers

Source: MIME as of November 2011

Water cost

Category		Water Tariff/m ³	Authority
Phnom Penh City			
Residential	From 0m ³ To 07m ³	550 Riel/m ³	Phnom Penh Water Supply Authority (PPWSA)
	From 08m ³ To 15m ³	770 Riel/m ³	
	From 16m ³ To 50m ³	1,010 Riel/m ³	
	Over 51m ³	1,270 Riel/m ³	
Institution & Community		1,030 Riel/m ³	
Business-Industrial	From 0m ³ To 100m ³	950 Riel/m ³	
	From 101m ³ To 200m ³	1,150 Riel/m ³	
	From 201m ³ To 500m ³	1,350 Riel/m ³	
	Over 501m ³	1,450 Riel/m ³	
Siem Reap (Siem Reap)			
Residential	From 1m ³ To 07m ³	1,100 Riel/m ³	Siem Reap Water Supply Authority
	From 08m ³ To 15m ³	1,500 Riel/m ³	
	From 16m ³ To 30m ³	1,800 Riel/m ³	
	Over 31m ³	2,000 Riel/m ³	
Business-Industrial	From 0m ³ To 50m ³	1,900 Riel/m ³	
	From 51m ³ To 150m ³	2,400 Riel/m ³	
	From 151m ³ To 350m ³	2,900 Riel/m ³	
	From 351m ³	3,400 Riel/m ³	
Sihanoukville (Preah Sihanouk)			
Category 1	From 01m ³ To 07m ³	1,500 Riel/m ³	Preah Sihanouk Water supply
Category 2	From 01m ³ To 07m ³	1,500 Riel/m ³	
	From 08m ³ To 15m ³	1,800 Riel/m ³	
Category 3	From 1m ³ To 07m ³	1,500 Riel/m ³	
	From 08m ³ To 15m ³	1,800 Riel/m ³	
	From 16m ³ To 30m ³	2,000 Riel/m ³	
Kampong Cham (Kampong Cham)			
Residential	From 0m ³ To 10m ³	500 Riel/m ³	Kampong Cham Water Supply
	Over 11m ³	900 Riel/m ³	
Business- Industrial- institution		1,500 Riel/m ³	

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

Source: MIME as of September 2012

Gas tariff

Category	Tariff
For domestic use	USD 20.00/15kg (small gas cylinder) USD 62.00/48kg (large gas cylinder)
For industrial use	USD 19.00/15kg (small gas cylinder) USD 60.00/48kg (large gas cylinder)

Source: Modern Selling Gas Shop in Phnom Penh as of November, 2012

Fuel cost (For Transport Use)

Category	Cost (per liter)
- Premium Petrol	USD 1.388 = 5,550 Riel
- Regular Petrol	USD 1.313 = 5,250 Riel
- Diesel	USD 1.275 = 5,100 Riel

Source: Caltex Station as of November, 2012

VIII-5 Telecommunication cost

Telephone tariff (Fixed Phone)

Camintel	Web: www.camintel.com/index.html Phone: + 855 23 986-789	E-mail: sales@camintel.com Fax: + 855 23 986-277
Connection Fee/line		USD 15.00
International Call Deposit (IDD Deposit)		USD 150.00
Maintenance Fee		USD 5.00
Local Call	To Camintel	USD 0.01
	To other fixed phone	USD 0.04
	To mobile phone	USD 0.06
Long Distance Call	To Camintel	USD 0.02
	To other fixed phone	USD 0.04
	To mobile phone	USD 0.06
International Call		
	Destinations	Weekday (USD) Weekend (USD)
	Border countries	0.82/min. 0.66/min.
	Asian countries	0.90/min. 0.72/min.
	North America & Europe	0.98/min. 0.79/min.
	Other countries	1.14/min. 0.97/min.

Source: Camintel (www.camintel.com/index.html)

Telephone tariff (Mobile Phone)

Cellcard (Mobitel)	Web: www.cellcard.com.kh	E-mail: helpline@mobitel.com
	Phone: +855 12 800 800	Fax: + 855 12 801 801
SIM no. (First three digits)	012/ 017/ 077/ 078/ 089/ 092/ 095	
Tariff within network	6:00-22:59: USD 0.07/min. 23:00-5:59: USD 0.05/min.	
Tariff across network	24hours: USD 0.08/min.	
Tariff international call	24hours: (IDD call/ 007) USD 0.20/min.+ IDD charges 24hours: (International call (177)) - USD 0.10-0.15/min: Asia, USA, Canada, EU. Australia - USD 0.25-0.35/min: Rest of the World	

Metfone	Web: www.metfone.com.kh	E-mail: vtc.admin@gmail.com
	Phone: +855 23 6200 014	Mobile: + 855 97 9097 097
SIM no. (First three digits)	088/ 097	
Tariff within network	Normal time: USD 0.06-0.065/ min. 18:00-20:00: USD 0.065-0.07 / min. 22:00-6:00: USD 0.05/ min.	
Tariff across network	Normal time: USD 0.08 / min.	
Tariff international call	USD 0.10-0.25 / min. ("178" + country code)	

Beeline	Web: www.beeline.com.kh	E-mail: cs@beeline.com.kh
	Phone: +855 90 999 611	Fax: -----
SIM no. (First three digits)	066/ 067/ 068/ 090/060	
Tariff within network	USD 0.05-0.08 /min.	
Tariff across network	USD 0.067-0.105 / min.	
Tariff international call	USD 0.06-0.12/min. ("179" + country code)	

Mfone	Web: www.mfone.com.kh	E-mail: sales@mfone.biz
	Phone: +855 23 300 101/011 800 800	Fax: + 855 23 358 899
SIM no. (First three digits)	011/ 061/ 076/ 085/ 099	
Tariff within network	24hours: USD 0.05-0.07 /min.	
Tariff across network	24hours: USD 0.07/ min.	
Tariff international call	Start from USD 0.20 + MPTC rate ("165" + country code)	

Smart Mobile	Web: www.smart.com.kh	E-mail: info@smart.com.kh
	Phone: +855 10 201 000 /010 200 888	Fax: + 855 23 868 882
SIM no. (First three digits)	010/ 069/ 070/ 086/ 093/ 098/096	
Tariff within network	24hours: USD 0.05/ min.	
Tariff across network	24hours: USD 0.06-0.08 / min.	
Tariff international call	USD 0.07-0.50 / min. ("+" +country code)	

Broadband internet charge

Comintel		Web: www.comintel.com		E-mail: sales@camintel.com
		Phone: +855 23 998 998		Fax: + 855 23 986 277
KTC@ Biz /Fiber Optic	512 kbps (unlimited)	USD79/month	<p>Note</p> <p>Optical fiber</p> <p>Free 5 mailboxes</p> <p>Extra mailboxes: USD3/box</p> <p>Free modem configuration</p> <p>Rates are subject to change without prior notice.</p> <p>All prices are excluded VAT.</p>	
	1 Mbps (unlimited)	USD119/month		
	2 Mbps (unlimited)	USD199/month		
	>= 3Mbps (unlimited)	Negotiable		

Online		Web: www.online.com.kh		E-mail: Sales@online.com.kh
		Phone: +855 23 727 272		Fax: + 855 23 727 777
256 kbps (unlimited)	USD69/month	<p>Note</p> <p>Free 30 mailboxes (100 mb storage, 5mb web space)</p> <p>Purchase a modem: ADSL USD88, WiMAX USD349</p> <p>Rental a modem: ADSL USD8/month, WiMAX: USD8/month</p>		
512 kbps (unlimited)	USD99/month			
1 Mbps (unlimited)	USD149/month			
2 Mbps (unlimited)	USD249/month			

Mekong Net		Web: www.mekongnet.com.kh		E-mail: sales@corp.mekongnet.com.kh
		Phone: +855 23 226 622		Fax: + 855 23 224 500
256 kbps (unlimited)	USD85/month	<p>Note</p> <p>Free 20 mailboxes (400 mb storage, 10mb web space, 1IP)</p> <p>One time installation fee USD 35-40 for ADSL and WiMAX</p> <p>Rental a modem of WiMAX: USD10/month</p> <p>All prices are fixed.</p> <p>All prices are excluded VAT.</p>		
512 kbps (unlimited)	USD145/month			
1 Mbps (unlimited)	USD255/month			
Over 1.5Mbps (unlimited)	USD149/month			

Ezecom		Web: www.ezecom.com.kh		E-mail: websales@ezecomgroup.com.kh
		Phone: +855 23 888 181		Fax: + 855 23 882 961
256 kbps (unlimited)	USD35/month	<p>Note</p> <p>Free 20 mailboxes (400 mb storage, 10mb web space, 1IP)</p> <p>One time installation fee USD 35-40 for ADSL and WiMAX</p> <p>Rental a modem of WiMAX: USD10/month</p> <p>All prices are fixed.</p> <p>All prices are excluded VAT.</p>		
512 kbps (unlimited)	USD69/month			
1 Mbps (unlimited)	USD99/month			
3 Mbps (unlimited)	USD245/month			

Metfone		Web: www.metfone.com.kh		E-mail: vtc.admin@gmail.com
		Phone: +855 23 6200 014		Mobile: + 855 97 9097 097
512 kbps (ADSL)	USD20/month	<p>Note</p> <p>Access to www.metfone.com.kh for getting price promotion.</p> <p>Deposits are required according to service and speed.</p> <p>Installation fee is USD50.00</p> <p>All prices are excluded 10% VAT.</p>		
1 Mbps (FTTH)	USD65/month			
2 Mbps (FTTH)	USD100/month			
4 Mbps (FTTH)	USD265/month			

EMAXX 4G Broadband		Web: www.emaxxtelecom.com		E-mail: support@emaxxtelecom.com
		Phone: +855 23 99 98 18		Mobile: +855 018 32 32 81
512 kbps (unlimited)	USD59/month	<p>Note:</p> <p>The Connection is 4G CPE, via WiMAX, Optical Fiber and Satellite</p> <p>The price is fixed-priced with no extra charges</p> <p>All prices are net and inclusive of VAT</p>		
1 Mbps (unlimited)	USD89/month			
2 Mbps (unlimited)	USD149/month			
4 Mbps (unlimited)	USD309/month			

IX LIVING ENVIRONMENT FOR EXPATRIATES

IX-1 Housing

In Phnom Penh City, there are more than ten five-star and four-star hotels and serviced apartments, together with many three-star hotels, which are widely used by foreign business persons and tourists. Some indication of prices is shown in Table IX-1-1 and Table IX-1-2 (the prices are for reference only).

Table IX-1-1 Apartment and Condo Rental

Location	Type of Rooms	Approx. Space	Average rentals(USD)	
			Daily	Monthly
Prime Area (Fully furnished)	Studio style	46sq.m	35-50	500 – 800
	1 bedroom /1 bathroom 1st floor	70sq.m		600 – 1,000
	2 bedroom /1 bathroom 1st floor	110sq.m	40-60	1,000 – 1,500
				100-200
	2 bedroom /2 bathroom	120 – 130sq.m		1,000 – 2,000
Prime Area (Fully furnished, good for expatriates)	1 bedroom/1 bathroom	90sq.m		800-1,500 (Including utilities)
	2 bedrooms/1 bathroom	120sq.m		1,000-2,500 (Excluding utilities)
Commercial Area	Ground floor	Standard (4m x 16m)		700 – 1,200
	Ground and 1st floor		900 – 1,500	
	Ground and 3rd floor		1,200 – 2,500	
	1st and 2nd floor		200 – 350	
Around Market	Ground floor			800 – 1500
	Ground and 1st floor			1,000 – 1,700
	Ground and 3rd floor			1,300 – 2,600
	1st and 2nd floor			200 – 350
Market Area	Ground floor			800 – 1,000
	Ground and 1st floor			850 – 1,100
	Ground and 3rd floor			950 – 1,500
	1st and 2nd floor			300 – 400
Residential -1	Ground floor			400 – 500
	Ground and 1st floor			450 – 550
	Ground and 3rd floor			650 – 850
	1st and 2nd floor			350 - 450
Residential – 2	Ground floor			300 – 400
	Ground and 1st floor			350 – 450
	Ground and 3rd floor			400 – 550
	1st and 2nd floor			150 – 250

Source: Bonna Realty Group; ASEAN Facts and Figures December 2012 Research

Table IX-1-2 Selected Major Hotels

Phnom Penh

Name/ Location	Type of Room	Room Rate/night (USD)	
		Single	Twin/ Double
Sofitel Phnom Penh Phokeethra Hotel (5 Stars)			
Address: No. 26, Sothearos Blvd, Sangkat Tonle Bassac, Khan Chamkar Morn, Phnom Penh Phone: +855 23 999 200 Fax: + 855 23 999 211 E-mail: h6526@sofitel.com Web: www.sofitel.com/6526	Superior		175
	Luxury room		215
	Junior suite		316
	Prestige suite		480
Raffle Hotel Le Royal (5 Stars)			
Address: 92 Rukhak Vithei Daun Penh, Sangkat Wat Phnom, Phnom Penh Phone: +855 23 981 888 Fax: +855 23 981 128 E-mail: phnompenh@raffles.com Web: www.raffles.com	State Room		202
	Landmark Room		225
InterContinental Hotels and Resorts Phnom Penh (5 Stars)			
Address: 296, Boulevard Mao Tse Toung, Phnom Penh Phone: +855 23 424 888 Fax: +855 23 424 885 E-mail: phnompenh@interconti.com Web: www.intercontinental.com	Deluxe		129
	King Bed Club City View		170
Hotel Cambodiana Phnom Penh (4 Stars)			
Address: #313, Sisowath Quay, Phnom Penh, Kingdom of Cambodia Phone: +855 23 426 288 Fax: + 855 23 217 059 E-mail: info@hotelcambodiana.com.kh Web: www.hotelcambodiana.com.kh	Superior		79
	Deluxe		87
	Junior Suite		227
	Executive Suite		310
Sunway Hotel (4 Stars)			
Address: N ^o . 1, Daun Penh (St. 92), Sangkat Wat Phnom, Phnom Penh Phone: +855 23 430 333 Fax: +855 23 430 339 E-mail: enquiryshpp@sunwayhotels.com Web: www.phnompenh.sunwayhotels.com	Deluxe		129
	Executive Suite		209
	Presidential Suite		619
Phnom Penh Hotel (4 Stars)			
Address: No.53, Monivong Boulevard, Sangkat Srah Chok, Phnom Penh, P.O. Box 1131, Phnom Penh Phone: +855 23 991 868 Fax: +855 23 991 818 E-mail: info@phnompenhhotel.com Web: www.phnompenhhotel.com	Superior		91
	Deluxe		99
	Junior Suite		132
	Executive Suite		157
The Quay Hotel (4 Stars)			
Address: No. 277, Preah Sisowath Quay, Phnom Penh Central Room Reservations: +855 23 992 284 Phone: +855 23 224 894 Fax: +855 23 224 893 E-mail: reservations@thequayhotel.com Web: www.thequayhotel.com	Standard Suite		80
	Panoramic Suite		125

Imperial Garden Villa & Hotel (4 Stars)			
Address: 315 Sisowath Quay, Phnom Penh Phone: +855 23 219 991 Fax: +855 23 219 992 E-mail: sales@imperialgarden-hotel.com Web: www.imperialgarden-hotel.com	Standard	62	
	Executive	88	
	Deluxe Suite	211	
	Royal / Imperial Suite	261-358	
Holiday International Hotel			
Address: St. 84, Preah Monivong Blvd, Phnom Penh Phone: +855 23 427 402 Fax: +855 23 427 401 E-mail: holiday@online.com.kh Web: www.holidayhotelcambodia.com	Standard	70	
	Deluxe	90	
	Suite	120	
	Note: They have special internet rate.		
Juliana Hotel			
Address: 16, Juliana152 Road, Sangkat Vealvong, Khan 7 Makara, Phnom Penh Phone: +855 23 880 530-31 Fax: +855 23 880 530-31 E-mail: julianahotelpp@online.com.kh Web: www.julianacambodia.com	Deluxe	95	100
	Juliana Suite	200	220
	Superior Room	70	80
	Executive Deluxe	110	120
Goldiana Hotel			
Address: #10+12, St 282, Sangkat Boeung Keng Kang I, Khan Chamkarmon, Phnom Penh Phone/Fax: +855 23 219 558 E-mail: sales-pnh@goldiana.com Web: www.goldiana.com	Standard	28	38
	Deluxe	38	48
	Suite	58	68
	Goldiana Suite	88	98

Siem Reap

Name/ Location	Type of Room	Room Rate/night (USD)	
		Single	Twin/ Double
Sokha Angkor (5 Stars)			
Address: National Road No 6 & Sivatha (St.) Junction, Siem Reap City, Siem Reap Phone: +855 63 969 999 Fax: +855 63 969 998 E-mail: reservation.sr@sokhahotels.com Web: www.sokhahotels.com	Deluxe City View	135	
	Deluxe Pool View	144	
	Club Suite	221	
	Executive Suite	399	
Raffle Grand Hotel d'Angkor (5 Stars)			
Address: 1 Vithei Charles de Gaulle, Sangkat Svay Dangkum, Siem Reap City, Siem Reap Phone: +855 63 963 888 Fax: +855 63 963 168 E-mail: siemreap@raffles.com Web: www.raffles.com/siemreap	State Room	304	
	Landmark Room	326	
Goldiana Angkor Hotel (4 Stars)			
Address: National Road No 6A, Road to Airport, Siem Reap Phone: +855 63 760 805-9 Fax: +855 63 760915 E-mail: info-sr@goldiana.com Web: www.goldiana.com	Deluxe	100	120
	Deluxe Triple	140	
	Goldiana Angkor Suite	240	
Angkor Century (4 Stars)			
Address: Komay Road, Khum Svay Dangkum, Siem Reap Phone: +855 63 963 777 Fax: +855 63 963 789 E-mail: salesmarketing@angkorcentury.com E-mail: info@angkorcentury.com Web: www.angkorcentury.com	Superior Room	220	240
	Deluxe Room	240	250
	Executive Suite	380	

Sihanoukville

Name/ Location	Type of Room	Room Rate/night (USD)	
		Single	Twin/ Double
Sokha Hotel (5 Stars)			
Address: Street 2 Thnou, Sangkat 4, Mittaphep District, Sokha Beach, Sihanoukville Phone: +855 34 935 999 Fax: +855 34 935 888 E-mail: info@sokhahotels.com E-mail: reservations@sokhahotels.com Web: www.sokhahotels.com	Lake Side Deluxe		200
	Club Suite Deluxe		250
	Junior Suite		300
	Deluxe Villa		380
	Executive Suite		550
Independence Hotel (4 Stars)			
Address: Street 2 Thnou, Sangkat N° 3, Khan Mittapheap, Sihanoukville Phone: +855 34 934 300 Fax: +855 34 933 660 E-mail: info@independencehotel.net E-mail: reservation@independencehotel.net Web: www.independencehotelcambodia.com	Deluxe		105
	Studio		120
	Suite		131.25
	Premier Villa		142.50
Golden Sea Hotel (4 Stars)			
Address: Ekareach Street, Sangkat 3, Sihanouk Ville, Victory Beaches, Sihanoukville Phone: +855 34 957 888 Fax: +855 34 937 666 E-mail: info@goldenseahotels.com Web: N/A	Deluxe City View		54
	Deluxe Sea View		62
	Golden Sea Suite		124
OC Boutique Hotel (4 Stars)			
Address: St. 23 Tola, Sangkat 4, Ochheuteal Beach, Ochheuteal Beach and Serendipity Beach, Sihanoukville Phone: +855 78 939 888 Fax: N/A E-mail: oc@gmail.com Web: N/A	Standard		58
	Deluxe		67
	Suite		81

Source: * www.agoda.jp

IX-2 Medical Services

Although available medical services are still limited for expatriates, there are several general hospitals and dental clinics providing medical services of international standard in major cities of Cambodia.

Table IX-2-1 Selected Major Medical Clinics/Hospitals

Phnom Penh

International SOS Clinic Phnom Penh	
Opening hour	Monday to Friday: 8:00-5:30pm Saturday: 8:00-Noon
Contact Number	Tel: 012-816-911 / 23 216 911, 012-838-283 (Japanese) Fax: 023-215-811
Web-site	http://www.internationalsos.com/en/index.htm
Address	House 161, Street 51 Phnom Penh, Cambodia
Phnom Penh Health Care Center (Somary Raffles Medical Center)	
Opening hour	Monday to Saturday: 8:00-21:00
Contact Number	Tel: 023-991-166 / 23 223 322, 012-908-088 (Japanese), 012 810 088 (Khmer & English) Fax: 023-991-166 Tel.; 012-908-188
Web-site	http://www.phnompenhhealthcare.com/index.php
Address	No. 313, Preah Sisowath Quay, Himawari Hotel Apartments, 12207 Phnom Penh
Royal Rattanak Hospital	
Opening hour	Monday to Sunday: 8:00-17:00
Contact Number	Tel: 023-991-000 / 023 365 555, Fax: 023-986-992
Web-site	http://www.royalrattanakhospital.com
Address	No.11, Street 592, Boeung Kak 2, Toul Kok. Phnom Penh, Cambodia
Roomchang Dental Clinic	
Opening hour	Monday to Saturday: 8:00-17:00
Contact Number	Tel: 023-211-338 (information), 011-811-338 (24h emergency)
Web-site	www.roomchang.com
Address	No. 4, Street 184, Sangkat Phar Thmey 3, Khan Daun Penh, 12210, Phnom Penh

Siem Reap

Royal Angkor International Hospital	
Opening hour	Monday to Friday: 8:00 to 18:00
Contact Number	Tel: 063-761- 888, 012-235-888, 063-399-111
Web-site	www.royalankorhospital.com
Address	No.6 (airport Road), Phum Kasekam, Khum Sra Ngea, Siem Reap (Angkor), Cambodia
Pachem Dental Clinic	
Opening hour	Monday to Saturday: 8:00 to 17:15
Contact Number	Tel & Fax: 063 965 333
Web-site	www.pachemental.com
Address	No. 242, Mondul 3 Village, Siem Reap City, Siem Reap

Preah Sihanouk

CT Clinic	
Opening hour	Monday to Sunday: 7:00 to 20:00
Contact Number	Tel: 081-886-666, 034-936-666 Fax: 034-936-888
Web-site	-----
Address	No. 47, Borey Kamakor (St.), Mondul 2 Village, Sangkat 2, Khan Mittapheap, Preah Sihanouk

IX-3 Education

There are about ten international schools in Phnom Penh. Most of them are English-language school and offer curriculums to students from grades 1 to 12. The school fees of some of the international schools are shown in Tables IX-3-1 to Table IX-3-5.

Table IX-3-1 Northbridge International School

Grade Level	Enrolment Deposit (USD)	Annual Tuition Fees (USD)	Annual Capital Fee (USD)
Early Learning - Half day (3yr. old) - Full day (4yr. old)	1,000	5,000	750 non-refundable
Kindergarten & Grade 1		11,250	2,000 non-refundable
Grades 2-5		12,500	
Grades 6		12,650	
Grades 7 – 10: (MYP)		15,000	
Grades 11 & 12 (DP)		16,000	

Source : Northbridge International School Cambodia

Table IX-3-2 International School of Phnom Penh

Level/Grade	Enrolment Deposit (USD)	Entrance Fee (USD)	Annual Tuition Fees (USD)	Annual Capital Fee (USD)	
Early years I	750 non-refundable	500	5,190	800	
Early Years II		non-refundable	6,470		
Primary Reception and Grade 1-5		2,500		12,590	1,920
Grade 6 - 10				15,200	
Grade 11- 12				16,460	

Source: International School of Phnom Penh

Note: Optional plans are available for the payment of annual tuition fee.

Table IX-3-3 iCAN British International School

Year Group	Enrolment Fee (USD)	Annual Tuition Fees (USD)	Annual Capital Fee (USD)
Nursery (EYFS)	1,000	3,100-4,000	1,000
Reception (EYFS)	1,000	4,400	
Year 1 & 2 (KS1)	1,000	6,500	
Year 3 & 4 (KS2)	1,500	6,500	
Year 5 & 6 (KS2)	1,500	7,200	
Year 7, 8 & 9 (KS3)	2,000	8,700	

Source: iCAN British International School

Table IX-3-4 Zaman International School

Level/Grade	Registration Fee (USD) Every year	Enrollment Fee (USD) Once	Tuition Fees (USD)
For Cambodian Citizens			
Kindergarten	300	500	2,900
Primary School	300	500	3,500
High School (Grade 7)	350	750*	3,500
High Scholl (Grade 8-12)	350	750	3,100
For International Students			
Kindergarten	300	1,000	2,900
Primary School	300	1,000	3,500
High School	350	1,000	4,500

* Zaman Primay School graduates will be charged USD500 for enrollment fee if registered between 1-31 March 2012. Starting from April 1, 2012 the enrollment fee will be applied as USD750.
Source: Zaman International School

Table IX-3-5 International School of Siem Reap

Class	Age	Registration Fee (Paid Yearly)	Enrolment Fee (USD)	Half Day Tuition (USD)	Full Day Tuition (USD)	Stationery/ Consumables	
Nursery	2-3 years	250	250	1,500	N/A	-	
Reception 1	3-4 years			1,900			
Reception 2	4-5 years			500*	N/A	2,500	200
Year 1	5-6 years					2,900	
Year 2	6-7 years					3,300	
Year 3	7-8 years					3,600	
Year 4	8-9 years					4,000	
Year 5	9-10 years			300	1,000*	4,400	250
Year 6	10-11 years					4,800	
Year 7	11-12 years					5,200	
Year 8	12-13 years	5,200					
Year 9	13-14 years	5,200					
Year 10	14-15 years	From 2013					
Year 11	15-16 years	From 2014					

* 50% discount for ISSR pupils moving from Key Stage 1 to Key Stage 2 OR from Key Stage 2 to Key Stage 3
Source: International School of Siem Reap

IX-4 Security

Robberies and pickpockets are being reported in Phnom Penh City. Regarding mines buried during the civil war era, urban areas and majority of the rural land have already been cleared but in some northwest provinces, such as Battambang and Banteay Meanchey, some mines still remain. The sites of Special Economic Zones have been cleared of mines before their operations start.

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- National Institute of Statistics, The Royal Government of Cambodia, Website <http://www.nis.gov.kh/>
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- Department of Rubber Development of General Department of Rubber, Ministry of Agriculture, Forestry and Fisheries
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- Tourism Statistics Report September 2011, Ministry of Tourism, Cambodia

APPENDIX I: LIST OF INVESTMENT AND BUSINESS RELATED LAWS AND REGULATIONS

Laws and Regulations relating to Investment and Business in Cambodia

Laws and Regulations	Year of Adoption/ Present Status
Constitution, The National Assembly	
Decision #21 (RGC) on Declaration of Date of the Election of the National Assembly for the 5th Legislature of the National Assembly	2012
Law on Amendment to New Articles 145 and 146 of the Constitution	2008
Law on the Amendment to Article 28 of the Constitution	1994
The Constitution of the Kingdom of Cambodia	1993
Government	
Sub-Decree #68 (RGC) on General Process of Delegating Functions and Resources to Sub-National Administration	2012
Sub-Decree #71 (RGC) on Addition to General Statutes of Public Enterprises	2011
Notification #001 (MEF) on Announcement of Information related to Public Procurement via Website	2011
Sub-Decree #57 (RGC) on Establishment of Cambodia Post as Public Enterprise	2010
Sub-Decree #44 (RGC) on Organization and Functions of Secretariat General of Economic, Social and Cultural Council	2009
Royal Degree on Joint Principles on the Establishment and Introduction of Special Operation Agency	2008
Royal Decree NS/RKT/0807/393 on Establishment of the Supreme National Council of Economy	2007
Sub-Decree # 105 (RGC) on Public Procurement	2006
Sub-Decree on Procedures for Imposing Disciplinary Sanctions on Civil Servant	1997
General Statute of Public Enterprises	1996
Judiciary	
Law on the Organization and Functioning of the Supreme Council of Magistracy	1994
General	
Law on the Implementation of the Civil Code	2011
Law on Amendment to Law on Anti-Corruption	2011
Law on Anti-Corruption	2010
Instruction #009 (MOI) on Management of the Presence of Foreigners in Cambodia	2010
Criminal Code	2009
Law on Anti-Terrorism	2007
Civil Code	2007
Law on Criminal Procedure	2007
Civil Procedure Code	2006
Sub-Decree #84 on Creation of Anti-Corruption Entity	2006
Investment	
Instructional Circular #365 (CDC) on Procedures for Applying for a Delay, Postponement, Suspension or Termination of Investment Activities	2011
Law on Approval of the Agreement on Investment of the Framework Agreement on Comprehensive Economic Cooperation between the ASEAN and China	2010
Law adopting the Agreement on the ASEAN Comprehensive Investment Agreement	2009
Law adopting the Agreement on Comprehensive Economic Partnership among ASEAN and Japan	2009
ASEAN Comprehensive Investment Agreement	2008
Sub-Decree #149 on the Organization and Functioning of the Council for the Development of Cambodia	2008
Sub-Decree # 34 (RGC) on Adjustment to Section 1, Schedule 1 of the Sub-Decree No. 111 ANKr. BK, dated September 27, 2005, on the Implementation of the Law on Amendments to the Law on Investment of the Kingdom of Cambodia	2007
Memorandum of Understanding on Investment Cooperation between the Kingdom of Cambodia and the Government of Australia	2006
Sub-Decree No.111 on the Implementation of The Amendment to the Law on Investment	2005
Sub-Decree No.17 on the Establishment of the Sub-committee on Investment of the Provinces-Municipalities	2005
Law on the Adoption of the Agreement between the Government of the Kingdom of Cambodia and the Kingdom of Netherlands on the Promotion and Protection of Investments	2005

Ditto (Socialist Republic of Vietnam)	2005
Law on the Amendment to the Law on Investment	2003
Law on the Adoption of the Agreement between the Government of the Kingdom of Cambodia and the Republic of Cuba on the Promotion and Protection of Investments	2002
Ditto (The Republic of Croatia)	2002
Sub-Decree No.33 on Creation of Development Zones	2001
Law on the Adoption of the Convention on the Settlement of Investment Disputes between States and Nationals of other States	2001
Law on the Adoption of the Agreement between the Government of the Kingdom of Cambodia and the OPEC and Fund International Development on the Promotion and Protection of Investments	2001
Ditto (Republic of the Philippines)	2001
Ditto (France Republic)	2001
Ditto (F.R. Germany)	2001
Sub-Decree on the Development of Sihanoukville Autonomous Port	2000
Law on the Adoption of the Agreement between the Government of the Kingdom of Cambodia and the Republics of Indonesia on the Promotion and Protection of Investments	2000
Ditto (Republic of Korea)	2000
Law on the Adoption of the Agreement between the Government of the Kingdom of Cambodia and the Republics of Singapore on the Promotion and Protection of Investments	1999
Ditto (Swiss Confederation)	1999
Ditto (People's Republic of China)	1999
Ditto (The Kingdom of Thailand)	1997
Ditto (Malaysia)	1996
Memorandum of Understanding on Economic and Technical Cooperation between the Kingdom of Cambodia and the Republic of India	1996
Sub-Decree on the Establishment of the Sihanoukville Industrial Zone	1995
Investment Incentive Agreement between the Royal Cambodian Government and the Government of the United States of America	1995
Law on the Investment in the Kingdom of Cambodia	1994
SEZ/Industrial Land	
Letter #2128 (MEF) to Sam Dach Hun Sen on Continuation of VAT Suspension in SEZ	2010
Sub-Decree #147 (RGC) on Establishment of Sihanoukville Port Special Economic Zone	2009
Ministerial Order #3841 on VAT exemption for investors in Special Economic Zone	2009
Sub-Decree #125 (RGC) on Establishment of KIRISAKOR Special Economic Zone	2009
Sub-Decree #159 (RGC) on Establishment of NEANG KOK KOH KONG Special Economic Zone	2007
Sub-Decree #74 (RGC) on Establishment of THARY KAMPONG CHAM Special Economic Zone	2007
Sub-Decree #29 (RGC) on Establishment of TAI SENG BAVET Special Economic Zone	2007
Sub-Decree #30 (RGC) on Establishment of GOLDFAME PAK SHUN Special Economic Zone	2007
Sub-Decree #03 (RGC) on Establishment of KAMPOT Special Economic Zone	2007
Sub-Decree #140 (RGC) on Establishment of DUONG CHHIV PHNOM DEN Special Economic Zone	2006
Sub-Decree #135 (RGC) on Establishment of MANHATTAN (Svay Rieng) Special Economic Zone	2006
Sub-Decree #113 (RGC) on Establishment of SIHANOUKVILLE Special Economic Zone	2006
Sub-Decree #57 on the Establishment of Poipet "O Neang" Special Economic Zone	2006
Sub-Decree #148 on the Establishment and Management of the Special Economic Zone	2005
Sub-Decree #147 on the Organization and Functioning of the CDC	2005
Sub-Decree #10 on the Creation of the Nearng Kok Industrial Zone, Koh Kong Province	2002
Sub-Decree No.33 on Creation of Development Zone	2001
Sub-Decree on the Establishment of the Sihanoukville Industrial Zone	1995
Business & Industry	
Notification #437 on Clarification on Responsibility for Tax Liabilities on Sale or Transfer of Businesses in Cambodia	2012
Inter-ministerial Prakas on Sub-contract Management in Garment, Textile, and Footwear Industry)	2011
Instructional Circular #004 (MEF) on Procedures for Deposits and Withdrawals to Secure the Implementation of a Contract Between a Private Company and the Government	2011
Inter-Ministerial Prakas #380 (MEF & MIME) on Service Fees for Establishment of Factories	2011
Inter-Ministerial Prakas #379 (MEF & MIME) on Determination of Service Fees for Granting Certificate, Standard Marks	2011

Prakas #273 (MIME) on Registration for Drawing of Integrated Circuits	2011
Prakas #242 (MIME) on Procedures for Implementing the Provisions related to Operation of Factory and Handicraft Manufacturers	2011
Prakas #045 (MOC) on Agent Acting as Legal Representative of Owner of Marks	2011
Prakas #546 (MIME) on Rules of Implementation for Inspection of Handicraft Factories	2010
Prakas #607 on Procedure for Factory License Application	2009
Prakas (NBC) #09 262 on Granting License to Companies Operating Metals and Precious Stones Import/Export Business	2009
Prakas #228 (MOC) on Management of Jewelry Business Using Precious Stones	2009
Law on the System of Units	2009
Sub-Decree # 29 (RGC) on Adjustment to Articles 6, 9 and 12 of Sub-Decree No. 07 ANKr.BK, dated January 11, 2007, on the Organization and Functioning of the Cambodia Chamber of Commerce	2009
Inter-Ministerial Prakas on Price for Mineral Resources Rights	2009
Sub-Decree #124 (RGC) on Organization and Functioning of National Center of Commercial Arbitration	2009
Notice #0569 (MOC) on Change of Certificate regarding Enrollment in the Commercial Register of New Form and filling in an Annual Declaration of Commercial Companies	2009
Law on Amendment to the Law on Drug Management	2007
Law on Insolvency (Bankruptcy)	2007
Law on Standards	2007
Law on Secured Transactions	2007
Law on Management of Factories and Handicrafts	2006
Law on Commercial Arbitration	2006
Law on Commercial Enterprises	2005
Law on Negotiable Instruments and Payment Transactions	2005
Ministerial Order on Liability of Directors, Managers or Owners of an Enterprise for Tax Due, Additional Tax and Interest	2005
Ministerial Order on Determination of the Cost of Company Registration at the Ministry of Commerce	2004
Ministerial Order on Arbitration Council	2004
Sub-Decree on the Establishment of the Provincial Chamber of Commerce	2004
Law on the Adoption and Implementation of United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards	2001
Ministerial Order on Cambodian Industrial Standards	2001
Law on the Management of Quality and Safety of Products and Services	2000
Ministerial Order on Trading Activities of Commercial Companies	2000
Law on the Amendments of the Law on the Commercial Regulations and Commercial Register	1999
Ministerial Order on Measures Against Food Products Devoid of Appropriate Packing Labels	1999
Sub-Decree on the Material Standard	1998
General Statute on Public Company	1996
Law on Foreign Exchange	1997
Law on the Chamber of Commerce	1995
Sub-Decree on the Establishment of the Phnom Penh's Chamber of Commerce	1995
Law Bearing on the Commercial Regulations and Commercial Register	1995
Circular No.63 on the Adoption of the Market Economy	1994
Declaration No.38 referring to Contract and Other Liabilities	1988
<i>Taxation & Accounting</i>	
Prakas #493 on Collection of Tax on Real Estate	2010
Prakas #114 (MEF) on Change Specific Tax on Beer	2010
Prakas #599 (MEF) on Expense of Enterprises which are Authorized to Deduct Tax in relation to the Withholding Tax	2009
Prakas #068 (MEF) on the implementation of the Financial Reporting Standard in Cambodia	2009
Prakas #221 on the Implementation of CSAs and CFRSs	2008
Prakas #643 (MEF) on Obligation to Submit Financial Statements to be Audited Corporate Account	2007
Notice #002 (MEF) on Obligation of Patent Tax Payment	2007
Instructional Circular #004 (MEF) on the Implementation of Patent Tax	2007
Ministerial Order on Implementation of VAT for Supplying Industries or Contractor for serving Garment, Textile and Footwear	2005
Ministerial Order on the Organization and Functioning of Tax Department	2005

Ministerial Order on Liability of Directors, Managers or Owners of an Enterprise for tax Due, Additional Tax and Interest to be paid	2005
Ministerial Order on the Tax on Profit (Amended)	2003
Ministerial Order on the Implementation of Cambodian Accounting Standards (CAS)	2003
Ministerial Order on the Tax on Profit	2003
Law on the Amendment to the Law on Taxation	2003
Sub-Decree on the Kampuchea Institute of Certified Public Accountants and Auditors	2003
Sub-Decree on the functioning of the National Accounting Council	2003
Ministerial Order on Salary Tax	2003
Law on Corporate Accounting, Audit and Accounting Profession	2002
Law on Audit of Government Entities	2000
Sub-Decree on Value Added Tax	N.A.
Ministerial Order on Turnover Tax	N.A.
Law on Taxation	1997
Circular No.635 on the Certification of the Business Accounts	1994
Ministerial Order No.18 on the Identification of Business subject to Profit and Income Tax	1994
Law on Accounting	1992
Banking & Finance	
Sub-Decree #70 (RGC) on Tax Incentives for Developing Securities Sector in Cambodia	2011
Prakas #008.11 on Code Conduct of Securities Firms and Securities Representatives	2011
Prakas #006.11 on Implementation of Operating Rules of Securities Market	2011
Prakas #005.11 on Implementation of Operating Rules of Securities Clearing & Settlement	2011
Prakas #004.11 on the Implementation of Listing Rules	2011
Prakas #003.11 on the Implementation of the Membership Rules	2011
Prakas #002.11 on Implementation of Operating Rules of Securities Depository	2011
Sub-Decree #71 on the Supplement to Sub-Decree#41 on Public Enterprise	2011
Prakas #9-011-076 (NBC) on Creation of a Commission to Determine Exchange Rate	2011
Prakas #12-010-206 (NBC) on Anti-Money Laundering related to All Entities Not Regulated by NBC	2010
Prakas #013.10 on Corporate Governance for Listed Public Enterprise	2010
Prakas #7-10-172 (NBC) on the Internal Control of Bank and Financial institutions	2010
Prakas #009.10 on the Registration of Securities Registrar Securities Transfer Agent	2010
Prakas #005 on Accreditation of Professional Accounting Firm Providing Professional Services	2010
Prakas #002 on Corporate Governance for Listed Companies	2009
Prakas #001 on Public Issuance of Equity Securities	2009
Prakas #011 on the Grant of Approval to the Operator of a Securities Market	2009
Prakas #009 on licensing of securities firms and securities representatives	2009
Prakas #9-09-230 (NBC) on Granting a License or Authorization for Money Changing Business	2009
Prakas #7-09-216 (NBC) on the Reporting of the Biggest Exposures and Surveillance of Credit Risk Concentration	2009
Law on Financial Lease	2009
Sub-Decree #54 (RGC) on the Implementation of the Law on Issuance and Trading of Non-Government Securities	2009
Prakas #7.08-193 (NBC) on New Capital Requirement and Criteria for Licensing Approval of Banks	2008
Law on the Issuance and Trading of Non-government Securities	2007
Law on Anti-Money Laundering and Combating the Financing of Terrorism	2007
Law on State Securities/Bonds	2007
Law on Insurance	2000
Ministerial Order on the Licensing of Banks	2000
Ministerial Order restructuring the Foreign Trade Bank of Cambodia (FTRC)	1999
Law on Banking and Financial Institutions	1999
Law on the Organization and Functioning of the National Bank of Cambodia	1996
Trade	
Prakas #001 MOC/SM 2011 (MOC) on Modification of Certificate of Origin (CO) Issuance Procedure	2011
Prakas #572 on Reporting of Goods When Entering the Customs Territory of Cambodia	2010
Prakas #571(MEF) on Procedures for Payment of Taxes and Duties on Imported and Exported Goods	2010

Prakas #570 (MEF) on Procedures regarding Appeal Process of Customs Record	2010
Inter-Ministerial Prakas #515 (MEF & MAFF) on Implementation of Trade Facilitation Through Risk Management	2010
Prakas #346 (MAFF) on Procedure for Plant Quarantine Inspection	2010
Inter-Ministerial Prakas #996 (MEF & MIME) on Implementation of Trade Facilitation through Risk Management	2009
Inter-Ministerial Prakas #995 (MEF & MOH) on Implementation of Trade Facilitation through Risk Management_	2009
Inter-Ministerial Prakas #994 on Implementation of Trade Facilitation through Risk Management	2009
PRAKAS #906 (MEF) on Creation and Implementation of Private Sector Partnership Scheme with the Customs Administration	2009
Prakas #617 (MEF) on Use of Information Received by Customs Officers	2009
Royal Kram N RKM 1009 021 on Adopting the Agreement on Comprehensive Economic Cooperation among ASEAN and Korea	2009
Law adopting Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China	2009
Prakas #1373 on Implementation of 2010 Cambodian Customs Tariffs	2009
Prakas #967 (MEF) on Adjustment to Customs Duty Rates on Certain Imported Goods (Diesel engines, tractors, harvesting machines, agricultural equipment, motor vehicle parts, certain grains such as durum wheat, rye, barley, oats and related flours, hard rubber, etc.)	2009
Prakas #697 on Adjustment to Tariff Rates on Certain Imported Goods Related to Tools and Equipment of Renewable Energy	2009
Prakas #617 (MEF) on Use of Information Received by Customs Officers	2009
Prakas #211(MEF) on Establishment and Operation of Unit for Managing Transaction Value of Imported Goods	2009
Prakas #928MEF.CE on Temporary Importation under Temporary Admission Procedures	2008
Prakas #734 (MEF) on Special Customs Procedures for Implementing in Special Economic Zones	2008
PRAKAS #116 on Customs Bonded Warehouse	2008
Law on Customs	2007
Instructional Circular #007 (MEF) on the Implementation of Policy of the Facilitation of Trade through Risk Management	2007
Ministerial Order #607 (MEF) on Establishment and Putting into Operation the Office of Risk Management and Audit of Customs and Excise	2006
Sub-Decree #21 on Risk Management	2006
Memo of The Ministry of Industry, Mines and Energy to GMAC (Elimination of Certificate of Processing)	2005
Law on WTO Accession	2004
Ministerial Order on the Implementation of the Pre-Shipment Inspection Service	2000
Regulation on the Implementation of the Pre-Shipment Inspection Service (Attachment to the above Ministerial Order)	2000
Ministerial Order on Trading Activities of Commercial Companies	2000
Ministerial Order Amending and Supplementing the Issuance of the Certificate of Origin, Commercial Invoice and Expo	1999
Ministerial Order on the Issuance of the Certificate of Origin, Commercial Invoice and Export License for Garments	1999
Decision #12 on the Creation of an Inter-Ministerial Commission for the Preparation and Organization of Import and Export Procedures and Regulations	1994
Law regulating the Duties on the Imported and Exported Goods	1989
Labor	
Sub-Decree #136 (RGC) on Adjustment to Commission for Solving Issues Related to All Strikes and Demonstrations	2012
Notification #041/11 (MLVT) on the Decision of Labor Advisory Committee on Seniority Bonus	2011
Prakas of Labor Advisory Committee on Seniority Bonus	2011
Notification #132 (MOLVC) on Employment Risk Contribution Payment of Garment and Footwear for 2011	2010
Sub-Decree #108 (RGC) on Determination of Rates and Procedures for Selecting Disabled Persons for Employment	2010
Notification #049 (MoLVT) on Notification of the Ministry of Labor and Vocational Training	2010
Statement of the Labor Advisory Committee (MoLVT)	2010
Prakas #140 (MoLVT) on Amendment to Article 7 and Article 9 of Prakas #109 KB/BrK, dated 16 June 2008, on Benefit of Occupational Risk	2010
Notice #098 (MOL) on Expansion of the Scope of Occupational Risks Insurance, the Registration of Enterprises, Establishments, and Employees/Workers in the National Social Security Fund	2009
Law on the Protection and the Promotion of the Rights of Persons with Disabilities	2009
Prakas #133 (MLVT) on Payment of the Occupational Risk Contribution by the Garment and Shoe Enterprises and Establishments for the Year 2009-2010	2009
Sub-Decree #67 (RGC) on Creation and Putting into Operation of the National Agency for Occupations and Labor	2009
Circular #185 (MOLVC) on Wages of Night Work	2007

Law on Amendment to Articles 139 and 144 of the Labor Law	2007
Sub-Decree #16 (RGC) on Creation of National Social Security Fund	2007
Law on Labor	1997
Sub-Decree on the Export of Khmer Labor to Work Overseas	1995
<i>Intellectual Rights</i>	
Law on Seed Management and Breeder's Right	2008
Sub-Decree #64 (RGC) on the Implementation of the Law Concerning Marks, Trade Names and Acts of Unfair Competition	2006
Law on the Copyright and Related Rights	2003
Law on the Patents, Utility Model Certificates and Industrial Design	2003
Law on Marks, Trade Names and Acts of Unfair Competition	2002
Ministerial Order on Procedures of the Intellectual Property Department	1997
<i>Infrastructure, Transport & Land</i>	
Sub-Decree #112 (RGC) on Establishment of Department of Cadastral Information Technology of the Ministry of Land Management, Urban Planning and Construction	2012
(Sub-Decree #77 (RGC) on Creation of Committee for Land Management and Urban Planning for the Capital, Provinces-Municipalities, Districts-Khans	2012
Order #01 on Measures to Strengthen and Increase Effectiveness of ELC Management	2012
Royal Decree # NS/RKT/0212/079 on Establishment of National Committee for Managing and Developing Coastal Areas of Cambodia	2012
Notification #006 (MEF) on Implementation of Tax Collection on Real Estate	2011
Decision #16 (RGC) on Creation of Steering Commission for a New International Airport in Siem Reap Province	2011
Law on the Adoption of Agreement between Cambodia and Vietnam on Waterway Transportation	2010
Decision #039 (MEF) on Creation of Real Estate Valuation Sub-Commission for Tax on Real Estate in PNH	2010
Sub-Decree #82 (RGC) on Determination of Proportion and Method for Calculating the Number of Private Units that may be owned by Foreigners	2010
Prakas #494 on Creation of Real Estate Evaluation Commission for Tax on Real Estate	2010
Circular #03 (RGC) on Addressing Temporary Constructions on State Land Illegally Occupied	2010
Law on Providing Foreigners with Ownership Rights in Private Units of Co-Owned Buildings	2010
Law on Expropriation	2010
Sub-Decree #164 (RGC) on Termination of the Legal Status of the Royal Railway of Cambodia	2009
Sub-Decree #163 (RGC) on Creation of Department of Railway under Supervision of the Ministry of Public Works and Transport	2009
Prakas #1222 on Real Estate Development Business Management	2009
Instructional Circular #14 (MLMUPC) on Implementation of Procedures for Sporadic Land Registration	2009
Decision #069-09-EAC on Approval and Issue of Grid Code	2009
Sub-Decree No 126 (RGC) on Management and Use of Co-owned Buildings	2009
Sub-Decree #106 (RGC) on Establishment of the National Airline Company	2009
Sub-Decree #61 (RGC) on Change of Name and Promotion of Kang Keng Airport Operation to Preah Sihanouk Provincial International Airport	2009
Sub-Decree #01 (RGC) on the Establishment of Phnom Penh Port Business Center	2009
Inter-Ministerial Prakas #232 (MEF and MPTC) on Determination of a Price Floor for Mobile and Non-mobile Telephone Services	2009
Prakas #206 (MPTC) on Interconnection of Telecommunication	2009
Law on Civil Aviation	2008
Procedures for Data Monitoring, Application, Review, And Determination of Electricity Tariff	2007
Regulations on General Principles for Regulating Electricity Tariffs	2007
Law on Concessions	2007
Highway Code	2007
Sub-Decree #124 (RGC) on Granting Concession of Cambodian Royal Railway	2007
Sub-Decree #114 (RGC) on the Mortgage and Transfer of the Rights over a Long -Term Lease or an Economic Land Concession	2007
Sub-Decree on the State Land Management	2005
Instruction on Hearing Procedure of the National Cadastral Commission	2005
Sub-Decree #19 on Social Land Concessions	2003
Ministerial Order on the Guidelines and Procedures of the Cadastral Commission	2002

Sub-Decree No.48 on Sporadic Land Registration	2002
Sub-Decree #47 on Organization and Functioning of the Cadastral Commission	2002
Sub-Decree #46 on Procedures of Establishing Cadastral Index Map and Land register	2002
Sub-Decree #131 on the Determination of Maximum License Fee for Electric Power Service Providers in Cambodia	2001
Law on Land	2001
Law on Electricity	2001
Sub-Decree on Management of Forest Concession	2000
Sub-Decree No.11 on Build-Operate-Transfer (BOT) Contract	1998
Sub-Decree #86 on Construction Permit	1997
Law on Land Use Planning, Urbanization and Construction	1994
Law on Constitution	1993
Decision #34 on the Creation of a National Committee for Land Planning and Urbanization of Areas surrounding Phnom Penh, Towns and Provinces	1993
Tourism	
Law on Tourism	2009
Prakas #004 (MOT) on Organizing the Classification of Hotels	2009
Prakas #105 (RGC) on Classification of Hotels	2009
Law on the Suppression of Gambling	1996
Law on the Protection of Cultural Heritage	1996
Agriculture, Environment	
Sub-Decree #36 (RGC) on Contractual Agricultural Production	2011
Prakas #099 (MAFF) on Rules for Good Agricultural Practice	2010
Sub-Decree #18 on Procedures for Fishing Lot Investments, Public Auctions, Leases and Fishing Fees	2010
Prakas #136 (MOC) on Creation of Strategic Organizing Commission for the Promotion of the Silk Sector in Cambodia	2009
Circular #02 (RGC) on Mechanisms for Inspecting and Monitoring Fees of Agricultural Materials	2009
Prakas #402 (MAFF) on Forms of Registers, Certificates and Permits to be used for the Cambodian Specified Rubber Label and Official Letter of Recognition	2008
Law on the Water Resources Management	2007
Prakas on Control/Inspection of Food Safety of Agricultural Products	2007
Prakas #002 (MAFF) on List of Maximum Residue Limits of Pesticide in Fruit and Vegetables	2007
Sub-Decree #131 (RGC) on the Specification of Forest Products and Sub-products permitted to be exported and imported	2006
Law on Forestry	2002
Sub-Decree #42 on the Control of Air Pollution and Noise Disturbance	2000
Sub-Decree #27 on the Water Pollution Control	1999
Sub-Decree No.72 ANRK.BK on Environment Impact Assessment Process	1999
Sub-Decree #36 on Management of Solid Waste	1999
Law on Environment Protection and Natural Resource Management (LEPNRM)	1997
Sub-Decree on Conferring the Right to Sell and Export Rubber Products to the Ministry of Agriculture, forestry and Fisheries	1994
Sub-Decree on the Creation of a National Permanent Commission for Coordinating the Privatization and the Promotion of Rubber Plantations	1994
Decision #65 on the Annulment of the Existing Procedure for Timber Export	1994
Royal Decree on the Protection of Natural Areas	1993
Social	
Law on Education	2007
Law on Nationality	1996
Law on the Suppression of the Kidnapping, Trafficking and Exploitation (For protecting vulnerable groups)	1996
Law on the Press	1995
Law on Immigration	1994
Criminal Procedure Law	1993
Judiciary and Criminal Law and Procedure Applicable in Cambodia (Enacted by the SNC)	1992

APPENDIX II : LAW ON INVESTMENT

KINGDOM OF CAMBODIA Nation Religion King

LAW ON INVESTMENT OF THE KINGDOM OF CAMBODIA (August 05, 1994)

AND LAW ON THE AMENDMENT TO THE LAW ON INVESTMENT OF THE KINGDOM OF CAMBODIA (March 24, 2003)

CHAPTER 1 GENERAL PROVISIONS

Article 1: New

This law governs all Qualified Investment Projects and defines procedures by which any person establishes a Qualified Investment Project.
Only Qualified Investment Projects are entitled to the benefits subject to the scope of this Law.

Article 2: New

Within the meaning of this Law, the following terms shall be defined as follows:

“Qualified Investment Project” or “QIP” means an investment project which has received a Final Registration Certificate.

“Export QIP” means a Qualified Investment Project whose production is exported to be determined by Sub-Decree.

“Supporting Industry QIP” means a Qualified Investment Project which has its entire production (100%) supplying export industry as substitution for the regularly imported raw materials or accessories.

“Working day” means any calendar day which is an official working day of the Royal Government of Cambodia.

“Cambodian Entity” means a company which has a place of business and registered in the Kingdom of Cambodia and 51% or more of the shares of the company are held by a person with Cambodian nationality.

“Person” means any natural or juristic person.

“Conditional Registration Certificate” means the document issued by the Council under the paragraph 3 of the new Article 7 of this Law.

“Final Registration Certificate” means the document issued by the Council for the Development of Cambodia under the paragraph 7 of the new Article 7 of this Law.

“Investment Proposal” means the proposal submitted by any person to the Council for the Development of Cambodia with the purpose to establish a QIP.

“Applicant” means any person or group of persons submitting an Investment Proposal to the Council for the Development of Cambodia.

“Investor” means any person who carries on a Qualified Investment Project.

CHAPTER 2 THE COUNCIL FOR THE DEVELOPMENT OF CAMBODIA

Article 3:

The Council for the Development of Cambodia is the sole and One-Stop Service organization responsible for the rehabilitation, development and the oversight of investment activities. The council for the Development of Cambodia is the Royal Government’s “Etat-Major” responsible for the evaluation and the decision-making on all rehabilitation, development and investment project

activities.

Article 4:

The Council for the Development of Cambodia comprises the following two operational boards:

1. The Cambodian Rehabilitation and Development Board; and
2. The Cambodian Investment Board

Article 5:

The organization and functioning of the council for the Development of Cambodia shall be specified by Sub-Decree.

CHAPTER 3 INVESTMENT PROCEDURES

Article 6: New

All persons wishing to establish a QIP shall submit an Investment Proposal to the Council for the Development of Cambodia in the form and according to the procedures provided in this Law and the Sub-Decree.

Article 7: New

Within three (03) working days of the Council's receipt of the Investment Proposal, the Council shall issue to the Applicant a Conditional Registration Certificate or a Letter of Non-Compliance.

The Council shall issue the Conditional Registration Certificate if the Investment Proposal contains all the information required under the Sub-Decree, and if the proposed activity is not in the Negative List set out in the Sub-Decree. However, if the Investment Proposal does not satisfy the above condition, the Council shall issue a Letter of Non-Compliance to the Applicant.

The Conditional Registration Certificate shall specify the approvals, authorizations, clearances, licenses, permits or registrations required for the QIP to operate, as well as the government entities responsible to issue such approvals, clearances, licenses, permits or registrations. The Conditional Registration Certificate shall also confirm the incentives that the QIP is entitled to under new Article 14 of this Law and recognize the statutes of the legal entity, which will undertake the QIP.

If the Council for the Development of Cambodia fails to issue a Conditional Registration Certificate or Letter of Non-Compliance within three working days, the Conditional Registration Certificate shall be considered to be automatically approved in the form set out in the Sub-Decree.

The Council for the Development of Cambodia shall obtain all of the licenses from relevant ministries-entities listed in the Conditional Registration Certificate on behalf of the Applicant.

All government entities responsible for issuing an authorization, clearance, license, permit or registration listed on the Conditional Registration Certificate shall issue such document no later than the 28th working day from the date of the Conditional Registration Certificate. Any government official who, without proper reason, fails to respond to an Applicant's request by this deadline shall be punished by law.

The Council for the Development of Cambodia shall issue a Final Registration Certificate within 28 working days of its issuance of the Conditional Registration Certificate. Issuance of the Final Registration Certificate does not release the QIP from obtaining any other approvals specified by competent ministries-entities. Even upon the lapse of the 28 working days deadline as stipulated in the paragraph 6 above, all competent entities shall issue approvals as prescribed by laws and regulations. The date of issuing the Final Registration Certificate shall be the date of QIP commencement.

All Letters of Non-Compliance shall clearly state the clear reasons why the Investment Proposal was not acceptable as well as the additional information required to enable the Council to issue a Conditional Registration Certificate.

CHAPTER 4 INVESTMENT GUARANTEES

Article 8: New

A foreign investor shall not be treated in any discriminatory way by reason only of the investor being a foreign investor, except in respect of ownership of land as set forth in the Land Law.

Article 9:

The Royal Government shall not undertake nationalization policy, which shall adversely affect private properties of investors in the Kingdom of Cambodia.

Article 10: New

The Royal Government shall not fix the price or fee of the products or services of a QIP.

Article 11:

In accordance with the relevant laws and regulations issued and published to the public by the National Bank of Cambodia, the Royal Government shall permit investors with investments in Cambodia to purchase foreign currencies through the banking system and to remit abroad these currencies for the discharge of financial obligations incurred in connection with their investments. This concerns the following payments.

1. Payment for imports and repayment of principle and interest on international loans;
2. Payment of royalties and management fees;
3. Remittance of profits; and
4. Repatriation of invested capital in compliance with Chapter 8.

CHAPTER 5 INVESTMENT INCENTIVES

Article 12: New

The Royal Government shall make available incentives under this Chapter to Qualified Investment Projects.

Article 13:

Incentives and privileges shall include the exemption, in whole or in part, of custom duties and taxes.

Article 14: New

Incentives provided for in Article 13 shall include as follow:

1. A QIP shall be entitled to exemption from the tax on profit imposed under the Law on Taxation by obtaining a profit tax exemption period.
The tax exemption period is composed of a Trigger Period + 3 years + Priority Period. Priority Period shall be determined in the Financial Management Law.
The maximum Trigger Period is to be first year of profit or three years after the QIP earns its first revenue, whichever is sooner.
2. The entitlement of a QIP under the paragraph 1 above shall be subject to the QIP obtaining from the Council an annual certificate of obligation satisfaction before the State which shall be specified by the Sub-Decree.
3. A QIP shall be subject to a profit tax rate after its tax exemption period as determined in the Law on Taxation
4. A QIP which uses the entitlement under the paragraph 1 above shall not be entitled to claim any special depreciation under the Law on Taxation.
5. A domestically oriented QIP shall be entitled to import production equipment and production input construction materials, exempt of duty which shall be specified by the Sub-Decree.
6. Export QIPs other than an Export QIP which elects or which has elected to use the Customs Manufacturing Bonded Warehouse mechanism, shall be entitled to import production equipment, construction materials, raw materials, intermediate goods, and production input accessories, exempt of duty which shall be specified by the Sub-Decree.
7. A "Supporting Industry" QIP shall be entitled to import production equipment, construction materials, raw materials, intermediate goods and production input accessories, exempt of duty which shall be specified by the Sub-Decree.
8. A person which has acquired, or merged with, an investor, may on application to the Council for the Development of Cambodia inherit all, and any, guarantees, rights, privileges and obligations from the investor's QIP, subject to the merger or acquisition procedures which shall be specified by the Sub-Decree.
9. A QIP which is located in a designated SPZ or EPZ listed in a development priority list issued by the Council shall be entitled to the same incentives and privileges as other QIPs stipulated in this law.
10. A QIP shall be entitled to 100% exemption of export tax, except for activities as stipulated in laws in effective.
11. A QIP is entitled to obtain visas and work permits for the employment in the Kingdom of foreign citizens as managers, technicians and skilled workers, and residency visas for the spouses and dependants of those foreign nationals as authorized by the Council for the Development of Cambodia and in compliance with the Immigration and Labor Laws.

Article 15: New

The rights, privileges and entitlements of a QIP may not be transferred or assigned to any third party except by acquisition or merger as stipulated in the paragraph 8 of the new Article 14.

CHAPTER 6 LAND OWNERSHIP AND USE

Article 16: New

Ownership of land by investors for the purpose of carrying on a QIP shall be vested in natural persons holding Cambodian citizenship or in Cambodian Entities.

Use of land shall be permitted to investor, including concessions, unlimited long-term leases and limited short-term leases which are renewable, in compliance with the provisions of the Land Law.

Investors shall have the right to own and pledge as security and transfer the real and personal property situated upon the land and land which the QIP uses, for a period no longer than the period determined in a land concession contract or land lease agreement as permitted by Law.

Investors cannot transfer or pledge any longer the land concession, which has not been in operation.

CHAPTER 7 EMPLOYMENT PRACTICES

Article 17:

Investors in the Kingdom of Cambodia shall be free to hire Cambodian nationals and foreign nationals of their choosing in compliance with the labor and immigration laws.

Article 18: New

Investors shall be allowed to hire foreign employees provided that:

- The qualification and expertise are not available in the Kingdom of Cambodia among the Cambodian populace. In the event of such hiring, appropriate documentation including photocopies of the employee's passport, certificate and/or degree and a curriculum vitae shall be submitted to the Council for the Development of Cambodia,
- A letter asserting needs for hiring the foreign employees shall be required. Investors shall obtain an approval and a permit from the Ministry of Social Affairs, Labor, Vocational Training and Youth Rehabilitation,
- Before working for investors, the foreign employee shall hold a permit for work in the Kingdom of Cambodia, issued by the Ministry of Social Affairs, Labor, Vocational Training and Youth Rehabilitation.

Investors shall perform the following obligations:

- Provide adequate and consistent training to Cambodian staff,
- Promotion of Cambodian staff to senior positions will be made over time.

Article 19:

Foreign employees shall be allowed to remit abroad their wages and salaries earned in the Kingdom of Cambodia, after payment of appropriate tax, in foreign currencies obtained through the banking system.

CHAPTER 8 DISPUTES AND DISSOLUTION

Article 20: New

Except for land-related disputes, any dispute relating to a QIP concerning its right and obligations set forth in the law shall be settled amicably as far as possible through consultation between the Council for the Development of Cambodia, the investors and any other party involved in the dispute.

If the parties failed to reach an amicable settlement within two months from the date of the first written request to enter such consultations, the dispute shall be brought by either party for:

- Conciliation before the Council which shall provide its opinion, or
- Arbitration in or outside of Cambodia as agreed by both parties, or
- Trial by the tribunals of the Kingdom of Cambodia.

Article 21: New

If an investor intends to end its activities in the Kingdom of the Cambodia, it shall inform the Council for the Development of Cambodia through either a registered letter or a hand delivered letter stating the reason of such a decision, and signed by the

investor or his attorney-in fact.

Article 22: New

If an investor intends to stop the activity of its QIP without judicial procedures, the investor shall provide proof to the Council that the QIP has properly settled its debts, including any complainants and claims from the Ministry of Economy and Finance, before the investor is allowed to officially stop the activities of the QIP or dissolve according to the applicable commercial law.

Article 23: New

Once the QIP is allowed to stop its activity either within the judicial procedures or not, the investor can transfer the remaining proceeds of their assets overseas or use them in the Kingdom of Cambodia. However, in the event that the QIP had used machineries and equipment that were imported duty free for less than five years, the QIP shall have the obligations to pay the duties applicable to those machineries and equipment, according to the determination of the Sub-Decree.

**NEW CHAPTER 9
TRANSITIONAL PROVISIONS**

Article 24: New

All investments authorized under the Law on Investment promulgated by Royal Kram No. 03/NS/94 dated August 05, 1994 and Sub-Decrees shall be considered to be Qualified Investment Projects as stipulated in this Law and relevant Sub-Decrees.

An QIP entitled to a tax on profit rate of 9% before the promulgation of this Law and which has commenced the investment activity in respect of which the approval was granted, shall be entitled to that 9% tax rate for five tax years commencing from the fiscal year after the promulgation of this Law, subject to the Investors submitting in each fiscal year after the promulgation of this law a certificate of obligation satisfaction before the State, which shall be specified by the Sub-Decree as stipulated in the paragraph 2 of the new Article 14.

A QIP entitled to an exemption of tax on profit before promulgation of this Law, and whose entitlement has been approved in writing by the Council, shall continue to be entitled to that profit tax exemption, subject to the Investors submitting in each fiscal year after the promulgation of this Law a certificate of obligation satisfaction before the State, which shall be specified by the Sub-Decree as stipulated in the paragraph 2 of the new Article 14.

**NEW CHAPTER 10
FINAL PROVISIONS**

Article 25: New

Where the QIP violates or fails to comply with the conditions stipulated by the Council for the Development of Cambodia, the Council shall have the power to withdraw the privileges and incentives granted to him, in whole or in part.

Article 26: New

Any provisions contrary to this Law shall be abrogated.

Article 27: New

This Law shall be promulgated immediately.

**This law is adopted by the National Assembly
of the Kingdom of Cambodia in Phnom Penh
on February 3, 2003
during the ninth plenary session of the second legislature.**

Phnom Penh, February 4, 2004

Chairman of the National Assembly

Norodom Ranariddh

APPENDIX III : SUB-DECREE NO.111 ON THE IMPLEMENTATION OF THE AMENDMENT TO THE LAW ON INVESTMENT

**Kingdom of Cambodia
NATION RELIGION KING**

**SUB-DECREE
ON THE IMPLEMENTATION OF THE LAW ON
THE AMENDEMENT TO THE LAW ON INVESTMENT
OF THE KINGDOM OF CAMBODIA
No 111 ANK/BK DATED SEPTEMBER 27, 2005**

The Royal Government of Cambodia

- Having seen the Constitution of the Kingdom of Cambodia
- Having seen the Royal Decree NS/RKT/0704/124 dated July 15, 2004 on the formation of the Royal Government of Cambodia
- Having seen the Royal Kram No. 02/NS/94 dated July 20, 1994 promulgating the Law on the Organization and Functioning of the Council of Ministers;
- Having seen the Royal Kram No. 03/NS/94 dated August 5, 1994 regarding the Law on Investment of the Kingdom of Cambodia and Royal Kram No. NS/RKM/0303/009 dated March 24, 2003 promulgating the Amendment to the Law on Investment of the Kingdom of Cambodia
- Having seen the Royal Kram No. NS/RKM/0297/03 dated February 24, 1997 promulgating the Law on Taxation and the Royal Kram No. NS/RKM/0303/010 dated March 31, 2003 promulgating the Amendment to the Law on Taxation
- Having seen the Sub-Decree No. 88/ANK/BK dated December 29, 1997 on the implementation of the Law on Investment of the Kingdom of Cambodia and the amended Sub-Decree No. 53/ANK/BK dated June 11, 1999 regarding the amendment to the Sub-Decree on the implementation of the Law on Investment of the Kingdom of Cambodia and No. 130/ANK/BK dated December 26, 2001 regarding the amendment to the Sub-Decree No 53/ANK/BK dated June 11, 1999
- Having seen the Sub-Decree No. 70/ANK/BK dated July 27, 2001 on the Organizations and Functioning of the Council for the Development of Cambodia and the amending Sub-Decree No. 112/ANK/BK dated November 12, 2002 and No. 35/ANK/BK dated August 04, 2004 on the amendment on the Sub-Decree No 70/ANK/BK dated July 27, 2001
- With the approval of the Council of Ministers during the Cabinet Meeting of September 02, 2005

IT IS HEREBY DECIDED

**CHAPTER 1
GENERAL PROVISIONS**

Article 1: Coverage of the Sub-Decree

- 1.1 Objective: This Sub-Decree supplements and governs the application and implementation of the Law on Investment and is intended to encourage and regulate investments in the Kingdom of Cambodia by Cambodian entities and foreign entities.
- 1.2 Application: This Sub-Decree applies to every QIP registered at the Council and provincial/municipal investment sub-committee.

Article 2: Scope of Investment

Investment Activity: This Sub-Decree applies to all investment activities other than those activities set out in the Negative List in Schedule 1, Part 1 of this Sub-decree as provided in Article 7 of the Law on Investment.

Article 3: Foreign and Cambodian Investment

- 3.1 Foreign and Cambodian Investment: The Royal Government welcomes investments in all economic activities from Cambodian Entities and Foreign Entities, subject only to the restrictions set out in Article 2 of this Sub-Decree.
- 3.2 Use of Nominees: An individual or legal entity controlled by Cambodian citizens must not act for, or represent, either directly or indirectly, a Foreign Entity for the purpose of avoiding the effects of the provisions of this Sub-Decree, which restrict or prohibit the activities of Foreign Entities or Foreign nationals.

Article 4: Definitions

As used in this Sub-Decree, the following terms shall have the meaning as defined hereunder:

“Applicant” means a person or a group of persons who submit an Investment Proposal to the Council or to the Provincial/Municipal Investment Sub-committee.

“Cambodian Investor” means an Investor who is a Cambodian citizen or who is a Cambodian Entity.

“Cambodian Legal Entity” means a company which is registered in, and whose place of business is in, the Kingdom of Cambodia and 51 percent or more of its shares are held by Persons of Cambodian nationality.

“Certificate of Compliance” means the certificate of obligation satisfaction required to be lodged under Article 14.2 New or Article 24 New of the Law on Investment, and issued under Article 18.2 of this Sub-Decree.

“Conditional Registration Certificate” means the document issued by the Council or the provincial/municipal Investment Sub-committee as set out in paragraph 3 of Article 7 New of Law on Investment and Article 6.3 of this Sub-Decree.

“Construction Materials” means construction items including fixtures in or on a facility that is fully transformed and utilized in the construction of facilities to be used by a QIP to carry out its Investment Activity during the initial construction phase or expansion.

“Council” means the Council for the Development of Cambodia established by Article 3 of the Law on Investment.

“Council Sub-Decree” means the Sub-Decree No. 70/ANK/BK dated July 27, 2001 on the Organization and Functioning of the Council for the Development of Cambodia and its subsequent amendments No. 112/ANK/BK dated November 12, 2002 and No. 35/ANK/BK dated August 4, 2004.

“Customs Duties” means taxes on foreign trade as listed in the customs tariffs imposed on goods when importing into or exporting out of the customs territory.

“Domestic QIP” means a QIP that does not aim at export.

“Export QIP” means a QIP that sells or transfers a proportion of its product to a purchaser or transferee outside the Kingdom of Cambodia.

“Financial Management Law” means the annual Financial Management Law.

“Final Registration Certificate” means the document issued by the Council or the provincial/municipal Investment Sub-committee as set out in paragraph 7 of Article 7 New of the Law on Investment and Article 7.3 of this Sub-Decree.

“Foreign Legal Entity” means an entity which is not a Cambodian Entity or which is not created in compliance with Cambodian laws.

“Investment Activity” means the business activity to be carried out in Cambodia under a QIP.

“Investment Capital” means the value of the investment indicated in USD currency excluding the value of land and working capital.

“Investment Guarantees” means the guarantees set out in Chapter 4 of the Law on Investment as provided for in this Sub-Decree, which are available to an Investor who complies with all the requirements of this Sub-Decree.

“Investment Incentives” means the incentives set out in Chapter 5 of the Law on Investment and as provided for in this Sub-Decree, which are available to an Investor who complies with all the requirements of this Sub-Decree.

“Investment Proposal” means a proposal submitted to the Council or provincial/municipal Investment Sub-committee by any person for the purpose of establishing a QIP.

“Investor” means the person who carries out QIP.

“Law on Investment” means the Law on Investment promulgated by Royal Kram No. 03/NS/94 dated August 5, 1994 and which is amended by the Law on the Amendment to Law on Investment of the Kingdom of Cambodia promulgated by Royal Kram No. NS/RKM/0303/009 dated March 24, 2003.

“Law on Taxation” means the Law promulgated by the Royal Kram No. NS/RKM/0297/03 dated February 24, 1997 and which is amended by Law on the Amendment to Law on Taxation promulgated by Royal Kram No. NS/RKM/0303/010 dated March 31, 2003.

“Machine Parts” means parts of Production Equipments with a working life of less than 2 years including spares of such parts and equipments.

“Negative List” means the list of Investment Projects as set out in Schedule 1 of this Sub-Decree.

“Person” means natural or legal person.

“Production Equipment” means any machinery and tool used in the substantial transformation of Production Inputs which is not itself transformed or consumed within 2 (two) years of its importation, including information technology equipment or any motor vehicle.

“Production Inputs” means goods, including raw materials, semi finished products, and accessories serving production that is fully transformed or utilized in the production process of the QIP no later than 2 (two) years after importation. It does not include office equipments and furniture, petroleum products, vehicles, and spare parts for vehicles.

“Production Outputs” means goods which are produced from Production Inputs that have been transformed.

“Professional Service” includes, but is not limited to, legal, financial, accounting, auditing, tax consulting, architecture, engineering, information technology services, advertising, and management services.

“Provincial/municipal Investment Sub-committee” means the sub-committee of the provinces or municipalities established by Sub-decree to review and approve investment projects with an investment capital of less than USD 2,000,000- (two million US dollars) at the provincial and municipal level.

“Qualified Investment Project” or **“QIP”** means an investment project for which a Final Registration Certificate has been issued.

“Supporting Industry QIP” means a QIP in which one hundred percent of the product is used to supply the export industry instead of usually imported raw materials and accessories.

“Working Day” means a calendar day which is officially a working day of the Royal Government of Cambodia.

CHAPTER 2 INVESTMENT PROPOSALS AND REGISTRATION CERTIFICATES

Article 5: Application for Conditional Registration Certificate

- 5.1 Application and Fee: Any person who wishes to obtain the Investment Incentives and Guarantees or only the Investment Guarantees shall submit to the Council or the Provincial/Municipal Investment Sub-committee an Investment Proposal on a completed Application Form duly signed by or on behalf of the Applicant with appropriate Power of Attorney along with the payment of the Application Fee in the amount of 7,000,000 (seven million) Riels, representing the administration fees for securing the approvals, authorizations, licenses, or registrations from all relevant ministries and entities including stamp duty.
- 5.2 Application Form: The Application Form for an Investment Proposal is set out in Annex 2 of this Sub-Decree.
- 5.3 Evidence of authority to act: If an Investment Proposal is signed by a person on behalf of the Applicant, documentary evidence of that person's authority to so act must be submitted to the Council or the Provincial/Municipal Investment Sub-committee with the Investment Proposal.
- 5.4 Multi-activity Projects: If a person proposes to invest and carry out more than one Investment Activity, which, if registered, would be carried out as a QIP, the person must submit a separate Investment Proposal for each Investment Activity.
- 5.5 Election for Exemption from Tax on Profit: An applicant who wishes to become entitled to the exemption from the Tax on Profit under Article 14.1 of the Law on Investment, in accordance with Article 15 of this Sub-Decree on receiving a Final Registration Certificate, must make an election in writing to that effect in the Investment Proposal.
- 5.6 Election precluding other Fiscal Allowances: In making the election under Sub-Article 5.5, the Applicant acknowledges that the election to utilize the tax holiday provided under Article 14.1 of the Law on Investment disqualifies the Investor from claiming any investment allowance otherwise available to the Investor under the Law on Taxation in respect of the QIP.
- 5.7 Election for Investment Guarantees only: An Applicant, who wishes to receive only the benefit of the Investment Guarantees, may make a written election in the Application Form as long as the Applicant is a non-QIP but falls under the Investment Guarantees of the Law on Investment. In this case, the Council and the Provincial/Municipal Investment Sub-committee shall issue a specific license to the Applicant.

Article 6: Registration of Investment Proposal or its refusal

- 6.1 Registration Process: The Council or Provincial/Municipal Investment Sub-Committee must, within 3 Working Days of the submission of an Investment Proposal under Article 5.1:
- (a) if neither paragraph (b) nor (c) applies, register the Investment Proposal and notify the Applicant in accordance with Sub-Article 6.3; or
 - (b) refuse the Investment Proposal and notify the Applicant in accordance with Sub-Article 6.6 if the Investment Proposal is made in respect of an Investment Activity which:
 - (i) is included in the Negative List; or
 - (ii) previously has been, or is currently, carried on by the Investor or any other person and which has already received Investment Incentives under the Law on Investment
 - (c) refuse the investment proposal and notify the Applicant in accordance with Sub-Article 6.6 if the Investment Proposal does not contain all the information required under Sub-Article 5.1.
 - (d) the Council or the Provincial/Municipal Investment Sub-committee has the right to postpone the registration of specific Investment Projects related to the national interest or are environmentally sensitive which required to be processed through the one-stop mechanism of the Council and the Provincial/Municipal Investment Sub-committee who shall notify the specific grounds to the applicant within 3 (three) Working Days of the submission of the Investment Proposal.
- 6.2 Amendment of Investment Proposal: If the Investment Proposal made to the Council does not conform to Article 5 of this Sub-Decree, the Council or the Provincial/Municipal Investment Sub-committee may, by written notice within 3 Working Days of the Investment Proposal's submission to the Council or the Provincial/Municipal Investment Sub-Committee, require the Applicant to amend the Investment Proposal made to it and to resubmit the Investment Proposal to the Council and the Provincial/Municipal Investment Sub-committee.
- 6.3 Issuance of Conditional Registration Certificate: If the Council or the Provincial/Municipal Investment Sub-committee registers an Investment Proposal under Sub-Article 6.1(a), it must issue to the Applicant, within 3 Working Days of the submission of the Investment Proposal, a Conditional Registration Certificate, in the form set out in Schedule 3, containing the following:

- (a) a list of all the necessary approvals, authorizations, licenses, permits or registrations which are required for the QIP to be lawfully undertaken and The ministries, departments, authorities, entities of the provinces/municipalities or agencies of the Royal Government responsible for issuing those documents upon the Applicant meeting the criteria required for the issuing of those documents.
 - (b) the election made by the Applicant pursuant to Sub-Article 5.5, 5.6 or 5.7.
 - (c) the Investment Incentives and Guarantees to which the investment project will be entitled if the Final Registration Certificate is issued, including the Tax on Profit exemption period under Article 14.1 of the Law on Investment.
 - (d) the election made by the Applicant pursuant to Article 5.7, and the subsequent non-entitlement to the Investment Incentives.
 - (e) recognition of the statutes of the legal entity which will undertake the QIP.
- 6.4 Default on the issuance of Conditional Registration Certificate: If the Council or the Provincial/Municipal Investment Sub-committee fails to issue a Conditional Registration Certificate under Sub-Article 6.3 or fails to issue Letter of Non-Compliance under Sub-Article 6.6 within 3 Working Days, the Investment Proposal is deemed to be registered and the Council or the Provincial/Municipal Investment Sub-committee must issue a Conditional Registration Certificate to the Applicant immediately.
- 6.5 Information to accompany Conditional Registration Certificate: The Council or the Provincial/Municipal Investment Sub-committee must issue with the Conditional Registration Certificate the investment guidelines and assessment criteria for each of the approvals, authorizations, licenses, permits or registrations referred to in Sub-Article 6.3(a).
- 6.6 Letter of Non-Compliance: If the Council or the Provincial/Municipal Investment Sub-committee refuses an Investment Proposal under Sub-Article 6.1(b), it must issue to the Applicant a Letter of Non-Compliance containing:
- (a) the reason why the Investment Proposal was not acceptable; and
 - (b) the additional information required to enable the Council or the Provincial/Municipal Investment Sub-committee to register an amended Investment Proposal.

Article 7: Issuance of Final Registration Certificate

- 7.1 Council or the Provincial/Municipal Investment Sub-committee to assist with the various types approvals, authorizations: After issuing the Conditional Registration Certificate in accordance with Sub-Article 6.3, the Council or the Provincial/Municipal Investment Sub-committee must, on behalf of the Applicant, assist with the issuance of the approvals, authorizations, licenses, permits or registrations referred to in Sub-Article 6.3(a) by the relevant ministries, departments, authorities, entities of the provinces/municipalities or agencies of the Royal Government.
- 7.2 Payment of Deposit: An Investor shall not be required to make payment of any deposit to guarantee his or her investment except for the case of an infrastructure concession as required in the concession contract.
- 7.3 Issuance of Final Registration Certificate: When the holder of a Conditional Registration Certificate obtains all of the approvals, authorizations, licenses, permits or registrations referred to in Sub-Article 6.3(a), the Council or the Provincial/Municipal Investment Sub-committee must issue a Final Registration Certificate.
- 7.4 Period to issue Final Registration Certificate: If the holder of a Conditional Registration Certificate has not obtained all of the approvals, authorizations, licenses, permits or registrations referred to in Sub-Article 6.3(a) within 28 Working Days of the date of issuance of the Conditional Registration Certificate, the Council or the Provincial/Municipal Investment Sub-committee must issue a Final Registration Certificate.
- 7.5 Application for other approvals from relevant institutions: A Final Registration Certificate issued by the Council or the Provincial/Municipal Investment Sub-committee under Sub-Article 7.4 does not negate the obligation of the Applicant to obtain and receive all of the approvals, authorizations, licenses, permits or registrations required for the proposed QIP to operate lawfully.
- 7.6 Commencement of QIP: A QIP commences on the date of issuance of the Final Registration Certificate for that QIP and this commences the Trigger Period for the Tax on Profit Exemption period under Article 14.1 of the Law on Investment and Sub-Article 15.1 of this Sub-Decree.
- 7.7 Obligation to ask for other approvals: A QIP shall file written applications in accordance with applicable procedures to the Council or the Provincial/Municipal Investment Sub-committee for its approval of any changes of address, head office, place of business, company name, shares, and any other changes to the Investment Proposal and to the statute of the Investor within 10 (ten) Working Days prior to such changes so that the Council or the Provincial/Municipal Investment Sub-committee can decide on the issues no later than 10 (ten) Working Days.

Article 8: Revocation or Cancellation of Final Registration Certificate

- 8.1 Revocation of Final Registration Certificate: A Final Registration Certificate shall be revoked from the date it was issued by the Council or Provincial/Municipal Investment Sub-Committee if an Investor:

- (a) obtained a Final Registration Certificate or a Certificate of Compliance through fraud or misrepresentation; or
 - (b) does not commence an Investment Activity within six (6) months of the receipt of all the documents referred to in Sub-Article 7.3 except for the case of concession contracts in which such period is specified by agreement in the contract.
- 8.2 Cancellation of Final Registration Certificate: If an Investor applies to the Council or the Provincial/Municipal Investment Sub-committee for a Final Registration Certificate to be cancelled under Article 21 New of the Law on Investment, the Council or the Provincial/Municipal Investment Sub-committee must cancel that Final Registration Certificate only if and when the Investor has fully complied with Articles 22 New and 23 New of the Law on Investment.
- 8.3 Notification of revocation of Final Registration Certificate: If the Council or the Provincial/Municipal Investment Sub-committee revokes a Final Registration Certificate in accordance with this Article, the Council or the Provincial/Municipal Investment Sub-committee must notify the Investor in writing of the revocation.
- 8.4 Appeals: An Investor whose Final Registration Certificate is revoked by the Council or the Provincial/Municipal Investment Sub-committee under this Article may appeal in writing to Co-Chairmen of the Council within 20 Working Days of the date or receipt of the written notification of revocation from the Council or the Provincial/Municipal Investment Sub-committee under Sub-Article 8.3.
- 8.5 Loss of Investment Incentives: A QIP whose Final Registration Certificate is revoked or cancelled is not entitled to claim, on and from the date of the revocation or cancellation, any of the Investment Incentives set out in the Final Registration Certificate.

CHAPTER 3 ACQUISITIONS AND MERGERS OF QIPs

Article 9: Merger of QIPs

- 9.1 If two or more Investors, or an Investor and any other Person, agree to merge to form a new entity, and the new entity wishes to carry out the Investor's QIP and be entitled to the Investment Incentives and Guarantees specified in the QIP's Final Registration Certificate, the new entity must apply in writing to the Council or the Provincial/Municipal Investment Sub-committee to be registered as an Investor and for the QIP's Final Registration Certificate to be transferred to the new entity within 10 Working Days prior to the merging and transfer of the Final Registration Certificate.
- 9.2 The Council or the Provincial/Municipal Investment Sub-committee must consider the application made under Sub-Article 9.1 and must provide the new entity with a written approval or refusal of the registration and the transfer of the Final Registration Certificate within 10 (ten) Working Days of the receipt of the application.

Article 10: Acquisition of a QIP by unregistered Person

- 10.1 If an unregistered Person purchases the ownership of a QIP and it wishes to carry out the Investor's QIP and be entitled to the Investment Incentives and Guarantees specified in the QIP's Final Registration Certificate, the purchaser must apply in writing to the Council or the Provincial/Municipal Investment Sub-committee to be registered as an Investor and for the QIP's Final Registration Certificate to be transferred to the new entity within 10 (ten) Working Days prior to the transfer of the Final Registration Certificate.
- 10.2 The Council or the Provincial/Municipal Investment Sub-committee must examine the application made under Sub-Article 10.1 and must provide the purchasing entity with a written approval or refusal of the registration and the transfer of the Final Registration Certificate within 10 (ten) Working Days of the receipt of the application.
- 10.3 If a transfer of shares in an Investor results in control of the Investor being acquired by the transferee, the Investor must apply to the Council or the Provincial/Municipal Investment Sub-committee for the transfer and provide the name and address of the transferee within 10 (ten) Working Days prior to the transfer in order that the Council or the Provincial/Municipal Investment Sub-committee can decide on the issue no later than 10 (ten) days.
- 10.4 For the purpose of Sub-Article 10.3, "control" means holding at least 20% of the shares in the Investor.

Article 11: Acquisition of a QIP by another Investor

- 11.1 If a registered Investor purchases the ownership of a QIP and it wishes to be entitled to the Investment Incentives and Guarantees of a QIP carried on by that Investor, the purchasing Investor must apply in writing to the Council or the Provincial/Municipal Investment Sub-committee for the acquisition within 10 (ten) Working Days prior to the acquisition in order to receive that entitlement.
- 11.2 The Council or the Provincial/Municipal Investment Sub-committee must consider the application made under Sub-Article 11.1 and must provide the purchasing Investor with written approval or refusal of the registration and the transfer of the Final

Registration Certificate within 10 (ten) Working Days of the receipt of the application.

Article 12: Failure to register or to apply for approval

If a new Person or a purchasing Investor fails to apply to the Council or the Provincial/Municipal Investment Sub-committee for registration in accordance with Article 9 or 10, or a purchasing Investor fails to apply to the Council or the Provincial/Municipal Investment Sub-committee in accordance with Article 11, the new Person or the purchasing Investor is not entitled to any of the QIP's Investment Incentives and Guarantees.

CHAPTER 4 JOINT VENTURES

Article 13: Joint Ventures

A QIP may be in the form of a joint venture. A joint venture may be formed between Cambodian Entities, between Cambodian Entities and Foreign Entities and between Foreign Entities themselves and may include a joint venture with institutions of the Royal Government. There are no limitations based on nationality or the share-holding proportions of each shareholder, other than if the joint venture owns, or intends to own, land, or an interest in land in the Kingdom of Cambodia. In such case, the maximum combined share-holding of all persons who are not Cambodian Entities must not exceed 49 (forty nine) percent.

CHAPTERS 5 TAXATION

Article 14: General Principles

- 14.1 Liability for taxes: Investors are liable to, and must comply with the provisions of the Financial Management Law, the Law on Taxation, and the Law on Investment and related regulations.
- 14.2 Natural resources: The tax rate of the Tax on Profit, which profit derived from a contract sharing of oil and natural gas exploitation or from natural resources related activities including, but not limited to, timber, ore, gold and precious stones, shall be determined in accordance with Article 20.2 of the Law on Amendment to Law on Taxation.
- 14.3 Limitations: A full or partial exemption from taxes and customs duties shall only apply to the payment of any liability for the Tax on Profits and the payment of Customs Duty as provided in this Sub-Decree. These exemptions do not include the following:
- (a) tax on salary and withholding tax as stated in Articles 25 New and 26 New of the Law on Taxation, and Additional Profit Tax on the distribution of dividend; and
 - (b) Value Added Tax, specific tax on certain merchandises and services, duties and taxes to be paid at the time of import, and any other taxes as specified in the laws in force.

Article 15: Tax on Profit

- 15.1 Period of exemption from the Tax on Profit: In accordance with Article 14.1 of the Law on Investment, the profit tax exemption period, which is Trigger Period plus 3-year Period plus Priority Period, shall be determined in accordance with this Article.
- 15.2 Trigger Period: For Article 14.1 of the Law on Investment, the trigger period of the profit tax exemption period is the period commencing on the issuance of the Final Registration Certificate and ending on the last day of the taxation year immediately preceding the earlier of:
- (a) if the QIP derives a profit, the taxation year that the profit is first derived; and
 - (b) if the QIP derives income from the Investment Activity in respect of the sale of goods or services, the third taxation year after the taxation year in which the income is first derived.

For the purpose of this Sub-Article and Article 14.1 of the Law on Investment, profit refers to the taxable profit calculated under the provisions of the Law on Taxation regardless of the provisions of carry forward of losses under Article 17 of the Law on Taxation.

- 15.3 Three Years: This immediately commences from the taxation year immediately following the Trigger Period and the 2 immediately succeeding years.
- 15.4 Priority Period: The Priority Period determined under the Financial Management Law commences immediately after the third taxation year of the three year period provided under Sub-Article 15.3
- 15.5 Prepayment of the Tax on Profit for QIPs registered after the promulgation of Law on the Amendment to Law on Investment: The prepayment of the Tax on Profit does not apply to a QIP granted an exemption from the Tax on Profit as provided in

Article 14.1 of the Law on Investment.

15.6 Prepayment of the Tax on Profit for QIPs approved before the promulgation of Law on the Amendment to the Law on Investment: A QIP which is subject to Article 24 (2) New of the Law on Investment shall make monthly prepayments of Tax on Profit at the rate of 1% of turnover inclusive of all taxes, except Value Added Tax derived in the previous month, in accordance with Article 28 New of the Law on Taxation. The QIP's turnover realized during the exemption period determined by the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia shall be exempt from prepayment of the Tax on Profit.

15.7 In accordance with Article 24 New of the Law on Taxation, a QIP shall not be subject to the minimum tax.

Article 16: Customs Duty Exemption on Production Equipments, Construction Materials, and Production Inputs

16.1 Exemption for Production Equipments and Construction Materials-Domestic QIP:

In accordance with Article 14.5 of the Law on Investment, Production Equipments and Construction Materials imported by a domestic QIP are exempt from Customs Duty. In the case where a QIP has a capability to directly export any portion of its manufactured products or has supplied for export industry, the quantity of Production Inputs that were taxed at the time of import and later used to produce goods that are, directly or indirectly, exported shall be entitled to duty exemption after a review of the quarterly report.

16.2 Customs Duty Exemptions for Production Equipments, Construction Materials, and Production Inputs - Export QIP:

In accordance with Article 14.6 of the Law on Investment, Production Equipments, Construction Materials, and Production Inputs imported by the Export QIP are exempt from Customs Duty. However, for the Export QIP which operates under the custom bounded warehouse mechanism, the customs duty exemption shall be in compliance with the Customs laws and regulations in force applicable to the mechanism. The processed Production Inputs that have not been exported shall be subject to the payment of customs duties and taxes applicable at the time of import after review of the quarterly report.

16.3 Customs Duty Exemptions for Production Equipments, Construction Materials, and Production Inputs ? Supporting Industry QIP:

In accordance with Article 14.7 of the Law on Investment, Production Equipments, Construction Materials, and Production Inputs imported by a Supporting Industry QIP are exempt from Customs Duty. However, in the case where the Supporting Industry QIP failed to supply 100% of its manufactured products to the export industry or directly export its products, then the QIP shall pay the customs duties and taxes on Production Inputs for the quantity that has not been supplied to the export industry or directly exported after review of the quarterly report.

16.4 Procedure for Customs Duty Exemption: The Council must:

- (a) establish an inter-institution mechanism comprising members from the Council, and the Ministry of Economy and Finance to review the grant of incentives on the import and use of Production Equipments, Construction Materials and Production Inputs by a QIP for each investment purpose.
- (b) prepare a detailed Guideline on procedure for a QIP to be entitled to Customs Duty exemption.

16.5 Transfer or sale of Production Equipments, Construction Materials, and Production Inputs:

If any Production Equipments, Construction Materials, or Production Inputs in respect of which Customs Duty taxes were exempted on their importation are sold or used in a way unrelated to the QIP purpose, the Investor shall immediately:

- (a) pay Customs Duty taxes within 28 (twenty eight) Working Days in the amount calculated under the Customs Law and Regulations in force if the transfer or sale is done with a prior authorization from the Council.
- (b) pay Customs Duty, taxes, and penalties within 28 (twenty eight) Working Days in the amount calculated under the Customs Law and Regulations in force if the transfer or sale is done without prior authorization from the Council.
- (c) be subject to a temporary suspension of import authorization, and an examination of the Customs Duty exemption application submitted under the Law on Investment, including other Customs penalties in the case of omission or delay in payment of Customs Duty, Taxes and penalties as defined in paragraphs (a) and (b) of this Article 16.5

16.6 The transfer or sale of Production Equipments or Construction Materials and Production Inputs to another Investor:

An Investor or his/her representative may apply in writing to the Council for approval on the transfer or sale by a QIP of Production Equipments, Construction Materials, or Production Inputs which were imported with Customs Duty exemption, to another Investor to be used in a QIP.

**CHAPTER 6
REPORTING OBLIGATIONS AND CERTIFICATES OF COMPLIANCE**

Article 17: Reporting Obligations

17.1 Taxation Reporting Obligations: As mentioned in Article 104 New of the Law on Taxation, from the date of issuance of its Final Registration Certificate, a QIP shall submit monthly and annual tax declarations and shall pay all taxes as imposed

by each taxation regulation to the Tax Department, along with a Certificate of Compliance for the taxation year.

17.2 Customs Duty Exemption Reporting Obligation: All Production Equipments and construction materials imported by a QIP are subject to all customs clearance formalities. Within 30 (thirty) working days of import, a QIP must submit to the Council and the Tax Department the certified copies of customs clearance documents, including the valuation documents of those goods issued by the government appointed agency.

Article 18: Compliance Certificate

18.1 Compliance Certificate: In each taxation year, a QIP may not claim, and is not entitled to, any of the Investment Incentives unless a QIP is issued with a Compliance Certificate.

18.2 Automatic Issuance: Subject to a revocation of the Council under Sub-Article 18.4 and 18.5, the Council shall issue the Compliance Certificate to a QIP within 90 (ninety) Working Days after the end of each financial year.

18.3 Failure to Issue: If the Council failed to issue the Compliance Certificate under Sub-Article 18.2, it is deemed to have been issued but is subject to revocation under Sub-Article 18.4 and 18.5.

18.4 Review Powers: The Council may review any QIP holding a Compliance Certificate to determine whether the QIP has provided all information required to be lodged under Sub-Article 18.6.

18.5 Loss of Investment Incentives: The Council may revoke a QIP's Compliance Certificate if it is satisfied, after reasonable review under Sub-Article 18.4, that the QIP has failed to provide all information required to be lodged under this Article. The QIP loses its entitlement to all Investment Incentives from the date of revocation of the Compliance Certificate.

18.6 Information to be delivered: Every Investor who carries a QIP must lodge with the Council:

- (a) an annual financial statement, consisting of a balance sheet, a profit and loss account, cash flow statement and remark no later than the 31st of March of the following year;
- (b) a Certificate of Tax Obligation Satisfaction from the Tax Department certifying that the Investor has:
 - (i) properly complied with and filed the monthly tax returns on time except in the case where such tax returns of that year are required by the Law on Taxation.
 - (ii) paid all taxes, levies, interest, and surcharges determined for the period of taxation audited by the Tax Department.
- (c) quarterly report on the effective import of Production Equipments and Production Inputs for the production, and quarterly report on the effective export of the QIP's finished products and annual inventory list of immovable properties.
- (d) investment information sheet in **CIB 01S** form.

CHAPTER 7 OWNERSHIP AND LAND USE

Article 19: Ownership

19.1 Ownership: The Land Ownership serving the Investment Activity is to be vested in a Cambodian natural person or legal entity in compliance with the Law in force.

19.2 Registration of Ownership: To register land Ownership, the Investor shall complete all forms or formalities for registration with the cadastral office under the jurisdiction of which the immovable property is located.

19.3 Ownership Rights: Under the Constitution of the Kingdom of Cambodia, the foreign natural person or legal entity may not own land in the Kingdom of Cambodia.

Article 20: Use of Land

20.1 Cambodian Legal Entity: In addition to the Ownership Rights, the Cambodian Investor is entitled to use land in various forms, including concession, lease, transfer, and as securities.

20.2 Foreign Legal Entity: A Foreign Legal Entity may use the land in various forms, including concession, long term lease for 15 (fifteen) years or more, and renewable short term lease. Land Use rights include the rights on buildings, arrangements, or improvements made by the lessee for a duration specified in the contract, provided that the uses are exercised in compliance with the law in force.

20.3 Lease of State Land: Any natural or legal entity who leased any piece of land from the State shall act in compliance with regulations regarding the management of the State property.

20.4 Sub-Lease: Any natural or legal entity who leased any piece of land from the State may sub-lease such land to a third party only if he/she obtained express prior approval or authorization from the competent authority.

CHAPTERS 8 LABOR FORCE

Article 21: Use of Labor Force

The Council has the duty to advise and help facilitate the investor with regard to obtaining, for the foreign spouse accompanying the investor, a visa, the right to stay and appropriate travel permit in compliance with the immigration law and its regulations.

For the recruitment by the investor of foreign staff and management experts, technical staff, skilled workers who are not available among Cambodians citizens, the Council shall help facilitate the investor to obtain the right to recruit those foreign employees to work as needed, in accordance with the Labor law, Immigration law and relevant regulations in force.

CHAPTER 9 PENALTIES

Article 22: Penalties

If the Investor fails to perform any obligation imposed by this Sub-Decree or the Law on Investment, the Investor shall be subject to penalties defined in Article 8.1, Article 12 or Article 18.5 of this Sub-Decree or other Laws regarding the omission or failure to perform obligations.

CHAPTER 10 TRANSITIONAL PROVISIONS

Article 23: Recognition as QIP of Investment Project Approved Prior to the Amendment to the Law on Investment

23.1 Any Invest Project approved under the Law on Investment of the Kingdom of Cambodia promulgated by Royal Kram No. 03/NS/94 dated August 05, 1994 and whose activity is undergoing before the date of entry into force of this Sub-Decree will be recognized as a QIP after the Investor has submitted a written proposal to the Council to have it deemed as a QIP and after satisfying all obligations defined in the Law on Investment and this Sub-decree.

The Council shall issue to the investor a Certificate of Recognition for the above Investment Project as QIP no later than 3 (three) Working Days.

For the Investment Project that has been approved but failed to perform any Investment Activity or started an Investment Activity for a period of time but later postponed the Activity without any notice of such postponement or termination to the Council, such Investment Project shall be subject to further regularization of documents in order to obtain QIP's entitlement before recommencement of the Investment Project.

23.2 Incentives for Investment Projects Approved Prior to the Adoption of the Amendment to the Law on Investment.

Investment Project which was approved prior to the adoption of the Amendment to the Law on Investment and has been recognized as QIP entitled to the profit tax rate of 9% before the promulgation of the Amendment to the Law on Investment of the Kingdom of Cambodia, is entitled to such 9% rate for a transitional period of not more than 5 (five) years starting from the fiscal year after the promulgation of the Amendment to the Law on Investment of the Kingdom of Cambodia and this Sub-decree only if the Investor has fulfilled all obligations stipulated in Chapter 6 of this Sub-Decree.

Investment Project which was approved prior to the adoption of the Amendment to the Law on Investment and has been recognized as a QIP and provided with Investment Incentives in writing by the Council may still be entitled to incentives in the form of profit tax and Customs Duties exemption on the import of Production Equipment, Construction Materials, and Production Inputs only if the Investor has fulfilled all obligations stipulated in Chapter 6 of this Sub-Decree.

CHAPTER 11 FINAL PROVISIONS

Article 24: Abrogation

The Sub-Decree No 88/ANK/BK dated December 29, 1997 on the Implementation of the Law on Investment of Cambodia, Amendment Sub-Decree No 53/ANK/BK dated June 11, 1999 on the Amendment to Sub-Decree on the Implementation of Law on Investment of Cambodia, Sub-Decree No 130/ANK/BK dated December 26, 2001 on the Amendment to Sub-Decree No 53/ANK/BK dated June 11, 1999, and any other regulation in contrary to this Sub-Decree shall be abrogated.

Article 25:

The Minister in charge of the Office of the Council of Ministers, the Minister of Economy and Finance, the Council for the

Development of Cambodia, Ministers of all ministries, heads of all institutions, and provincial/municipal governors shall effectively implement this Sub-decree within their respective functions commencing from the date of signature.

Phnom Penh, 27 September 2005

**PRIME MINISTER
HUN SEN**

CC:

- Ministry of Royal Palace;
- General Secretariat of Constitutional Council;
- General Secretariat of the Senate;
- General Secretariat of the National Assembly;
- Cabinet of Samdech Prime Minister;
- General Secretariat of the Royal Government;
- As defined in Article 25;
- Archives - Chronicle

ANNEX 1

of the Sub-Decree No. 111 ANK/BK date on September 27, 2005 on the Implementation of the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia

Negative List (Article 6.1)

Section 1: Investment Activities Prohibited by the Relevant Law and Sub-Decrees:

1. Production/processing of psychotropic substances and narcotic substances;
2. Production of poisonous chemicals, agriculture pesticide/insecticide and other goods by using chemical substances, prohibited by international regulations or the World Health Organization, that affect the public health and environment;
3. Processing and production of electricity power by using any waste imported from a foreign country;
4. Forestry exploitation business prohibited by Forestry Law;
5. Investment activities prohibited by law.

Section 2: Investment Activities Not Eligible for Incentives

1. All kinds of commercial activity, import, export, wholesale, retails, including duty free shops;
2. Any transportation services by waterway, by road, by air except investment in railway sector;
3. Restaurants, karaoke parlors, bars, nightclubs, massage parlors or fitness clubs which are located outside of international standard hotel. However, though it is located in the international standard hotel if the Investor leased the above locations to a non-QIP third party lessee to conduct business, such investor shall not be entitled to profit tax exemption as granted to the Investor under the Amendment to the Law on Investment;
4. Tourism service provider, tourism agent, tourism information and tourism advertisement;
5. Casino and gambling business and service of any kind;
6. Currency and Financial business and services, including bank, financial institution, insurance company, and all kind of financial intermediation;
7. Activity related to newspaper and media, including radio, television, press, magazine, movie, video production or reproduction, theatre, studio, and related activities;
8. Professional services;
9. Living Modified Organisms LMOs that causes danger to biodiversity, human health and environment;
10. Production and processing of wood products which using wood from natural forest with a legal domestic supplying source as raw materials;
11. Production of tobacco products;
12. Production of food products and beverages with the investment capital less than USD500,000(five hundred thousand);
13. Production of product for textile industry with the investment capital less than USD500,000 (five hundred Thousand);
14. Production of garments, textiles, footwear, hats with the investment capital less than USD500,000 (five hundred thousand);
15. Production of furniture and fixture, which not using natural wood with the investment capital less than USD500,000 (five hundred thousand);
16. Production of paper and paper products with the investment capital less than USD 500,000 (five hundred thousand);
17. Production of chemicals, cement, agriculture fertilizer, petrochemicals with the investment capital less than USD1,000,000 (one million);
18. Production of rubber products and plastic product with the investment capital less than USD500,000 (five hundred thousand);

19. Production of leather products and other related products with the investment capital less than USD300,000(three hundred thousand);
20. Production of all kinds of metal products with the investment capital less than USD300,000 (three hundred thousand);
21. Production of electrical and electronic appliances and office materials with the investment capital less than USD300,000 (three hundred thousand);
22. Production of toys and sporting goods with the investment capital less than USD300,000 (three hundred thousand);
23. Production of motor vehicles, parts and accessories with the investment capital less than USD300,000 (three hundred thousand);
24. Clean water supplies with the investment capital less than USD500,000 (five hundred thousand);
25. Supporting industry, which has its entire production (100%) supplying export industry with the investment capital less than USD100,000 (one hundred thousand);
26. International trade exhibition center and convention halls with the investment capital less than USD8,000,000 (eight million)
27. Construction of modern market or trade center with the investment capital less than USD2,000,000 (two million) with size less than 10,000 (ten thousand) square meters and has inadequate space for car park;
28. Production of animal feed with the investment capital less than USD200,000 (two hundred thousand);
29. Production of ceramic products with the investment capital less than USD300,000; (three hundred thousand);
30. Training and educational institutes that provide training for skill development, technology, or poly technology that serve industrial, agricultural, tourism, infrastructure, environment, engineering, sciences, and other services with the investment capital less than USD4,000,000 (four million);
31. Hotel below 3-star grade
32. Complex tourism center with hotel containing less than 100 rooms or tourist inns of less than 30 housing and tourist estates (resort) less than a minimum length of ten (10) hectares;
33. Natural Tourism and creation of natural tourism site with the size less than 1,000 (one thousand)hectares of land with the investment capital less than USD1, 000,000 (one million);
34. Complex resort, including hotel, theme park, sport facilities, zoo with less than 50 (fifty) hectares;
35. Car parking;
36. Warehouses facilities;
37. Polyclinic having less than 50(fifty) patient beds with no modern equipment, laboratories, surgical operation, x-ray, emergency, pharmacy room, lift elevator (for up to 3 story building), apply no ambulances, morgue, with the investment capital less than USD1,000,000 (one million);
38. Production of modern medicines with the investment capital less than USD1,000,000 (one million);
39. Production of traditional medicines with the investment capital less than USD500,000(five hundred thousand);
40. Agricultural production:
 - 40.1 Paddy farming less than 1000 (one thousand) hectares
 - 40.2 All kinds of cash crops less than 500 (five hundred) hectares
 - 40.3 Vegetables less than 50 (fifty) hectares
41. Livestock production
 - 41.1 Cattle husbandry less than 1,000 (one thousand) heads;
 - 41.2 Dairy farm less than 100 (hundred) cows;
 - 41.3 Poultry farm less than 10,000 (ten thousand) heads;
42. Aquatic production:
 - 42.1 Fresh water aquaculture farm less than 5 (five) hectares;
 - 42.2 Sea water aquaculture farm less than 10 (ten) hectares;
43. Timber plantation, tree plantation, and wild animal farm:
 - 43.1 Timber plantation less than 1,000 (one thousand) hectares;
 - 43.2 Tree plantation less than 200 (two hundred) hectares;
 - 43.3 Wild mammal husbandry less than 100 (one hundred) heads;
 - 43.4 Wild bird husbandry less than 500 (five hundred) heads;
 - 43.5 Wild reptile husbandry less than 1,000 (one thousand) heads

The Ministry of Agriculture, Forestry and Fisheries shall define the definitions of each category in paragraph 43 above.
44. Freezing and processing of aquatic products and cereals and crops products for exports:
 - 44.1 freezing and processing of aquatic product for export with the investment capital less than USD 500,000 (five hundred thousand);
 - 44.2 processing of any kind of cereals and crops products for export with the investment capital less than USD 500,000 (five hundred thousand);
45. Provision of value added services of all kinds of telecommunication services
46. Real estate development.

Section 3: Investment Activities with specific characteristics which shall be Eligible for Custom Duties Exemption, but not Eligible for the Profit Tax Exemption

1. Telecommunication basic services;
2. Exploration of gas, oil and all kinds of mining, including supply bases for gas and oil activities.

- Total Capital Investment:of which, capital on:
 Construction/site preparation.....m² Price:USD
 Existing construction New Building
 Production Equipment (Machinery, Production equipment, other materials) worth of: USD (accompanied by attached list as described in the Annex)
 Office materials worth of (USD):
 Others worth of (USD):
- Land (area in m²):Price.....USD
- Source of Capital Investment: Own capital: Long-term bank loan:.....
 Short-term bank loan:
- Location of Investment: Land lot No: ... Street..... Village.....Commune/Sangkat.....
 District: Province/Town: Area:m²
- Plan to implement the project:
 Start to construct:Expected completion date.....
 Time to equip with machineryStart production.....
- Product Information:

Types of Products	Unit	Annual Production Capacity				Market	
		First year		Full Capacity		Domesticin %	Exportin %
		Quantity	Value	Quantity	Value		

- Labor Force Requirement:

Type of Labor	Starting Period		Full Capacity	
	Local	Foreign	Local	Foreign
Management				
Engineer				
Technician				
Advisor				
Administrative personnel				
Skilled workers				
Non-skilled workers				
Total				

- Annual Production inputs (raw materials) needed: *to fill in the form attached in the Annex*
- Energy and Water Needed:
 Annual coal or firewood:m³/year, Gas:.....tons/year
 Oil:.....tons/liters/year
 Electricity (Assembly power):MW, Annual need.....KWH
 Water Consumption:.....m³/year

- b. Selection:** Exemption on tax on profits and Investment Guarantees
 Special Depreciation and Investment Guarantees
 Investment Guarantees (not asking for incentives)
(Among the three options, Investor is only allowed to choose one)

c. Information on Environment:

Mode of transport of raw materials and finished products into and out of the investment area:

.....

Estimates of volume:

Liquid waste:.....m³/month Hard waste:m³ or tons/month
 Emitted gas:...../day

Table of estimation of concentration in:
the process of sewage discharge

- pH:
 - Nitrate Nitrogen.....
 - Phenol (C₆H₅OH).....
 - Turbidity.....
 - Total number of hard substances dissolved in water.....
 - Total hard substance silted in water.....
- Ammonia (NH₃).....
 - Heavy Metal.....
 - Oil and Grease.....
 - Conductivity.....

Evaporation of gas molecules in air

- Carbon Monoxide.....
- Sulfur Oxide.....
- Lead.....
- Nitrogen Dioxide.....
- Ozone.....

Place used as disposal area for hard and liquid waste, and to gas emission

.....
.....
.....

Sources of increasing noise and vibration

.....
.....
.....

Residing Conditions of employees, workers

- Supply of clean water:
- Health, safety:
- Sanitation:
- Management of hard waste:

d. Information on Taxes

To fill in the Form attached in the Annex.

e. Information on Memorandum and Articles of Association

Herewith attached the company's statute, photos, copies of passports or identities card of the shareholders

III. Assurance: Being the Project Owner, I would like to assure that

The project is not included in the negative list mentioned in the Annex I, Section 1 of the Sub-Decree on the Implementation of the Law on Amendment to the Law on the Investment of the Kingdom of Cambodia.

The above information is correct and not intended to falsify.

Made in.....Date.....Month.....Year.....

Signature

ANNEX 3

**of the Sub-Decree No. 111 ANK/BK date on September 27, 2005 On the Implementation of the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia
(Article 6.3)**

Conditional Registration is according to the Law on Investment and the Sub-Decree on the Implementation of the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia.

Name of Investor:

Address of Investor:

*Details of Qualified Investment Project.....
.....*

*Name, address and contact details of Investor's representative in Cambodia.....
.....*

Approvals, authorisations, clearances, licences, permits or registrations required for the QIP to be lawfully undertaken and the ministries, departments, authorities or agencies of the Royal Government responsible for their issue, upon the Applicant meeting the criteria for their respective Ministry etc.

<u>Approval, etc.</u>	<u>Ministry</u>	<u>Criteria</u>
-----------------------	-----------------	-----------------

(insert)

*Election made by Investor under Article 5.5 of the Sub-Decree on the implementation of the law on the amendment to the law on investment of the Kingdom of Cambodia.
.....*

*Election made by Investor under Article 5.7 of the Sub-Decree on the implementation of the law on the amendment to the law on investment of the Kingdom of Cambodia.
.....*

*Investment Incentives and Guarantees which the QIP will be entitled to if the Final Registration Certificate is issued, including the Tax on Profit exemption period under Article 14.1 of the Law on the amendment to the law on investment of the Kingdom of Cambodia.
.....*

*Memorandum and Articles of association of the Investor, which will undertake the QIP
.....
.....*

APPENDIX IV: SUB-DECREE NO. 17 ON THE ESTABLISHMENT OF THE SUB-COMMITTEE ON INVESTMENT OF THE PROVINCES-MUNICIPALITIES

**Kingdom of Cambodia
Nation Religion King**

**Royal Government of Cambodia
No. 17 ANK/BK**

**Anukret
on
the Establishment of the Sub-Committee on Investment of the
Provinces-Municipalities of the Kingdom of Cambodia**

The Royal Government

- Having Seen the Constitution of the Kingdom of Cambodia;
- Having Seen the Royal Kram No.NS/RKM/0704/001 dated July 13, 2004 on the Promulgation of Additional Constitution to normalize the function of national institutions.
- Having Seen the Royal Decree No. NS/RTK/0704/124 dated July 15, 2004 on the appointment of the Royal Government of Cambodia.
- Having Seen the Royal Kram No. 02/NS/94 dated July 20, 1994 on the Promulgation the law on the Organization and Function of the Council Ministers.
- Having Seen the Royal Kram No. 03/NS/94 dated August 05,1994 on the Promulgation of the Law on Investment of the Kingdom of Cambodia and the Royal Kram NS/RKM/0303/009 dated March 24, 2003 on the Promulgation of the Law on the Amendment of the Law on Investment of the Kingdom of Cambodia;
- Having Seen the Sub-Decree No. 70 ANKr.BK dated July 27, 2001 on the Organization and Functioning of the Council for the Development of Cambodia.
- Referring to Anukret No. 88/ANK/BK of December 29, 1997 on the Implementation of the Law on Investment of the Kingdom of Cambodia and Anukrets on the Amendments No. 53/ANK/BK of June 11, 1999 and No. 130/ANK/BK of December 26, 2001 respectively;
- Referring to the Royal Government Policy on Investment attractiveness from private sectors at all provincials/municipals levels.
- Referring to the requests of the Council for the Development of Cambodia.

DECIDES

Article 1:

To establish a mechanism to register investment proposal as a Qualified Investment Project “QIP” in ----- to be known as -----Sub-Committee on Investment and shall be composed as follows:

1.Provincial Governor	Chairman
2.Representative from CDC/CIB	Permanent Vice-Chairman
3.First Provincial Vice Governor	Vice-Chairman
4.Second Provincial Vice Governor	Vice-Chairman
5.Chief of Department of Economy and Finance	Member
6.Chief of Department of Commerce	Member
7.Chief of Department of Industry, Mine, and Energy	Member
8.Chief of Department of Public Works and Transport	Member
9.Chief of Department of Environment	Member
10.Chief of Department of Land Management, Urban Planning and Construction	Member
11.Chief of Department of Agriculture, Forestry and Fishery	Member
12.Chief of Department of Planning	Member
13.Chief of Department of Water Resource and Meteorology	Member
14.Chief of Department of Tourism	Member
15.Chief of Department of Posts and Telecommunication	Member

- | | |
|--|-----------|
| 16.Representative from ----- Chamber of Commerce | Observer |
| 17.Representative from Secretariat | Secretary |

All the above mentioned members shall attend meeting as convened by the Chairman or by the Vice-Chairman, in the event of the Chairman's absence.

All relevant Provincial Department, District Governors in the ----- who are not members of the ----- Sub-Committee on Investment can be invited to the meeting according to its relevant cases.

Article 2:

The ----- Sub-Committee on Investment shall have a Secretariat to manage the day-to-day works under the chairmanship of Permanent Vice-Chairman of the ----- Sub-Committee on Investment.

The ----- Sub-Committee on Investment shall have the right to officially use a separate seal for its daily operations.

Article 3:

The ----- Sub-Committee on Investment shall perform its roles and duties according to the Laws and Regulations on Investment of the Kingdom of Cambodia in relation to the registration of investment proposal of new companies as a QIP with an investment capital of less than 2,000,000 (two million) United States Dollars.

Article 4:

The ----- Sub-Committee on Investment shall submit documents relating to the registered QIP upon registration to CDC/CIB for its review and providing incentives on the importation to investors.

Article 5:

All relevant Ministries; institutions shall delegates to its subordinates at provincial level the power to decide on behalf of Ministries/Institutions by explaining all regulations regarding the process and procedures to be implemented with respect to the issuance of permits, licenses, approvals on behalf of their Ministries/Institutions.

Article 6:

The below mentioned investment projects shall not be subject to ----- Sub-Committee on Investment's registration and shall be under registration mechanism of the CDC/CIB:

1. investment with capital exceeding 2,000,000 (two million) Untied States Dollars;
2. investment project located in the jurisdiction of at least two provinces-municipalities;
3. investment project located in special economic zones.

Article 7:

The procedures for ----- Sub-Committee on Investment to register investment proposal and provide investment incentive shall be as follows:

- to be One Stop Service mechanism on investment in the province;
- to comply with prescribed procedures based on application Laws and Regulations on Investment as implemented at CDC/CIB.

Article 8:

All investments authorized under the Laws on the Investment promulgated by Preah Reach Kram No. 03/NS/94 of August 5, 1994 and relevant Anukret shall be considered to be QIP provided that the investors have completed all application forms according to procedures as stipulated in Anukret on Implementation of the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia.

Article 9:

- CDC shall issue regulations on the actual practice and provide expert training to the ----- Sub-Committee on Investment so as to ensure the smoothness and effectiveness of the Sub-Committee's functioning mechanism.
- The ----- Sub-Committee on Investment shall make monthly report to CDC/CIB in order that CDC/CIB has its basic sufficient documents to report the Royal Government.

Article 10:

The Co-Chairmen of CDC, the Minister in charge of the Office of the Council of Ministers, the Co-Ministers of Interior, the Ministers of Economy and Finance, of Commerce, of Industry, Mines, and Energy, of Public Works and Transport, of Environment, of Land Management, Urban Planning and Construction, of Agriculture, Forestry and Fisheries, of Planning, of Meteorology, of Tourism, of Post and Telecommunication, the Ministers of all relevant Ministries, Governor of -----, Provincial/Municipal Governors, head of Institutions/Entities and all compositions listed in Article 1 shall effectively implement this Anukret from the date of its signature.

Phnom Penh, February 9, 2005
Prime Minister
Signature and Seal

Hun Sen

Having informed Samdech Prime Minister
by Senior Minister
Minister of Economy and Finance
First Vice-Chairman of CDC

Keat Chhon

CC:

- Ministry of Royal Palace
- General Secretary of the Senate
- General Secretary of the National Assembly
- Cabinet of Samdech Prime Minister, “Co-Chairman”
- As in Article 10 “for implementation”
- Archives and Chronicle
- (See footnote)

***This Anukret has been adopted to establish the Sub-Committee on Investment for each of the 24 Provinces and Municipalities of the Kingdom of Cambodia.

APPENDIX V : SUB-DECREE NO. 148 ON THE ESTABLISHMENT AND MANAGEMENT OF THE SPECIAL ECONOMIC ZONE

KINGDOM OF CAMBODIA Nation-Religion-King

**Royal Government of Cambodia
No. 148 ANKr.BK**

SUB-DECREE ON THE ESTABLISHMENT AND MANAGEMENT OF THE SPECIAL ECONOMIC ZONE

ROYAL GOVERNMENT

- Referring to the Constitution of the Kingdom of Cambodia;
- Referring to Preah Reach Kret No. NS/RKT/0704/124 dated July 15, 2004 on the formation of the Royal Government of Cambodia;
- Referring to Preah Reach Kram No. 02/NS/94 dated July 20, 1994 promulgating the Law on the Organization and Functioning of the Council of Ministers;
- Referring to Preah Reach Kram No. 03/NS/94 dated August 05, 1994 promulgating the Law on Investment in the Kingdom of Cambodia and Preah Reach Kram No. NS/RKM/0303/009 dated March 24, 2003 promulgating the Law on Amendment to the Law on Investment of the Kingdom of Cambodia;
- Referring to Preah Reach Kram No. NS/RKM/0297/03 dated February 24, 1997 promulgating the Law on Taxation and Preah Reach Kram No. NS/RKM/0303/010 dated March 31, 2003 promulgating the Law on Amendment to the Law on Taxation;
- Referring to Kret of Council of State of State of Cambodia No. 57 Kr. dated July 26, 1989 on the Tax on Import and Export Goods;
- Referring to the Sub-Decree No. 111 ANKr.BK dated September 27, 2005 on the implementation the Law on Amendment to Law on Investment in the Kingdom of Cambodia;
- Referring to the Sub-Decree No. 147 ANKr.BK dated December 29, 2005 on the Organization and Functioning of the Council for the Development of Cambodia;
- Pursuant to the request of the Council for the Development of Cambodia; and
- Pursuant to the necessity of the Royal Government.

IT IS HEREBY DECIDED

CHAPTER 1 GENERAL PROVISIONS

Article 1: Purpose and Scope of the Sub-Decree

1-1 Purpose

This Sub-Decree is intended to establish and manage the Special Economic Zones and improve the investment climate conducive to the enhancement of productivity, competitiveness, national economic growth, export promotion, employment generation in order to reduce poverty. It further defines the procedures and regulations related to the establishment, management, coordination of all investment activities and promotion of investments of Zone Developers and Zone Investors in the Special Economic Zones in the Kingdom of Cambodia.

The Royal Government of Cambodia supports the Special Economic Zones by implementing the principles and conditions consistent with the existing policy framework set by the Royal Government of Cambodia which will ensure transparency, efficiency, accountability, accessibility of information for investors.

1-2 Scope

This Sub-Decree shall apply to all activities of relevant ministries or institutions of the Royal Government of Cambodia, Zone Developers and Investors in the Special Economic Zones permitted to invest and have obtained Investment Incentives and guarantees from the Cambodian Special Economic Zones Board and the Special Economic Zones Administration.

Article 2: Definitions

As used in this Sub Decree, the following terms shall have the meaning as defined hereunder:

- **Cambodian Special Economic Zones Board (CSEZB)** refers to the Cambodian Special Economic Zones Board under the authority of the Council for the Development of Cambodia which is established by a Sub-Decree and has the duties to decide on the establishment and management of the Special Economic Zones in the Kingdom of Cambodia.
- **Council** refers to the Council for the Development of Cambodia which is established under the Law on Investment of the Kingdom of Cambodia.
- **Export Processing Zone** refers to the zone of industrial activities and other activities related to the production and transformation of goods only for export.
- **Free Trade Area** refers to the area for service provision, storage, demonstration, packaging, cleaning, and finishing of production outputs, products, materials, or other equipments, whose import-export in /out of the zone are provided with duty exemption, except for export to other places in the Kingdom of Cambodia whereby such import-export is subject to the duty and excise in accordance to the applicable law.
- **General Industrial Zone (GIZ)** refers to a zone established for industrial activities and other activities related to the production and transformation of goods for domestic use as well as for export.
- **Production Area** refers to the area where the factories are located in the industrial zone.
- **Production Equipment** refers to any machinery and tool used in the substantial transformation of Production Inputs which is not itself transformed or consumed within 2 (two) years of its importation, including information technology equipment or any motor vehicle.
- **Production Input** refers to goods, including raw materials, semi-finished products, and accessories serving production that is fully transformed or utilized in the production process of the Qualified Investment Project (QIP) not later than 2 years after importation. It does not include office equipments and furniture, petroleum products, vehicles, and spare parts for vehicles.
- **Production Output** refers to goods which are produced from Production Input that have been transformed.
- **Qualified Investment Project (QIP)** refers to an investment project which has received a Final Registration Certificate.
- **Residential Area** refers to the area for accommodation of employers, employees and workers in the Special Economic Zone.
- **Service Area** refers to the area of supporting activities for industrial and commercial operations such as managing and operating offices of the industrial zone, bank, post office, commercial stores and transportation services.
- **Special Economic Zone Administration** refers to the State administration management unit which is the “One-Stop Service” mechanism at the site of the Special Economic Zone and has the duties to approve and issue permits, licenses and registration to the Zone Investors, including the approval of incentives, pursuant to the full authority delegated by the line ministries and institutions, and to address all requests related to the management competence of the State, concerning investments in the zone.
- **Special Economic Zone (SEZ)** refers to the special area for the development of the economic sectors which brings together all industrial and other related activities and may include General Industrial Zones and/or Export Processing Zones. Each Special Economic Zone shall have a Production Area which may have a Free Trade Area, Service Area, Residential Area and Tourist Area.
- **Zone Developer** refers to a Cambodian or/and foreign natural or legal person, who implements the Qualified Investment Project, and permitted to invest in the development of physical infrastructures in the zone, and organization of business, services and ensuring the safety and security of the Zone Investors.
- **Zone Investor** refers to a Cambodian or/and foreign natural or legal person, who implements the Qualified Investment Project and purchases or rents the immovable property from the Zone Developer and performs investment activities such as business, production, services and trade in the zone.

CHAPTER 2 PROCEDURES FOR THE ESTABLISHMENT OF THE SPECIAL ECONOMIC ZONE

Article 3: Establishment of the Special Economic Zone

3.1. Terms and Conditions for the Establishment of the Special Economic Zone:

1. The Special Economic Zone shall be permitted to be established in the Kingdom of Cambodia at the appropriate and strategic areas according to the decision of the Royal Government of Cambodia and the “One-Stop Service” mechanism of the Council.
2. The Special Economic Zone may be established by the State, private enterprise or joint venture between State and private enterprise.
3. The Establishment of the Special Economic Zone shall be pursuant to the following conditions:
 - (a) It must have a land of more than 50 hectares with precise location and geographic boundaries.
 - (b) It must have a surrounding fence (for Export Processing Zone, the Free Trade Area and for the premises of each investor in each zone).

- (c) It must have management office buildings, zone administration offices, large road network, clean water, electricity, and telecommunications networks, fire protection and security system. Based on each situation, the zone may have land reserved for the Residential Area for workers, employees and employers, public parks, infirmary, vocational training school, petroleum station, restaurant, car parking, shopping center or market, etc.
- (d) It must have water sewage network, waste water treatment network, location for storage and management of solid wastes, environment protection measures and other related infrastructures as deemed necessary.
- (e) It must comply with technical requirements, regulations and basic rules on construction, environment and other obligations in the development of Special Economic Zone as defined in the instructions issued by relevant ministries or institutions taking into account the geography and specific size of each zone and pursuant to the existing laws, national and international standards.

3.2. Procedure for the establishment of the Special Economic Zone:

1. All Zone Developers, who intend to invest in the development a Special Economic Zone shall submit a request for approval for the development of the zone to the Cambodian Special Economic Zones Board and be registered as Qualified Investment Project. The Cambodian Special Economic Zones Board has the duty to review the proposal and submit it to the “One-Stop Service” mechanism of the Council to decide whether to reject or approve the request to establish the zone.

The Zone Developer shall pay an application fee for the establishment of a Special Economic Zone in the amount of 7,000,000 Riels (Seven Million Riels) to the Cambodian Special Economic Zones Board.

2. The Cambodian Special Economic Zones Board shall respond, with either its approval or denial of the request, within 28 (twenty eight) working days to the Zone Developer.
3. The Zone Developer who receives an approval for the establishment of a Special Economic Zone from the Cambodian Special Economic Zones Board has 180 (one hundred eighty) working days, which may be extended based on serious reasons, to do the following:
 - a) Conduct detailed economic feasibility study of the project including the preparation of the master plan of all infrastructures in the zone such as connecting roads from the zone to outside area, water-electricity network, environmental measures, and information concerning local services costs, land rental, factory rental, water, electricity, phone services and security costs, cost of using public space in the area for the Zone Investors, cost for workers, employees and employers to reside, and vocational training center, among others; and
 - b) Submit other related documents or certified letters required by the Cambodian Special Economic Zones Board upon request from the relevant ministries or institutions; such requirements shall be stipulated in the Conditional Registration Certificate of the Zone Developer.
4. Within 100 (one hundred) working days from the date the Zone Developer submitted the project to the Council as stated in paragraph 3.2.3, the Cambodian Special Economic Zones Board shall receive on behalf of the Zone Developer the approvals, authorizations, licenses, permits or registrations from competent ministries, institutions, authorities or relevant agencies of the Royal Government of Cambodia responsible for the said documents, together with the issuance of the Final Registration Certificate to the Zone Developer as defined in this paragraph.
5. The establishment of the Special Economic Zone and boundaries thereof shall be defined by Sub-Decree at the same time when the Cambodian Special Economic Zones Board issues the Final Registration Certificate to the Zone Developer.
6. The Cambodian Special Economic Zones Board has the right to withdraw the approval on the establishment of the zone and incentives which were granted through the Final Registration Certificate on the basis that the Zone Developer has not implemented at least 30% (thirty percent) of the total investment capital of the project within 365 (three hundred and sixty five) working days after receiving the Final Registration Certificate.

3.3. Procedures for Registration of the Zone Investor:

The Zone Investor, who starts its activity of production or services in the fields permitted by related Laws and Sub-Decrees in any Special Economic Zone shall complete the formalities based on the procedure, by preparing all required documents for registration of investment proposals during working hours and before the office of the Special Economic Zone Administration. The Special Economic Zone Administration has duty to decide on the registration of the investment proposal based on the legal, administrative and technical aspects and on the issuance of the Final Registration Certificate accordingly to the procedures of the investment registration set forth in the Law and Sub-Decree on the Implementation of the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia.

Any incentive provided to the Zone Investor shall be decided by the Special Economic Zone Administration through the “One-Stop

Service” mechanism located on the site and in accordance to the relevant laws and regulations.

On all other requests in the investment process of Zone Investors, the Special Economic Zone Administration shall play the role of facilitator to address issues of the Zone Investors with the relevant ministries or institutions of the Royal Government of Cambodia.

CHAPTER 3 MANAGEMENT STRUCTURE AND DUTIES

Article 4: Management Structure of the Special Economic Zone

4.1. Special Economic Zones Trouble Shooting Committee (SEZ TSC)

The Special Economic Zones Trouble Shooting Committee has the duty to promptly settle all issues occurring in the Special Economic Zones, whether pertaining to technical or legal aspects, or issues under the joint jurisdiction of ministries or institutions and beyond the competence of the Special Economic Zone Administration or the Cambodian Special Economic Zones Board.

The Special Economic Zones Trouble Shooting Committee has the further duty to be a mechanism to receive any complaint, and find solutions to that complaint filed by Zone Developers as well as by Zone Investors.

This Committee is located at the Council and has the right to use the Council’s stamp for its activities.

The composition of the Special Economic Zones Trouble Shooting Committee is as follows:

1. Co-Chairmen of the Council for the Development of Cambodia	Co-Chairmen
2. Minister of the Council of Ministers	Member
3. Minister of Economy and Finance	Member
4. Minister of Commerce	Member
5. Minister of Land Management, Urbanism and Construction	Member
6. Minister of Environment	Member
7. Minister of Industry, Mines and Energy	Member
8. Minister of Public Works and Transportation	Member
9. Minister of Labor and Vocational Training	Member
10. Secretary General of the Council for the Development of Cambodia	Member
11. Secretary General of the Cambodian Special Economic Zones Board	Secretary.

If needed, the aforesaid Committee may invite any member of the Council to attend each meeting of this Committee. The session of the meeting of the Special Economic Zones Trouble Shooting Committee is convened upon the invitation by the Secretary of the Special Economic Zones Trouble Shooting Committee according to the instructions of the Co-Chairmen of the said Committee.

4.2. Cambodian Special Economic Zones Board

The Cambodian Special Economic Zones Board is the “One-Stop Service” in charge of the development, management and supervision of the operations of the Special Economic Zones.

The duties of the Cambodian Special Economic Zones Board are:

1. to be the “Etat-Major” of the Royal Government of Cambodia in relation to the policy and strategy, and to initiate plans and set directions for the development of Special Economic Zones in the Kingdom of Cambodia;
2. to determine the principles and regulations pertaining to the appointment of the Special Economic Zone Administration, to the establishment of the “One-Stop Service” mechanism in the zone, to the management of the general administration and functioning of the zone, to dispute resolution and eventual dissolution of the zone;
3. to give the tax and non-tax incentives to the Zone Developers and provide guidance to the Special Economic Zone Administration on eligible incentives for the Zone Investors pursuant to the laws and relevant provisions in force;
4. to prepare guidelines on management and workers training, environment, construction, import/export, entitlement to investment incentives and other technical affairs, including facilitation of relations with the ministries or institutions of the Royal Government of Cambodia in order to ensure smooth and effective conduct of the affairs of the Special Economic Zones;
5. to inspect all irregular activities in the zone; and
6. to address issues relative to the interests of the Zone Developers, Zone Investors, workers, employees, employers and other technical and legal matters.

4.3. Special Economic Zone Administration:

The Special Economic Zone Administration is the “One-Stop Service” mechanism set up by the Cambodian Special Economic Zones Board in order to be permanently stationed in each Special Economic Zone and is structured and has the duties as follows:

- | | |
|--|----------|
| 1. The composition of the Special Economic Zone Administration is: | |
| - Representative of the Cambodian Special Economic Zones Board | Chairman |
| - Representative of the Custom and Excise Department | Member |
| - Representative of the CAMCONTROL | Member |
| - Representative of the Ministry of Commerce | Member |
| - Representative of the Ministry of Labor and Vocational Training | Member. |

The above members shall be appointed by each line ministry or institution to be permanently stationed at each zone upon its operation.

2. The office of the Special Economic Zone Administration located in the Special Economic Zone is provided by the Zone Developer, who shall supply materials, water, electricity, accommodations, and provide other supports as deemed necessary.
3. All aforementioned relevant ministries or institutions shall delegate to their representative sufficient power to make decisions on behalf of the ministry or institution in accordance with their respective authority in the zone.
4. The salary of the members of the Special Economic Zone Administration shall be paid by the line ministry or institution.
5. Each Special Economic Zone Administration shall have its own seal for its official use on all documents used for the work of the Special Economic Zone Administration.

The duties of the Special Economic Zone Administration are:

- a. to control, based on respective competence, the entry and exit of goods, means of transport and people into and from the zone; process custom formalities for import-export of goods and facilitate administrative formalities with the line ministries or institutions of the Royal Government of Cambodia for the functioning of the zone;
- b. to control the implementation of the work of the Zone Developer and Zone Investors in relation to the activities in the zone in compliance with the prescribed principles;
- c. to examine the Investment Proposals for registration, award incentives, issue permits, licenses, and certificates of origin of products requested by Zone Investors, such decisions being made at the zone itself;
- d. to control the activities in the zone according to its respective competence;
- e. to cooperate with the Zone Developer to address issues under its jurisdiction;
- f. to facilitate all relevant formalities in a prompt and efficient manner;
- g. to prepare monthly, quarterly, semestral and annual reports on activities of the zone to the relevant ministries or institutions, the Cambodian Special Economic Zones Board, and the Provincial or Municipal Investment Sub-Committee; and
- h. to perform other tasks in order to coordinate and address requests of the Zone Investors with regard to ministries or institutions of the Royal Government.

4.4. The Zone Developer:

The Zone Developer performs activities under the applicable laws in the Kingdom of Cambodia.

The Zone Developer has the following duties:

- (a) to have sufficient capital and means to develop the infrastructures in the zone, including the human resources to manage the activities of the zone;
- (b) to have the legal rights to possess the land in order to establish the zone;
- (c) to construct infrastructures in the zone, including electricity, water, road, and telecommunication networks, environment protection and management network, build warehouses, fire-fighting station and other necessary facilities;
- (d) to lease the land, provide services to the Zone Investors, specify the rent and service fees to the Zone Investors, including fees for water, electricity, building, telecommunication networks, cleaning in the public area, security personnel and others facilities used for the daily operations of the Zone Investors;
- (e) to arrange security personnel and ensure good public order in the zone at all time;
- (f) to adopt the rules pertaining to services in the zone, including internal rules of the zone, and general rules for the Zone Investors and determine the types of business, production and services permitted to operate in the zone in accordance with the nature of the zone;
- (g) to promote and attract investments in the zone and provide detailed information on the formalities, procedures, and eligible benefits for investing in the zone;
- (h) to maintain and repair the infrastructures, ensure the quality and cleanliness and be fully responsible under the laws for all irregular activities and non-compliance with the instructions of the Cambodian Special Economic Zones

Board;

- (i) to submit reports to the Cambodian Special Economic Zones Board upon request and perform tax liability obligations by maintaining proper accounting books, as instructed by the Ministry of Economy and Finance; and
- (j) to cooperate with and assist the Special Economic Zone Administration regarding the functioning of the zone and has close relationship with local authorities in order to address issues.

CHAPTER 4 INCENTIVES FOR THE SPECIAL ECONOMIC ZONE

Article 5: Procedures for Incentives

The Cambodian Special Economic Zones Board examines and provides incentives to all Special Economic Zones in the Kingdom of Cambodia:

- 5.1. The proposal for tax exemption on the import of materials, equipments and construction materials for the construction of the zone by the Zone Developer shall be submitted to the Cambodian Special Economic Zones Board for review and decision.
- 5.2. Duty exemption on import of production equipments, construction materials and production inputs shall be approved for the Zone Investors according to the proposal and in compliance with the law. The zone investor shall prepare a list of production equipments, construction materials and Production Inputs to be imported and submit it to the Special Economic Zone Administration for approval at the zone itself. Subsequently, the Special Economic Zone Administration shall report on its decision to the Cambodian Special Economic Zones Board and relevant institutions for information.
- 5.3. Eligible fiscal incentives for the Zone Investor shall be specified in the Final Registration Certificate to be issued to the Zone Investor in accordance with the Law and Sub-Decree on the Implementation of the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia in force.

Article 6: Tax Incentives

- 6.1. The Zone Developer shall receive the following incentives for their investment activities:
 - (a) **Tax on Profit:** The tax on profit exemption period shall be provided for a maximum period of 9 (Nine) years in compliance with Article 14.1 of the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia.
 - (b) **Import Duties and other Taxes:** The import of equipments and construction materials to be used for infrastructure construction in the zone shall be allowed and exempted of import duties and other taxes.
- 6.2. The Zone Investor shall receive the fiscal incentives as provided in Article 14.9 of the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia and other relevant regulations.
- 6.3. The Zone Investor entitled to the incentive on Value Added Tax at the rate of 0% shall record the amount of tax exemption for its every import. The said record shall be disregarded if the Production Outputs are re-exported. In case the Production Outputs are imported into the domestic market, the Zone Investor shall refund the amount of Value Added Tax as recorded in comparison with the quantity of export.

Article 7: Other Incentives

- 7.1. The Zone Developer shall receive custom duty exemption on the import of machineries, equipments for the construction of the road connecting the town to the zone, and other public services infrastructures for the public interests as well as for the interests of the zone.
- 7.2. The Zone Developer may request, under the form of a temporary admission (AT) the import of means of transport and machineries used for the construction of the infrastructures in accordance with the laws and regulations in force.
- 7.3. All imports by the Zone Developer and the Zone Investor shall comply with the relevant regulations on the Pre-Shipments Inspection (PSI).
- 7.4. The Zone Developer, the Zone Investor and foreign employees have the right to transfer all their income derived from the investment and salary received in the zone to banks located in other countries after payment of tax.
- 7.5. Apart from the fiscal incentives, the Zone Developer and the Zone Investor are entitled to obtain the investment guarantees as stated in Article 8, Article 9 and Article 10 of the Law on Investment in the Kingdom of Cambodia and other relevant regulations.
- 7.6. The Zone Developer may obtain a land concession from the State for the establishment of a Special Economic Zone in areas along the borders or in isolated regions, in accordance with the Land Law, and may lease this land to the Zone Investors.

CHAPTER 5

SPECIAL RULES RELATED TO THE MANAGEMENT OF EXPORT PROCESSING ZONE OF THE SPECIAL ECONOMIC ZONE

Article 8: Terms of the Export Processing Zone

The Export Processing Zone of the Special Economic Zone is an area surrounded by a fence and has specific entrances/exits determined by the Cambodian Special Economic Zones Board.

Only the workers, employees, employers, visitors and competent agents duly authorized can enter or exit the zone premises and premises of the Zone Investors during working hours. At all instance, any person is not allowed to stay after working hours in the Export Processing Zone and the premise of the Zone Investors, except for the authorized permanent guards and persons authorized by the Special Economic Zone Administration.

Article 9: Time for entry into and exit from the Export Processing Zone

Scheduled time for entry into and exit from the Export Processing Zone for the authorized persons, including the import-export of goods shall be determined by the internal rules of the Special Economic Zone Administration according to the agreement between the Zone Developer and the Special Economic Zone Administration.

Article 10: Import-Export of Goods into or from the Export Processing Zone

Goods imported into or exported from the Export Processing Zone shall be done in accordance with the following regulations:

- 10.1.Import-Export of Goods into or from the Export Processing Zone shall be considered as Import-Export of Goods into or from the Kingdom of Cambodia which requires the owner of the goods to fulfill the formalities of import-export with the competent authority in the Export Processing Zone prior to its import-export. These goods shall be packed and properly sealed by customs officer before being imported into or being exported from the Export Processing Zone.
- 10.2.The aforementioned competent agent shall prepare all forms which should be simplified, transparent and do not cause any difficulty for the control of those goods.
- 10.3.No retail business or related activities shall be located in the Export Processing Zone, even though it is conducted for serving the public or social interests.
- 10.4.The Zone Investor, although being the owner, shall not use the Production Outputs produced in the Export Processing Zone without permission from the Special Economic Zone Administration.
- 10.5.The Zone Investor in the Export Processing Zone may request from the Special Economic Zone Administration to purchase goods from the domestic market or from investor, who is in the General Industrial Zone for production needs by entering specific contracts. Each sale and purchase shall be examined by the customs agent of the Special Economic Zone.

With regard to the sale in the domestic market of the Production Outputs which are not of proper quality, are of bad quality, or out-of-date goods and that the Zone Investor cannot export, the Zone Investor shall make the same request for approval as the one done for the purchase of goods into the zone.

All goods which are delivered in the domestic market, in whatever conditions, shall be required to complete the same formalities as those required for goods to be imported into the Kingdom of Cambodia and shall be subject to import duties and other applicable taxes.

- 10.6.The Special Economic Zone Administration shall have the authority to investigate at any time all suspicious cases related to irregular activities of the Zone Investors regarding the import-export, if necessary, and shall formally inform the Zone Developer and the Cambodian Special Economic Zones Board.
- 10.7.Any violation, by the Zone Investor in any area of the Export Processing Zone, of the principles of movement of goods, not related to the intended purpose, not compliant to the environment management regulations, production regulations, production of non authorized goods, non-conformity with production standards, the production or use of benefits provided by the State which were used for other purposes than the authorized ones, are subject to fine and punishment in accordance with the applicable laws and regulations.

CHAPTER 6

LABOR FORCE

Article 11: Usage and Management of the Labor force

The use and management of the Labor force in the Special Economic Zone shall observe the rights and protection guaranteed by the Constitution of the Kingdom of Cambodia. Workers and employees working in the Special Economic Zone shall have the right to salary, benefits, work security and conditions for the safeguard of health as stated in the Labor Law, the Law on the Social Security for all persons governed by the provisions of the Law on Labor and applicable regulations.

Foreign managers, technicians or experts may be employed, provided that the number of foreign staff does not exceed 10% (Ten) of the total number of its personnel.

Foreign Zone Developers and Zone Investors may be accompanied by their spouse and dependants and shall have the right to obtain a resident visa in accordance with the Immigration Law of the Kingdom of Cambodia.

Use of Labor force by recruiting and hiring Cambodian workers and employees or foreign Labor force in the proportion stated above, including the bringing of dependents, shall be done in accordance with the Labor Law and the Immigration Law, as well as other applicable regulations.

CHAPTER 7 VOCATIONAL TRAINING

Article 12: Training

The Zone Developer has the duty to cooperate with the Ministry of Labor and Vocational Training in order to facilitate the training of Cambodian workers, employees and promote new knowledge and skills to workers and employees with specific and effective programs.

CHAPTER 8 DISPUTE RESOLUTION AND VIOLATION

Article 13:

Any Special Economic Zone located in any province-municipality of the Kingdom of Cambodia shall be under the jurisdiction of the courts of that province-municipality in case of any violations, including criminal case.

Article 14:

The Zone Developers, Zone Investors, workers, employees, employers, and civil servants who perform their activities and works in the zone and violate any regulations specified in the Special Economic Zone shall be punished in accordance with the applicable laws.

Government officials from ministries or institutions as well as officials of the Special Economic Zone Administration are prohibited to interfere in the development operations of the zone.

Any government official who is found to have acted contrary to or failed to comply with its duties and delegation of power provided by his ministry or institution, as the case may be, shall be punished in accordance with the provisions of the Law on Civil Servants Statute in force.

CHAPTER 9 FINAL PROVISION

Article 15:

Provisions of the Law on Investment in the Kingdom of Cambodia and all relevant laws and regulations shall apply to all activities in the Special Economic Zone whenever not specified in this Sub-Decree.

Article 16:

This Sub-Decree shall be revised according to the changing circumstances and needs of the prevailing situations during its implementation upon the request of the Cambodian Special Economic Zones Board and approval by the Special Economic Zones Trouble Shooting Committee and, in the meanwhile, shall be arranged to become the Law on the Special Economic Zone in order to ensure the transparency and confidence from the investors.

Article 17:

The Minister in charge of the Council of Ministers, Minister of Interior, Minister of Economy and Finance, Minister of Commerce, Minister of Industry, Mines and Energy, Minister of Environment, Minister of Land Management, Urbanism and Construction, Ministers of all Ministries, Heads of Institutions, Provincial-Municipal Governors and related entities shall efficiently implement this Sub-Decree from the date of the signature onward.

Phnom Penh, December 29, 2005
Prime Minister
Signed and Sealed

Hun Sen

Submitted to
Samdech Prime Minister
by Senior Minister, Minister of Economy and Finance
First Vice chairman of CDC

Keat Chhon

CC:

- Ministry of the Royal Palace
- General Secretariat of the Constitutional Council
- General Secretariat of the Senate
- General Secretariat of the National Assembly
- Cabinet of Prime Minister
- General Secretariat of the Royal Government
- As stated in Article 17
- Doc and Archives

KINGDOM OF CAMBODIA
Nation Religion King

Royal Government of Cambodia
N° 28 ANKr.BK

ANUKRET (SUB-DECREE)
ON

**THE AMENDMENT OF ARTICLE 4 POINT (4.1) OF SUB-DECREE N° 148 DATED
29-DECEMBER 29,2005 ON THE ESTABLISHMENT AND MANAGEMENT
OF THE SPECIAL ECONOMIC ZONE**

- Seen the Constitution of the Kingdom of Cambodia
- Seen the Royal Decree N° NS/RKT/ 0704/124 dated July 15, 2004 on the formation of the Royal Government of Cambodia
- Seen the Royal Kram N° 02/NS/94 dated July 20, 1994 promulgating the Law on the Organization and Functioning of the Council of Ministers
- Seen the Royal Kram N° 03/NS/94 dated August 05,1994 promulgating the Law on Investment of the Kingdom of Cambodia and the Royal Kram N° NS/RKM/0303/009 dated March 24, 2003 promulgating the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia
- Seen the Royal Kram N° NS/RKT/0306/111 dated March 04, 2006 on the terminating of the function of Samdech Krom Preah Norodom Ranariddh as Special advisor to the Royal Government and the Co-Chairman of the Council for the Development of Cambodia
- Seen the Sub-Decree N° 147 ANKr.BK dated December 29, 2005 on the Organization and Functioning of the Council for the Development of Cambodia
- Seen the Sub-Decree No. 148 ANKr.BK dated December 29, 2005 on the Establishment and Management of the Special Economic Zone
- Seen the Sub-Decree No. 27 ANKr.BK dated March 14, 2006 on the Adjustment in Article 1 of the Sub-Decree No.147 dated December 29, 2005 on the Organization and Functioning of the Council for the Development of Cambodia
- In pursuant to the needs of the Council for the Development of Cambodia

DECIDES

Article 1:

Article 4, point 4.1 has been amended in Sub-Decree No.148 ANKr.BK dated December 29, 2005 as follows:

Article 4, Point 4.1

The Special Economic Zones Trouble Shooting Committee has the duty to promptly settle all issues occurring in the Special Economic Zones, whether pertaining to technical or legal aspects, or issues under the joint jurisdiction of ministries or institutions and beyond the competence of the Special Economic Zone Administration or the Cambodian Special Economic Zones Board. The Special Economic Zones Trouble Shooting Committee has the further duty to be a mechanism to receive any complaint, and find solutions to that complaint filed by Zone Developers as well as by Zone Investors.

This Committee is located at the Council and has the right to use the Council's stamp for its activities.

The composition of the Special Economic Zones Trouble Shooting Committee is as follows:

- | | |
|--|-----------|
| 1. Chairman of the Council for the Development of Cambodia | Chairman |
| 2. Minister of the Council of Ministers | Member |
| 3. Minister of Economy and Finance | Member |
| 4. Minister of Commerce | Member |
| 5. Minister of Land Management, Urbanism and Construction | Member |
| 6. Minister of Environment | Member |
| 7. Minister of Industry, Mines and Energy | Member |
| 8. Minister of Public Works and Transportation | Member |
| 9. Minister of Labor and Vocational Training | Member |
| 10. Secretary General of the Council for the Development of Cambodia | Member |
| 11. Secretary General of the Cambodian Special Economic Zones Board | Secretary |

If needed, the aforesaid Committee may invite any member of the Council to attend each meeting of this Committee. The session of the meeting of the Special Economic Zones Trouble Shooting Committee is convened upon the invitation by the Secretary of the Special Economic Zones Trouble Shooting Committee according to the instructions of the Co-Chairmen of the said

Committee.

Article 2:

The Minister in charge of the Office the Council of Ministers, the Minister of Economy and Finance, the Minister of Planning, the Minister of Commerce, the Council for the Development of Cambodia, Ministers and Secretaries of State of all relevant ministries and institutions, and all relevant provincial and municipal Governors and those listed in Article 1 shall effectively implement this Sub-Decree from the date of signature.

Phnom Penh, March 14, 2006
Prime Minister
Signature and Seal

HUN SEN

Submitted to

Samdech Prime Minister
by the First Secretary of
State of Economy and Finance
and Vice Chairman of the CDC

Kong Vibol

CC:

- Ministry of the Royal Palace
- General Secretariat of Constitutional Council
- General Secretariat of the Senate
- General Secretariat of the National Assembly
- Cabinet of Samdech Prime Minister
- General Secretariat of the Royal Government
- As in Article 2
- Archives - Records

APPENDIX VI: CONTACT INFORMATION FOR INVESTORS

When you call from overseas, first dial country codes (855 for Cambodia and 81 for Japan), followed by the area codes without “0” then numbers.

Ministries

Council for The Development of Cambodia

- Cambodian Investment Board (CIB)

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

Tel: 023 981 154 / 981 156

Fax: 023 428 426 / 428 953-4

E-mail: cdc.cib@online.com.kh

Website: www.cambodiainvestment.gov.kh

- Cambodian Special Economic Zones Board (CSEZB)

Room 8 C, Government Palace, Sisowath Quay, Wat Phnom, Phnom Penh, Cambodia

Tel: 023 992 355

Fax: 023 992 931

E-mail: cdc.csezbt@gmail.com

Ministry of Agriculture, Forestry and Fisheries

No.200, Norodom Blvd., Sangkat Tonle Basak, Phnom Penh, Cambodia

Tel: 023 211 351/211 352

Fax: 023 217 320

E-mail: info@maff.gov.kh

Website: www.maff.gov.kh

Ministry of Commerce

Russian Federation Blvd., Toeuk Thla Village, Sangkat Toeuk Thla, Khan Sen Sok, Phnom Penh, Cambodia

Tel: 023 866 088 / 866 478

Fax: 023 866 188 / 866 425

E-mail: moccab@moc.gov.kh

Website: www.moc.gov.kh

Ministry of Economy and Finance

St.92, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Cambodia

Tel: 023 724 664

Fax: 023 427 798

E-mail: admin@mef.gov.kh

Website: www.mef.gov.kh

General Department of Customs and Excise

No. 6-8, St. Preah Norodom Blvd., Sangkat Phsar Thmei III, Khan Daun Penh, Phnom Penh, Cambodia

Tel: 023 214 065

Fax: 023 214 065

E-mail: customs@camnet.com.kh

Website: www.customs.gov.kh

Ministry of Environment

No.48, Sihanouk Blvd. (St.274), Phnom Penh, Cambodia

Tel: 023 427 894

Fax: 023 427 844

E-mail: moe-cabinet@camnet.com.kh

Website: www.moe.gov.kh

Ministry of Foreign Affairs and International Cooperation

No.3, Samdech Hun Sen Street, Sangkat Tonle Bassac,

Khan Chamcar Mon, Phnom Penh, Kingdom of Cambodia

Tel: 023 214 441 / 216 122 / 224 973

Fax: 023 216 144, 216 141

E-mail: mfaic@mfa.gov.kh

Website: www.mfaic.gov.kh

Ministry of Industry Mine and Energy

No. 45, Preah Norodom Boulevard, Khan Daun Penh, Phnom Penh, Cambodia

Tel: 023 211 141/ 211 751/723 447

Fax: 023 428 263/427 852

E-mail: info@mime.gov.kh / mime@cambodia.gov.kh / industry@camnet.com.kh

Website: www.mime.gov.kh

Ministry of Labor and Vocational Training

No. 3 Confederation de la Russie, Sangkat Toeuk La Ork I, Khan Tuol Kok, Phnom Penh, Cambodia

Tel: 023 884 375

Fax: 023 882 769

E-mail: mlv@cambodia.gov.kh / mlvt.gov@camintel.com

Website: www.mlv.gov.kh

Ministry of Land Management, Urban Planning & Construction

No. 771-773, Monivong Blvd., Sangkat Boeng Trabek, Phnom Penh, Cambodia

Tel: 023 881 560 / 215 660 / 994 139

Fax: 023 215 277 / 217 035

Email: gadmin-mimupc@camnet.com.kh / imap@camnet.com.kh / imap_proc@camnet.com.kh

Website: www.mlmupc.gov.kh

Ministry of Planning

No. 386, Preah Monivong Blvd., Phnom Penh, Cambodia

Tel: 023 720 901-05/ 212 049/212 055 / 218 895

Fax: 023 210 944 / 217 045-1 / 218 895

H/P: 012 810 810

E-mail: nsdp@mop.gov.kh

Website: www.mop.gov.kh

Ministry of Public Works and Transport

No.106, Norodom Blvd., Phnom Penh, Cambodia

Tel: 023 427 845/724 213/724 279

Tel & Fax: 023 427 862

Fax: 023 214 907

E-mail: info@mpwt.gov.kh

Website: www.mpwt.gov.kh

Ministry of Tourism

Lot 3A, St. 169, Veal Vong Commune, Prampi Makara District, Phnom Penh, Cambodia

Tel: 023 88 49 74 (Department of Administration & General Affairs)

Tel: 023 88 50 39 (Department of Marketing & Promotion)

Fax: 023 884 974

E-mail: info@tourismcambodia.org

Website: www.mot.gov.kh

Ministry of Water Resources and Meteorology

No. 364, Preah Norodom Blvd., Phnom Penh, Cambodia
 Tel: 023 216 670-4 / 216 692 / 216 684 / 216 292
 Fax: N/A
 E-mail: mowram@cambodia.gov.kh
 Website: www.mowram.gov.kh

Office of the Council of Ministers

No.41, Russian Federation Blvd., Phnom Penh, Cambodia
 Tel: 023 724 321
 Fax: 023 880 624 / 723 712
 Mobile Phone: 011 960 159
 E-mail: ocm@cambodia.gov.kh / sovannrithsvay@yahoo.com
 Website: www.pressocm.gov.kh/

Other Public Institutions**Municipality of Phnom Penh**

No. 69, Preah Monivong Blvd., Sangkat Srah Chok, Khan Daun Penh, Phnom Penh, Cambodia
 Tel: 023 722 054 (General Information)
 Tel: 023 430 681 (For Foreigners)
 Fax: 023 725 626 (General Information)
 Fax: 023 430 681 (For Foreigners)
 E-mail: info@phnompenh.gov.kh
 Website: www.phnompenh.gov.kh

National Bank of Cambodia

No. 22-24, Norodom Blvd., Phnom Penh, Cambodia
 Tel: 023 722 221 / 725 005
 Fax: 023 426 117
 E-mail: info@nbc.org.kh / nbc@online.com.kh
 Website: www.nbc.org.kh

Embassies**Embassy of Japan in Cambodia**

No.194, Moha Vithei Preah Norodom, Sangkat Tonle Bassac, Khan Chamkar Mon, Phnom Penh, Cambodia
 Tel: 023 217 161 / 217 164
 Fax: 023 216 162
 E-mail: eojc@online.com.kh / houbun.eojc@online.com.kh / info.jpn@pp.mofa.go.jp
 Website: www.kh.emb-japan.go.jp

Royal Embassy of Cambodia in Japan

8-6-9 Akasaka Minato-ku, Tokyo 107-0052, Japan
 Tel: (813) 5412 8521-2/54128524
 Fax: (813) 5412 8526
 E-mail: aap33850@hkg.odn.ne.jp
 Website: www.cambodianembassy.jp

Industrial Associations**Garment Manufactures Association in Cambodia**

No.175, Jawaharlal Nehru Blvd., (Street 215), SK Phsar Dem Kor, Khan Toul Kork, Phnom Penh, Cambodia
 Tel: 023 301 181
 Fax: 023 882 860
 E-mail: info@gmac-cambodia.org
 Website: www.gmac-cambodia.org

International Business Chamber

No. 445, Preah Monivong (St. 93), Phnom Penh Tower, 12th Floor, Phnom Penh
 Tel: 023 964 455
 Fax: N/A
 E-mail: info@ibccambodia.com
 Website: www.ibccambodia.com

Cambodian Association of Travel Agents Association (CATA)

House #65, Street 240, Sangkat Chaktomuk, Khan Daun Penh, Phnom Penh, Cambodia
 Tel: 023 212 421
 Fax: 023 212 421
 Email: cata@online.com.kh
 Website: www.cata.org.kh/ www.catacambodia.com

Phnom Penh Chamber of Commerce

Building No.7D, Russian Blvd, Sangkat Tek Laok 1, Khan Toul Kok Phnom Penh, Cambodia
 Tel: 023 880 795
 Fax: 023 881 757
 E-mail: info@ppcc.org.kh
 Website: www.ppcc.org.kh

Banks**ANZ Royal Bank (Cambodia) LTD.**

20 Fe-Eo, Corner of Street 67, Street Kramuon Sar, Phnom Penh, Cambodia
 Tel: 023 999 000
 Website: www.anzroyal.com

Foreign Trade Bank of Cambodia

No.3, Street Kramuon Sar, Sangkat Phsar Tmey 1, Khan Daun Penh, Phnom Penh, Cambodia
 Tel: 023 724 466 / 722 466 / 725 266
 Fax: 023 426 108 / 426 410
 Call Center: 023 861 111 / 999 090
 Email: info@ftbbank.com
 Website: www.ftbbank.com

Canadia Bank Plc.

No. 315, Ang Duong Street, (corner of Preah Monivong Blvd.), Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh
 Tel: 023 868 222
 Fax: 023 427 064
 Email: info@canadiabank.com.kh
 Website: www.canadiabank.com

Accounting Firms**KPMG Cambodia Ltd.**

4th floor, Delano Center, No. 144, Street 169, Sangkat Veal Vong, Khan 7 Makara, Phnom Penh
 Tel: 023 216 899
 Fax: 023 217 279
 E-mail: kpmg@kpmg.com.kh
 Website: http://www.kpmg.com.kh

PricewaterhouseCoopers (Cambodia) Ltd.

No. 35, Sihanouk Blvd, Tonle Bassac, Chamkar Morn, Phnom Penh
Tel: 023 218 086
Fax: 023 211 594
E-mail: lim.kuy@kh.pwc.com / heng.thy@ kh.pwc.com
Website: www.pwc.com/kh

Law Firms

BNG Legal

No.64, Street 111, Sangkat Boeung Prohit, Khan 7 Makara, Phnom Penh
Tel: 023 217 510 / 212 740 / 212 671 / 212 414
Fax: 023 212 840
E-mail: info@bnlegal.com
Website: www.bnlegal.com

DFDL

33, Street 294 (Corner Street 29), Sangkat Tonle Bassac, Khan Chamkarmon,
Phnom Penh
Tel: 023 210 400
Fax: 023 214 053
E-mail: cambodia@dfd.com
Website: www.dfd.com

Investment and Trade Promotion Organizations in Japan

Japan External Trade Organization (JETRO)

Ark Mori Building 6F, 12-32, Akasaka 1-chome, Minato-ku, Tokyo
107-6006 Japan
Tel: +81-3- 3582 5511
Website: www.jetro.go.jp / www.jetro.go.jp/indexj.html

ASEAN-Japan Center

Shin Onarimon Bldg. 1F, 6-17-19 Shimbashi, Minato-ku, Tokyo 105-0004,
Japan
Tel: Receptionist (03-5402-8001)
 Planning & Coordination (03-5402-8002 Fax.03-5402-8003)
 Trade Division (03-5402-8004 Fax.03-5402-8005)
 Investment Division (03-5402-8006 Fax.03-5402-8007)
 Tourism & Exchange Division (03-5402-8008 Fax.03-5402-8009)
Office hours: 9:30a.m.-5:30p.m. (Monday-Friday)
Website: www.asean.or.jp/

APPENDIX VII: PUBLIC SERVICES RELATING TO TRADE, INVESTMENT AND SME

The Council for Administrative Reform of the Royal Government of Cambodia published in November 2009, with the support from gtz, Danida, French Embassy, JICA and World Bank, a booklet called “Category 4 (Part I) of Compendium of Information on Public Services” which aims to provide all public service users with an easy access to reliable and relevant information on public services.

This booklet contains information specifying the service providers, purposes of services, legal basis, eligibility criteria, service standards, documents required to access services and fees to be paid, in the fields of trade, investment and SME. The public services contained in this booklet include the followings.

1. **Ministry of commerce**
 - Certificate of Commercial Registration
 - Trade Marks Registration
 - Export Registration Certificate under Trade Preference System and Certificate of Origin
 - Certificate of Origin for Export to Asia and Oceanic Continents
 - Filing of Notification Letter of the Insured Operation
 - Services related to:
 - Exported/imported goods inspection service
 - Certification of exported goods as required by applicant to meet requirements of the imported country
 - Trade Fair Coordination
 - Filing the Articles of Association
 - Provide the Business Management Certificate
 - Provide Consultation on Business Transaction, and others
2. **Ministry of Industry, Mines and Energy**
 - Declaration on the Establishment of Factories
 - Declaration of Operating Production, Small Industry and Handicraft
 - Patent of Invention, Utility Model Certificate and Registration of Industrial Design
 - License for the Production and Supply Business
 - Certificate of Target and Standard for Chemical Use
 - Permission for Investing in Generating-Transmitting and/or Distributing Electricity
 - Certificate of Mineral Resources Registration
 - License for Open Mining Hole and Quarry, and others
3. **Ministry of Land Management, Urban Planning and Construction**
 - Business Operation Certificate
 - Construction Permit
4. **Ministry of Tourism**
 - Tourism License for Resort Service
 - Tourism License for Road Transport Tourist Service
 - Tourism License for Restaurant Service, and others
5. **Ministry of Environment**
 - Environment Protection Contract
 - Permit for Waste Disposal or Exportation of Solid Waste or Hazardous Waste
 - Permit for Emission of Toxic Substance and Noise Disturbance from Stationary Source into the Atmosphere
 - Permit of Discharging of Waste Water
 - Approval Letter on Environmental Impact Assessment (EIA) Report
 - Approval Letter of Environmental Protection Contract, and others
6. **Ministry of Public Works and Transport**
 - License for Cargo and Passenger Transportation Business
 - License for Goods and Passenger Transport Business Operation, and

others

- Ministry of Agriculture, Forestry and Fisheries
 - Trade Permit for Agricultural Material (AMs)
 - Agricultural Materials (AMs) Registration Certificate
 - Import Permit of Agricultural Material
 - Licensing of Cambodian Specified Rubber (CSR) Trademark
 - Registration of rubber processing factories or local laboratories, and others
7. **Ministry of Education, Youth and Sports**
 - License for Establishment of Educational Institution, and others
 8. **Council for the Development of Cambodia**
 - Registration of Qualified Investment Projects
 - Checking the Import Request of Production Equipments, Construction Materials and Production Inputs Enough to Make Eligible the QIP

As an example of contents of the booklet, the description of service relating to “Certificate of Commercial Register” is shown below.

Name of Service	Certificate of Commercial Register												
Purpose of Service	i) Provide legal entity for commercial enterprises by issuing the Certificate of Commercial Register ii) Hold commercial registers and manage data and names of commercial companies/enterprises iii) Register business and manage the capacity of commercial companies-enterprise												
Legal Basis	<ul style="list-style-type: none"> - Royal Kram No. NS/RKM/0695/04 dated 26 June 1995, promulgating the Law on Commercial Rules and Commercial Register - Royal Kram No. NS/RKM/1199/12 dated 18 November 1995, promulgating the Law on Amendment of the Law on Commercial Rules and Commercial Register - Royal Kram No. NS/RKM/0605/019 dated 19 June 2005, promulgating the Law on Commercial Enterprises - Prakas No.098 MOC/SM2008 dated 7 April 2008 on Registration in the Commercial Register of Ministry of Commerce - Prakas No.104 MOC/SM2008 dated 7 April 2008 on Completion of Annual Declaration of Commercial Companies of Ministry of Commerce - Prakas No.099 MOC/SM2008 dated 7 April 2008 on Formalities and Procedures for the Change of the Commercial Articles and Associations of Ministry of Commerce - Inter-Ministerial Prakas No.639 SHV.BrK.CMB dated 7 April 2007 on the Administration Fee for Commercial Registration of Ministry of Commerce and Ministry of Economy and Finance - Notification No.0551 MOC/SM 2008 dated 12 March 2008 o the Contact Formalities and Period for Registration with the Department of Commercial Registration of Ministry of Commerce - Notification No.0849 MOC/SM 2008 dated 8 April 2008 on Exchange of Certificate of Commercial Register with the new forms and Completion of Annual Declaration of Commercial Company of Ministry of Commerce - Notification No.0844 MOC/SM 2008 dated 7 April 2008 on Deposit of Business Company's Capital in the Bank of Ministry of Commerce 												
Eligibility Criteria	Physical persons or legal entities that operate a business and regard it as their personal jobs permanently												
Service Standards	<ul style="list-style-type: none"> - Providing commercial registration service takes place in accordance with the Law on Commercial Rules and Commercial Register and Law on Commercial Enterprises and with formalities of commercial registration of countries in the world. For example, review of the company/enterprise's nomenclature that applies for registration and refusal to register any nomenclature identical or similar to the registered nomenclature, etc. - In general, commercial registration takes between 3 and 5 days, if documents involving application for commercial registration are completed as required. - Administration fees for commercial registration are set as follows: <table border="1" data-bbox="491 1115 1329 1290" style="margin-left: 40px;"> <thead> <tr> <th></th> <th>Commercial company</th> <th>Individual enterprises/ businessmen taxable on profit</th> </tr> </thead> <tbody> <tr> <td>Application for registration</td> <td style="text-align: center;">420,000 Riels</td> <td style="text-align: center;">120,000 Riels</td> </tr> <tr> <td>Cancellation</td> <td style="text-align: center;">200,000 Riels</td> <td style="text-align: center;">60,000 Riels</td> </tr> <tr> <td>Other certificates</td> <td style="text-align: center;">60,000 Riels</td> <td style="text-align: center;">20,000 Riels</td> </tr> </tbody> </table>		Commercial company	Individual enterprises/ businessmen taxable on profit	Application for registration	420,000 Riels	120,000 Riels	Cancellation	200,000 Riels	60,000 Riels	Other certificates	60,000 Riels	20,000 Riels
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Required Documentations	1) Enterprises <ul style="list-style-type: none"> - Registration form: 3 copies - Identification card or passports of proprietors: 3 copies - 4 x 6 photos of proprietors: 3 copies 2) Companies <ul style="list-style-type: none"> - Registration form: 3 copies - Identification card or passports of shareholders and managing officers: 3 copies - 4 x 6 photos of shareholders and managing officers: 3 copies - Bank statement (4 million Riels): 1 copy (Original) - Articles of association: 3 copies 												
Comments	All businesspeople and commercial companies having their establishments, branches, representative offices, affiliates or other agents in the Kingdom of Cambodia must be hurried to register them in the commercial register at the Department of Commercial Register of Ministry of Commerce according to the law into force. In case of failures to do so, a penalty provided for in the law shall be applied.												