

TAKEO PROVINCE

INVESTMENT PROFILE

JANUARY 2010



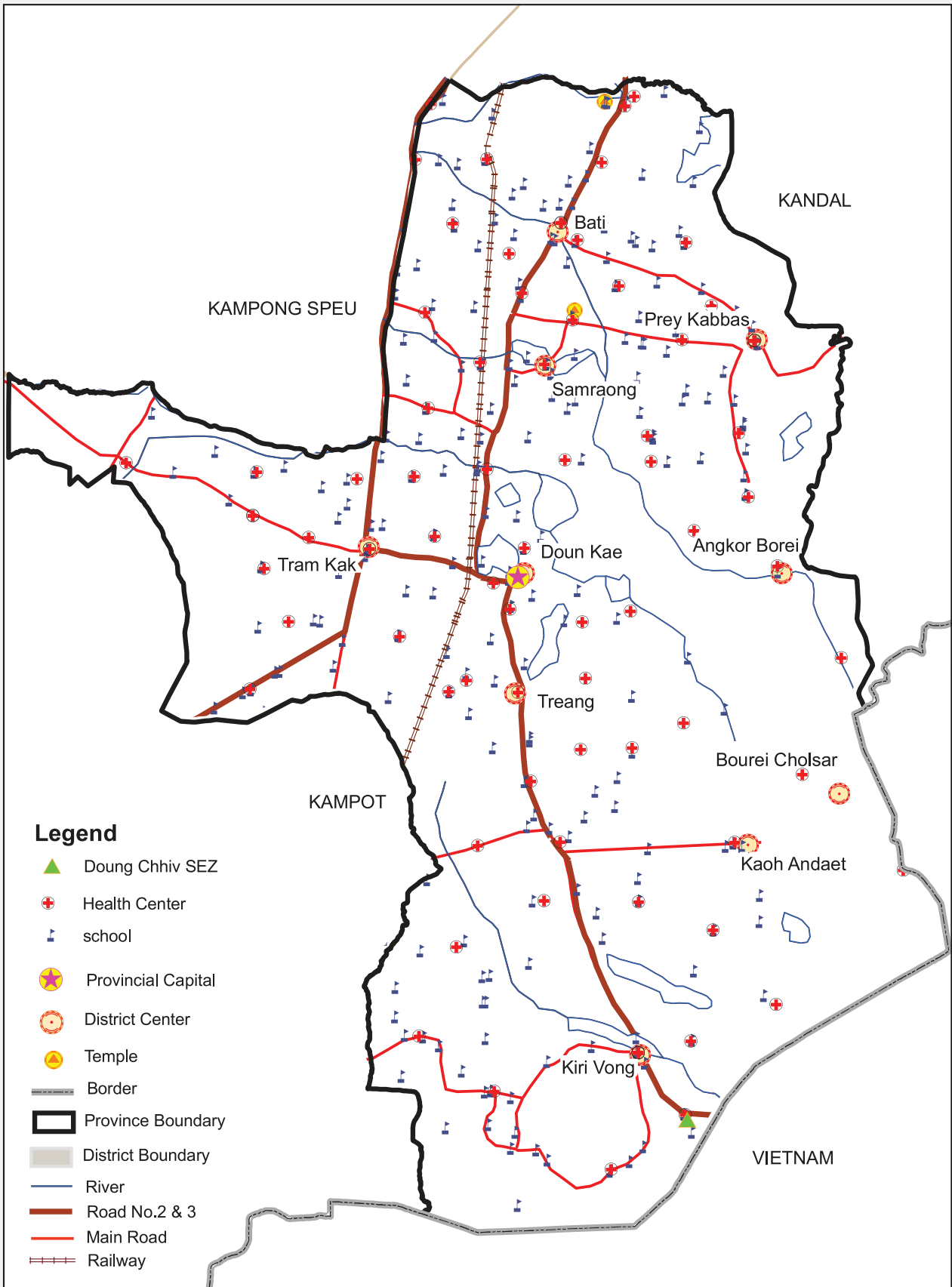
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TAKEO

The Business Alternative





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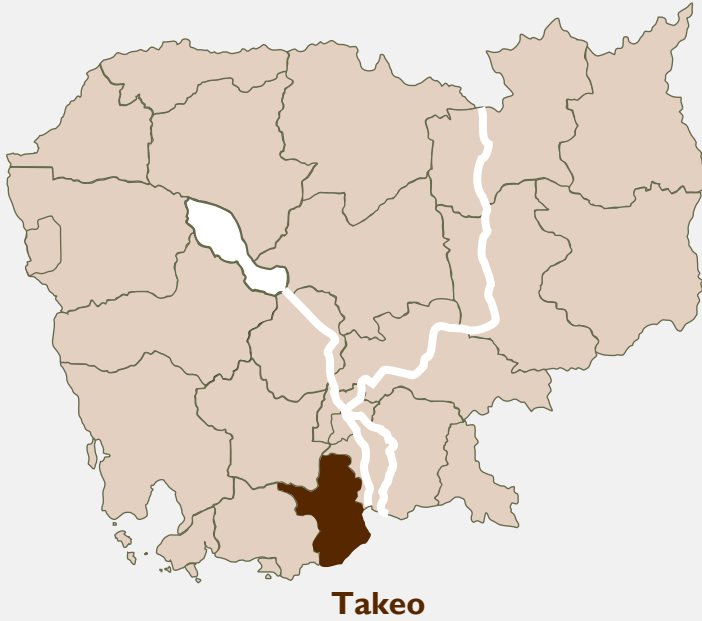
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This Investment Profile was produced by Emerging Markets Consulting (EMC) for the USAID Cambodia MSME project implemented by DAI.



Greetings from His Excellency the Governor

January 2010

Takeo is famous for being Cambodia's rice bowl. The annual rice harvest from our small province feeds one quarter of Cambodia.

But our province is far more than just rice. As the most densely populated province outside of the urban Phnom Penh and Kandal, we are one of the most advanced provinces in the country, with excellent features for sustaining profitable business. Our province boasts low levels of poverty, excellent infrastructure, high education levels and an educated workforce, good banking penetration and a robust domestic market.

To continue growing our economic base and to strengthen our reputation as an emerging location for investment, the Takeo provincial government will continue to work tirelessly to strengthen the business environment.

We are excited about the potential to broaden and deepen our industry base and openly welcome new investors, both local and foreign.

I look forward to working with new investors to help expand their businesses and grow our dynamic province.

Sincerely,

H.E. Srey Ben

Governor, Province of Takeo



National Strengths

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

Open for Business

- Low corporate taxes – 20% tax on corporate profits (5 years carry forward of losses).
- No foreign ownership restrictions.
- Ranked ahead of China, India, Vietnam and Indonesia for economic freedom.¹
- Equal treatment of all investors.
- Ranked ahead of ahead of Philippines, China and Vietnam for protecting investors.²
- No price controls on any products or services.
- No foreign exchange controls or restrictions on convertibility.
- No restriction on capital repatriation.
- First low-income country to join the WTO.
- No quantitative trade restrictions; falling tariff barriers. Cambodia has duty-free and quota access to major world markets (such as the United States, European Union, Japan and many ASEAN members).
- Provincial governments have authority to approve investments under US\$2 million to fast-track business development start-up.

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

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

Inexpensive & Productive Labor

Compared to many regional competitors, Cambodia enjoys competitive wage rates and high labor productivity, making it an attractive destination for labour-intensive industry.

Over recent years, Cambodia’s labor force has grown by over 50%, more than double the rate in any other ASEAN country.³ And with a very young population (half are under 20), this labor force growth will continue.

1. Heritage Foundation, 2009 Index of Economic Freedom. <http://www.heritage.org/index/>

2. World Bank, Doing Business 2009. <http://www.doingbusiness.org/>

3. ILO, ‘Labour and Social Trends in ASEAN 2007 - Integration, Challenges and Opportunities’, 2007.

Labor cost in the garment industry (2008)

Country	US\$/hr, inc. social charges
Thailand	1.29-1.36
Malaysia	1.18
China, prime	1.08
China, coastal	0.86-0.94
China, remote	0.55-0.80
Indonesia	0.44
Vietnam	0.38
Cambodia	0.33

Source: Jassin-O'Rourke Group, Global Apparel Manufacturing Labor Cost Analysis 2008.

“Like China and India in earlier periods, Cambodia has been identified as a location with a promising future for manufacturing investment, primarily due to the wide availability of low-cost labour and its falling country risk premium ... it also benefits from relative proximity to the West Coast of the US.”

- PriceWaterhouseCoopers.

Strategic Regional Location

Cambodia is ideally located in the heart of the most dynamic region in the world. Nestled between Thailand and Vietnam, Cambodia is part of the Greater Mekong Sub-Region’s Southern Economic Corridor stretching from Ho Chi Minh City to Bangkok.

Given its strategic position, Cambodia has enjoyed significant international support in building its transport infrastructure to facilitate trade within the country and with its neighbors. As a result, trade with Vietnam and Thailand is growing rapidly.



“You’ve got two of the biggest cities in Asia on either side of you. You’ve got 15 million people in Bangkok and 8 million people in Ho Chi Minh City, and things are increasingly happening between the two.”

- Edward Hopkins, CB Richard Ellis Group Inc.



Why Takeo?

I. Strategic Location

Takeo's location is superb for business in Cambodia. Our province is only 1.5 hours drive from the capital Phnom Penh, 2.5 hours from Sihanoukville and also shares an important border with Vietnam.



Road Network

Takeo is served by four national roads, running for over 169km within the province. In this densely populated province, we have more kilometres of national road per square kilometre of area (4.7km per 100km²) than most other provinces.

Takeo town is only 78km and 1 to 1.5 hours drive from Phnom Penh along National Road #2. Over 7,100 motor vehicles travelled along this road on an average day in 2007.

Travel to the deep-sea port at Sihanoukville via National Road #3 takes 2.5 hours. A new private port is being constructed in Kampot, just over one hour away.

Trade with Vietnam is supported by an international border point on National Road #2 at Phnom Den, which is only 45 minutes drive from Takeo town – down from nearly 3 hours a few years ago. Average daily traffic along this section of the road was nearly 5,000 vehicles in 2007 and this is likely to have increased significantly with the development of the province's border area and with visa changes that have made it easier for people and traffic from Vietnam to enter Cambodia.

Road conditions throughout the province have significantly improved in recent years and local businesses report reductions in transport times and costs of up to 30%.

Rail

The Royal Government of Cambodia has begun work to upgrade the railway line from Phnom Penh to Sihanoukville, which runs through Takeo. This will further improve transportation and trade. In particular, the cost of transporting goods to and from Sihanoukville port by rail is expected to be very competitive. The line to Phnom Penh from Takeo town is 75km.

Water

Takeo town is connected to Vietnam by the Takeo River, which provides a useful alternative transportation route. There are two waterway border points with Vietnam (1 bilateral and 1 regional).

In addition, a waterway is being upgraded to facilitate trade between Vietnam and the Duong Chhiv Special Economic Zone in Takeo.

2. Educated Labor – highest enrolment rate in Cambodia

Over 246,000 students attend our 373 primary schools and 108 secondary schools. At 30% of the total population, this is the highest percentage in Cambodia – highlighting our province's commitment to educating our youth and ensuring a strong and well-educated local workforce.

Educational Institution	Number
Kindergartens	170
Primary schools	373
Secondary schools	108
Universities	4
Teacher training colleges	1
Language training colleges	4
Vocational training institutes	3

Four universities operate in the province. In addition, three vocational training institutes teach skills in auto mechanics, agricultural machinery, electricity and electronics, graphic design, hospitality and much more.

Takeo has been a major source of labor for Cambodia's fast-growing manufacturing sector – many skilled garment workers are from Takeo. Now, factories are moving to Takeo to be closer to the source of labor and to take advantage of our province's other attributes.

As an example of this trend, one microfinance institution operating in the province reports that 97% of its Takeo staff are actually from the province – this is unheard of in other Cambodian provinces.



Unskilled labor in Takeo costs around \$35 to \$75 per month (plus food and accommodation in some cases). More skilled and experienced labor costs upwards of \$120 per month.

Takeo offers businesses leading human resources to support their growth. We see this as one of our competitive strengths – invest in Takeo to make it one of yours.

3. Leading Special Economic Zone to encourage profitable trade

Takeo is home to the Duong Chhiv Special Economic Zone (SEZ). Located in Kirivong district, this 79 hectare site is 1km from the Phnom Den International Border with Vietnam, and is about 45 minutes drive from Takeo town. The SEZ is close to the major Vietnamese ports of An Giang and Can Tho, with a major canal being constructed linking the SEZ to the Vinh Te canal in Vietnam. This canal will enable water transport from Cambodia to these ports.

The SEZ provides the following additional benefits:

- Streamlined licensing
- Tax holidays of between 3 to 6 years
- Full import duty exemption
- No export taxes
- World-class infrastructure
- Cheaper electricity and water

The SEZ will be home to agro-processing facilities, including rice milling and cassava processing, a cement factory, warehousing and other industries, all aimed at export markets.

4. Competitive Electricity Supply

Takeo is well-served with reliable electricity, and supply is expected to increase over the next few years.

The province's major current source of electricity is both imports from Vietnam and local diesel-powered generators. Supply has recently been greatly improved with the completion in 2009 of a new 220kV transmission line from Vietnam (the line will ultimately be extended to Phnom Penh). A substation has been constructed in Takeo and will provide a 22kV supply to the surrounding area. Cambodia is expected to import 80MW initially, increasing to up to 200MW within three years.

In addition, from 2011 Takeo will benefit greatly from the Kamchay hydro-electric plant being built in Kampot. A new transmission line will link the two provinces.

Electricity in Takeo town currently costs 1,000 reil per kWh (around US\$0.25/kWh).

5. Developed Financial Services Sector

Takeo's businesses are served by a well-developed financial system. Our province has four bank branches, as well as a large number of national microfinance institutions. Takeo's 94,000 MFI borrowers account for 8% of MFI lending in Cambodia.

Banks have been attracted to Takeo by our large, educated and economically active population. Not surprisingly given our commitment to education, the province has among the lowest poverty levels in Cambodia. Therefore much of our population has income available for discretionary expenditure. For example, more than 13,000 of our residents hold deposits at banks or MFIs.

6. Excellent Irrigation Infrastructure

Takeo has some of the best irrigation in the country. 114 locations are served by irrigation systems, with a total dry season drainage capacity of around 70,000 hectares.

Significant investment has been made in irrigation over recent years, including by the private sector. One local business has invested about \$30,000 in constructing a private irrigation system covering 1,764 hectares.

As a result of this irrigation infrastructure, Takeo is Cambodia's largest producer of dry season rice. Over 70,000 hectares were sown in the dry season of 2008, producing average yields of nearly 4.5 tonnes per hectare (the highest in the country).

Takeo accounted for 22% of Cambodia's dry season crop production (and 12% of the total annual crop), despite making up only 2% of the country's land mass.



Major Economic Activity

Agriculture

Despite its small size, Takeo is a strong agricultural producer in Cambodia. Nearly 70% of our province is used for agriculture.

Takeo is one of the major rice producing regions of Cambodia. Good soil and irrigation enable over 173,000 hectares of rice to be cultivated in wet season, and over 70,000 in dry season.

Rice yields in Takeo are the highest in the country (averaging over 2.9 t/ha in wet season and 4.5 t/ha in dry season). Some larger-scale dry season rice farms achieve yields over 6 tonnes per hectare, in part due to investments in irrigation. One award-winning farmer managed to yield over 9 tonnes. These developments reflect the willingness of our people to adopt new technologies.

In 2008 the province produced a total of 879,875 tonnes of paddy rice, about 12% of the Cambodian total and second only to Prey Veng. Much of this crop is exported to other provinces and to Vietnam and Thailand. A new drying machine will begin operations in early 2010. Combined with other developments this is expected to further increase output.

In addition to rice, Takeo also produces significant quantities of vegetables (7% of Cambodia's total), sugarcane (4% of total), and sweet potato (4%). Eight agricultural cooperatives - some with more than 100 families - produce rice, vegetables, mushrooms and animal feed, as well as providing services such as credit for members.

Takeo accounts for around 5% of Cambodia's inland fish catch and also has 25 hatcheries producing around 10 million fingerlings per year for the local aquaculture industry. Takeo also has a significant annual prawn catch, and our prawns are famed for their great taste.

The province has significant stocks of livestock, particularly cattle and pigs.

Industry and Services

In addition to this strong agriculture base, our province's industry and services sectors are growing. Our success at supporting an active and vibrant business sector is making Takeo a leading destination for enterprises in the country. For example, three garment factories have already moved to Takeo, mainly to be closer to their source of labor.

Today, we are proud to have more than 6,000 private enterprises operating in Takeo, including:

Activity	Number of enterprises
Restaurants/ food stalls	307
Repair shops	141
Professional services	17
Other services	99
Ice maker	12
Rice mills	15
Ceramic hardware	9
Other micro enterprises	4,751
Furniture	1
Brick factories	1
Ice cream factory	1
Bakery	1
Grocery retail	439
Other retail	404
Horticulture/greenhouses	10
Animal husbandry	91
Garments and footwear	6
Pipe water supplies	10
Bottled water enterprises	6

Sources: Asia Foundation & IFC, *Listing of Business Establishments in Cambodia's Provincial Towns and Selected Urban Areas, March 2009*; and Provincial Department of Industry, Mine and Energy.

Takeo's weavers are famous for producing high-quality silk handi-crafts.



Business Opportunities

Our province provides a myriad of opportunities for new businesses, as evidenced by the types of companies already operating here. For example, a large property development is taking place at Srok Kirivong.

There are good opportunities in the districts adjacent to Vietnam, particularly as roads and electricity supply continue to improve.

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

- **Agriculture and Agri-business**, particularly rice milling as well as other processing plants. Our proximity to the Vietnam market for vegetables is particularly attractive. There are also opportunities for further private investment in irrigation.
- **Light manufacturing**, including garments. Inexpensive and well-trained labor, sound infrastructure, access to Vietnam and supportive business environment make Takeo an ideal location for manufacturing.
- **Tourism**. Takeo has a number of hidden heritages, including pre-Angkorian sites from the 5th to 8th centuries. Angkor Borei is thought to be “the cradle of Cambodian civilisation”. Other sites include Phnom Da, Phnom Chisor, Tamao Mountain and Zoo, Phnom Bayong, and the Bati River. In 2008, the province attracted around 569,000 tourists of which 15,127 were foreigners. The Duong Chhiv SEZ has plans to build three four-star hotels to capitalise on growing tourism from Vietnam. We see significant opportunities to develop our tourism potential.

Ongoing Developments

Although we are proud of our accomplishments, we continue to strengthen and improve our investment attractiveness. We remain active in building our business infrastructure and attracting leading business enterprises to our home. Some of the key developments underway include:

- The Royal Government of Cambodia’s Diagnostic Trade Integration Strategy. Under this program, many of Takeo’s products receive additional support. Products identified under this strategy include garments, footwear, light manufacturing, transport and tourism. Assistance includes trade facilitation and investment promotion, legal reforms, and the building of management capacity and local expertise.
- A number of development partners are aiding Takeo’s private sector development in key industries:

Project	DP	Sector
Micro, Small and Medium Enterprise Program (USAID Cambodia MSME)	USAID	Clay tiles, aquaculture, swine, water & sanitation, honey, resin, garments, and tourism
Improving Understanding and Management of Rice Pathogens	ACIAR	Rice
Cambodia Agricultural Value Chain Program (CAVAC)	AusAID	Rice, Fruits & Vegetables
Cambodia Australia Agricultural Extension Project Phase II	AusAID	Agriculture
Agriculture Marketing Information Service (AMIS) Project	CIDA	Fruits & Vegetables
Smallholder Livestock Production Project	EU	Livestock

Want to learn more?

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

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www.cambodianinvestment.gov.kh

National Institute of Statistics:
www.nis.gov.kh

National Ministries

Ministry of Commerce:
www.moc.gov.kh

Ministry of Economy & Finance:
www.mef.gov.kh

Ministry of Industry, Mines & Energy:
www.mine.gov.kh

Ministry of Labor and Vocational training:
www.mlv.gov.kh

Ministry of Land management, Urban Planning & Construction:
www.mlmupc.gov.kh

Ministry of Posts & Telecommunication:
www.mptc.gov.kh

Ministry of Public Works & Transport:
www.mpwt.gov.kh

Ministry of Tourism:
www.mot.gov.kh

Ministry of Agriculture, Forestry and Fishery:
www.maff.gov.kh

Other

Garment Manufacturers Association of Cambodia:
www.gmac-cambodia.org

The Government-Private Sector Forum:
www.cambodia-gpsf.org

Phnom Penh Chamber of Commerce:
www.ppcc.org.kh

Takeo at a glance	
Population:	903,772
Proportion employed in Agriculture:	85%
Provincial poverty ranking:	6/24 (where 1 is least poor)
Land area:	3,563 km ²
Population density: (% of National Average)	254/km ² 339%
Number of Districts/Town:	10 (1 Town)
Number of Communes/Sangkat:	100 (3 Sangkats)
Number of Villages:	1,118

Takeo's soils	
Type: Alluvial lithosols in most of the province, particularly the east. Cultural hydromorphics and red-yellow podzols through the centre and west. Alumisols on southern border with Vietnam.	
Fertility level: medium	

Cambodia Tax Rates		
Profit tax	normal	20%
	incentive rate	0% or 9%
Minimum tax		1% of turnover
Withholding tax		15%
Income from property rental		10%
Payment to non-residents		14%
Tax on salary (riel per month)		
0-500,000		0%
500,001-1,250,000		5%
1,250,001-8,500,000		10%
8,500,001-12,500,000		15%
12,500,001 +		20%
Non-residents	flat rate	20%
Fringe benefits tax		20%
Value added tax		10%
	exports	0%
Property transfer tax		4%

Cambodian macroeconomic data	2005	2006	2007	2008
GDP growth (%)	13.5	10.8	9.6	5.5
Exports growth (%)	12.4	26.9	10.7	8.8
Exports (% GDP)	64.2	68.0	66.7	68.8
FDI (\$m)	375	475	867	790
FDI (% GDP)	6.0	6.5	6.9	6.0

Business costs

Land	Sale (per sq.m)
Phnom Penh	\$350-\$2,000
Commercial land	\$30-\$200
Other area	\$4-\$50
Rural	\$0.50-\$5
Office space	Rent per month
Prime	\$9-11/sq.m
Secondary	\$6-8/sq.m
Factory rental	\$1.50-\$2.50/sq.m per month
Warehouse rental	\$1.00-\$2.50/sq.m per month

Electricity tariffs in Phnom Penh (excl. SEZs)		
Industrial	kWh/month	Tariff (riel/kWh)
	<45,000	600
	45,000-130,000	550
	>130,000	500
	Medium voltage	480
Commercial	<45,000	650
	45,000-130,000	600
	>130,000	500
	Medium voltage	480

Industrial gas supply	\$0.32/kg
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Labour costs	Salary, \$ per month
Senior Manager	1,000-1,500
Middle Manager	500-1,000
Entry level Manager	240-400
Accountant	250-400
Secretary	120-150
Office clerk	100-120
Driver	100-120
Janitor	50-80
Laborer	50-80
Garment worker minimum wage	55

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