



COUNTRY PROFILE

KINGDOM OF CAMBODIA




KINGDOM OF CAMBODIA – Basic Facts



Languages



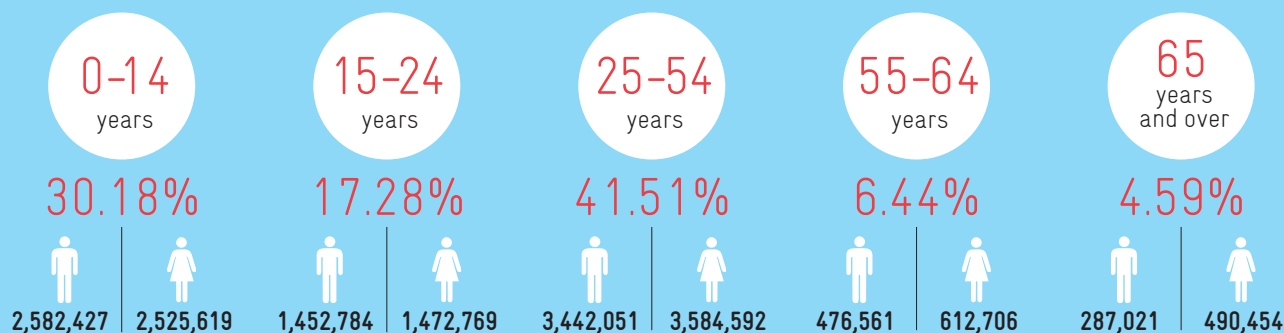

Political system
Unitary dominant-party
parliamentary elective
constitutional monarchy


GDP
Nominal GDP
\$ 27,240 billion
(World Economic Outlook Database, IMF April 2021)
GDP per person
\$ 1,720
GDP growth rate
4.2% in 2021
(World Economic Outlook Database, April 2021)


Population
15,288,489
(National Institute of Statistics,
Cambodia, 2019)


Urbanisation
Urban population
24.2%
of total population
(2020)
Rate of urbanisation:
3.25%
annual rate of change
(2015-20 est.)
www.indexmundi.com


Age structure



www.indexmundi.com (2020 est.)

Number of registered SMEs and numbers employed in relation to the total number of registered companies

Cambodia has two different definitions of SME. The Ministry of Industry, Science, Technology and Innovation (MISTI), previously the Ministry of Industry and Handicrafts (MIH) in connection with registration of businesses uses a definition of SMEs based on a combination of capital assets and employees. The Government Department of Taxation (GDT) definition is based on annual turnover, while financial institutions use a third definition based on loan size. A new standard definition is expected in the forthcoming SME Development Policy.

	Micro		Small		Medium		Large	
	Number of employees	Assets (US\$)	Number of employees	Assets (US\$)	Number of employees	Assets (US\$)	Number of employees	Assets (US\$)
Ministry of Industry and Handicrafts (MIH)	<10	<50,000	11-50	50 – 250,000	51-100	250 – 500,000	>100	>500,000
General Department of Taxation (GDT)	<10	<62,500	11-50	62,500 – 175,000	51-100	175,000 – 1,000,000	>100	>1,000,000

Size of company	No. of companies	% of companies	No. of employees	% of employment
Micro	493,510	97.7%	976,019	58.2%
Small	10,041	1.9%	192,347	11.5%
Medium	801	0.2%	53,935	3.2%
Large	782	0.2%	453,944	27.1%
Total	505,134	100%	1,676,245	100%

Source: Economic Census of Cambodia 2011, National Institute of Statistics

The 2014 Cambodia Intercensal Economic Survey claims a total 513,759 firms with micro enterprises and SMEs (MSMEs) representing 97% of the total. Of these, 60% are female owned and 95% non-registered. Like many developing countries, Cambodia has a large number of micro companies with large companies forming a significant part of employment, and there is a lack of medium-sized enterprises.



Overview



Cambodia has experienced rapid economic growth over the last decade and at the start of 2020 was the sixth fastest growing country in the world. GDP has grown by around 7% for the past ten years and this rate is expected to continue. While still very low, Cambodia's GDP reached US\$ 1,621 in 2019 and the country moved out of the low-income level to lower-middle income as measured by World Bank rankings. It is however still one of the poorest countries in the region, with over 25% of the national budget dependent on development aid. The country poses significant challenges as a market, with a weak judicial system, poor infrastructure, high energy costs, serious issues with corruption and an agrarian population with a low education level.

The COVID-19 pandemic has caused challenges for Cambodia, putting the country's growth rate into negative figures in 2020, Around 500,000 Cambodians have returned home from working abroad, losing the income from foreign remittances, while adding to unemployment figures. However, growth appears to have resumed again in 2021, with figures of between 1.3 - 4.2% cited from different sources. (UNESCAP.org, Dec. 2020).





Opportunities and challenges

Cambodia offers a number of attractive opportunities and has developed liberal trade and investment policies to create an open business environment, and foreign direct investment and trade is encouraged. The country has recognised the need to diversify and modernise from traditional industries such as clothing and footwear manufacturing and has put into place a number of policies to attract more foreign direct investment (FDI) in the manufacturing sector, particularly in the 25 Special Economic Zones (SEZ). Projects within the SEZs are offered tax holidays, 0% VAT and import duty exemption for necessary raw materials, machinery, and equipment. Its Industrial Development Policy (IDP) is expected to help both **manufacturing and the agro-processing** sectors by promoting investments through additional incentives and development of SEZ, modernise SMEs by giving better access to technologies and improve regulatory environments for trade.

There are at present a number of interesting sectors for ASEAN businesses. As Cambodia is undergoing a rapid process of urbanisation, opportunities are expected for companies within energy, urban solutions and connectivity. At present, over 50% of the country's **power supply** is generated by hydroelectricity with coal contributing another 35-40%. The low level of water due to recent hot seasons has led to power shortages and Cambodia's seven dams are unable to produce enough to satisfy demand. The short-term solution has been to buy power from neighbouring Thailand, Viet Nam, and Lao PDR, but an investment in power supply and related infrastructure is necessary. In 2019, the government approved the construction of another hydroelectric dam and supplemental solar power stations with a total electrical capacity of 220MW in an attempt to halve the current 400MW power shortage. Similarly, agreements have been made recently with Chinese companies to build heavy fuel oil power plants with a 400MW capacity, expected to be completed in 2020. Efforts are being made to lower costs, improve reliability, and increase coverage of the country's power transmission and distribution network which offers more opportunities for the private sector. Cambodia has for example considerable potential for solar energy, which currently provides power to around 15% of households in rural regions. There are at present few large and efficient solar farms and the market is open for investment. While power supply contracts are often mostly suited to larger companies, there are many opportunities for SMEs providing technologies, installation services, plant hire, hoardings, scaffolding, safety equipment, and so on.

As the country urbanises, considerable investments are being made on reducing plastic waste, on **urban solutions** such as collection and disposal of household and industrial waste, as well as wastewater management in cities. Pilot waste-to-energy plants are being piloted in Phnom Penh and Siem Reap, by the Ministry of Environment, and there are many small-scale recycling plants and waste-to-energy plants being planned across the country. The Asian Development Bank signed three financing agreements with the government of Cambodia in 2018 to finance the improvement of roads, provincial water supply and sanitation, and small farms. Part of this includes investment capital to improve water supplies and sanitation in key areas including Battambang, Kampong Cham, Siem Reap and Sihanoukville and to build wastewater treatment systems. Opportunities in the water sector for SMEs include provision of systems and technologies for provision of water to the 77% of the country with no access to sanitation, as well as systems for water accounting and payment, and monitoring of water quality.

As Cambodia becomes increasingly integrated into regional and global value chains, the development of logistics has become a central requirement in the country's development strategy. In 2018, the Cambodian government published the Logistics Master Plan Development, together with the World Bank designed to improve the country's **logistical capacity**. One of the focus areas is the new container project at Sihanoukville to increase the depth of the port, allowing access to larger container ships, reducing freight rates and making trade with Cambodia more competitive. In Phnom Penh itself, the Autonomous Port (PPAP), is promoting the use of inland waterways as an alternative to land transport. The aim is to develop a number of small-scale terminals along the Mekong and Tonle Sap, to increase the port's overall capacity and to expand facilities to include a logistics centre, rice processing facilities and warehousing.



The investment in physical infrastructure is mirrored by the digital. Starting from a lower level, the country now has 4G coverage for 57% of the population. The Ministry of Posts and Telecommunications recently announced Digital Cambodia 2019, which will encourage companies to use **digital technologies** and incorporate it into their day-to-day operations. At the same time, the government is easing the entry of companies with digital solutions including peer-to-peer lending, digital media and advertising, e-commerce, and e-marketplaces. Despite the increase in 4G coverage, 80% of Cambodians have no access to secure payment methods and there is high demand for online payment systems.

Another area of potential growth is **tourism**, which employs 620,000 people, servicing 5 million visitors per year and contributing 15% of Cambodia's GDP. Most tourists are from China and other Asian countries visiting Siem Reap, although Sihanoukville is rapidly becoming a major destination. Ecotourism is undeveloped and there is also good potential for the development of coastal regions looking to stay longer in the country than visiting Siem Reap. The development of the tourism sector has been dominated by Chinese investors who have also invested in infrastructure development, manufacturing sectors and service sectors. Some large hotel chains are already present as are retail outlets including Makro and Café Amazon from neighbouring Thailand. However, the **retail sector** generally is expected to grow rapidly, in line with Cambodia's increasing wealth and young population, most of which are of working age. Rising living standards, have given rise to greater diversification of household food consumption including an increased demand for livestock and meat - 280,000 tons were imported in 2016 to supply the domestic market.

Cambodia's economic growth has caused a demographic and **healthcare** transition. The country allows the establishment of fully foreign-owned hospitals offering opportunities for private investment due to the low ratio of hospital beds. The domestic market for medical devices and pharmaceuticals is currently very small and most products and medicines are imported. Spending on pharmaceuticals is expected to increase by over 50% from 2015 levels with industry professionals estimating the market in 2021 to be around US\$ 400 million.

According to the National Strategic Development Plan from 2019, infrastructure is one of the major **challenges** to Cambodia's competitiveness and growth with poor road and rail infrastructure. The effectiveness of ports has improved, largely due to Chinese investment, but the cost of shipping and transport remains high. As a result of the rapid urbanisation and industrialisation, energy supply is limited, unreliable and expensive. Telecommunication coverage is improving, but still limited to certain parts of the country.

In 2019, the European Commission warned Cambodia that they would withdraw part of the tariff preferences granted to Cambodia under the European Union's Everything But Arms' (EBA) trade scheme due to the serious and continued violations of the human rights principles enshrined in the International Covenant on Civil and Political Rights. The threat forced the Cambodian government to redevelop their economy which was until then heavily dependent on foreign investment and only a few sectors. The withdrawal of preferential tariffs and replacement with the EU's standard tariffs under most favoured nation rates, was put into effect in 2020, and is affecting the garment and footwear industries, sugar products and all travel goods, around 20% of the country's total annual exports to the EU.

Another challenge is that the legal system lacks qualified resources, is understaffed and underfunded, deterring foreign investment. While the country has an Anti-Corruption Law which is aligned with international standards, it is not enforced, and bribery and corruption, while improving, is still commonplace. Many businesses in Cambodia report that gifts and facilitation payments are expected, as part of the bureaucratic process to obtain licenses and business permits.



Summary



















Over the past decade, Cambodia has developed rapidly, with one of the world's fastest growth rates, with attractive opportunities in many sectors. The country has a relatively liberal and open market economy, access to natural resources, rising tourism numbers, a young working-age population, political stability and a central location within ASEAN. It is, however, a small country with a total population of just over 15 million and less attractive to large international companies due to relative economies of scale, which might give better opportunities to smaller SMEs.

Further information and assistance can be obtained from:



- There is a searchable database of businesses in Cambodia on <https://www.cccdirectory.org/>
- The Ministry of Commerce includes information related to import/export process, regulations for specific products, relevant laws and other useful information. <https://www.moc.gov.kh/en-us/links/list/group/9>



Trade figures by country

 Largest import partner	 Trade value million USD (WITS 2018)	 Partner share %
 China	4,551	36.79
 Thailand	1,910	15.44
 Vietnam	1,416	11.45
 Other Asia	702	5.67
 Singapore	565	4.56

 Largest export partner	 Trade value million USD (WITS 2018)	 Partner share %
 USA	2,147	21.32
 United Kingdom	953	9.47
 Germany	904	8.98
 Japan	827	8.21
 Canada	655	6.50

Trade figures by product

 Largest exports by 6-digit HS code	 Value USD (thousands) WITS 2016
610469 Women or girls' trousers, of other textile	1,058,324
610910 T-shirts, singlets, and other vests of cotton	915,841
610349 Men's or boys' trousers of other textile	733,139
611090 Jerseys, pullovers etc. of other textiles, knitted	549,196
640320 Sandals, with leather soles and straps	477,047

 Largest imports by 6-digit HS code	 Value USD (thousands) WITS 2016
600299 Weft knits and crocheted fabrics	1,042,606
600230 Knitted or crocheted fabrics, >30cm wide, >=5%	1,037,611
271000 Petroleum oils, etc. (excl. crude); preparation	888,920
551599 Woven fabrics of synthetic staple fibres	507,549
710812 Gold in unwrought forms non-monetary	242,128

Source: <https://wits.worldbank.org/CountryProfile/en/Country/KHM/Year/LTST/Summary>

Import restrictions by country, e.g., quotas or non trade-barriers



While Cambodia has generally an open import regime, there are restrictions on certain goods, as well as products which fall under the following purposes:

- The protection of national security;
- The Protection of public order and standards of decency and morality;
- The protection of human, animal or plant life or health;
- 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 fulfilment of obligations under the Charter of the United Nations.

There are further restrictions on right-hand drive vehicles, used products including computers, shoes, bags and batteries, religious and political books, pornography, advertisements of certain types, goods which infringe national IPR etc. All imported goods must comply with the Industrial Standard of Cambodia and the Quality and Safety Standard. More information can be found on

<http://www.customs.gov.kh/pre-clearance-procedures/prohibited-and-restricted-goods/>

Product and Trade indexes

(efficiency of customs clearance, openness to trade and trade tariffs)



The ASEAN Trade in Goods Agreement (ATIGA) aims to achieve free flow of goods in the region resulting in fewer trade barriers and closer economic linkages between the ten Member States, lower business costs, increased trade, and a larger market and economies of scale for businesses. The agreement was signed by the Economic Ministers of the Governments of Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam, Member States of the Association of Southeast Asian Nations (ASEAN) on 26 February 2009 at Cha-am, Thailand. From 1st January 2010, Malaysia, Brunei Darussalam, Indonesia, the Philippines, Singapore, and Thailand) made a complete free trade area and have eliminated import duties on 99 per cent of products in the Inclusion List (except for products listed in the Sensitive and Highly Sensitive Lists). Today, the ASEAN-6 have 99.20% of tariff lines in the Inclusion List at 0% import duty. This means that, only 0.35 per cent of the tariff lines in the Inclusion list incur import duties.

Form D is required in order to benefit from ATIGA preferential tariffs: [download here](#).

Full information can be found on <http://www.moc.gov.kh/en-us/certificate-of-origin>.

On April 23, 2019, the **ASEAN Trade in Services Agreement (ATISA)** was signed at the 25th ASEAN Economic Ministers Meeting in Phuket, Thailand, entering into effect 180 days later. It aims at achieving an improvement of the regulatory standards for the services sector in the region, as well as a reduction of unnecessary barriers to the trade in services within ASEAN, and at increasing regulatory transparency in each of the ten member states. The agreement does not commit to a fixed timetable for implementation and enforcement. More information can be found on

<https://asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/services/>



Business dynamism index

(financing to SMEs, costs of starting a business, time of starting a business)

Despite the many reforms and incentives, January 2020 figures from the World Bank show that Cambodia is languishing in 144th place among 190 economies in the ease of doing business, maintaining its score of 53.8 from 2019. On the positive side, Cambodia ranks very well for access to credit (25th).

According to figures from Transparency International in their 2019 Corruption Perceptions Index, Cambodia is 162nd out of 175 countries for corruption, indicating the scale of corruption in the country. At the same time, Cambodia is the 106th most competitive nation in the world out of 141 countries ranked in the 2019 edition of the Global Competitiveness Report published by the World Economic Forum.

Cambodia ranks particularly badly for ease of setting up a company, ranking 187 out of 190 countries in the world. There are a number of different processes involved, including:

- Conduct an initial check for validity of the company name on the Ministry of Commerce website and getting the name approved.
- Still at the Ministry of Commerce, incorporate the company with the Business Registration Department. The process can take up to a month.
- Obtain a seal from a local seal maker and open a bank account, confirming the account with the Ministry of Commerce.
- Go to the General Department of Taxation and get all registration documents stamped and approved, register for TIN, Patent tax and VAT tax.
- Notify the Ministry of Labour of the company, and register all employees for payroll, and select a shop steward. The process can take up to a month.
- Submit original statutes for the company and evidence of the bank account to the Business Registry at the Ministry of Commerce.
- Receive an inspection from the Labour Inspector from the Ministry of Labour and Vocational Training.
- Register at the National Social Security Fund on behalf of employees.

A full list of the procedures can be seen on the World Bank website:

<https://www.doingbusiness.org/en/data/exploreconomies/cambodia>