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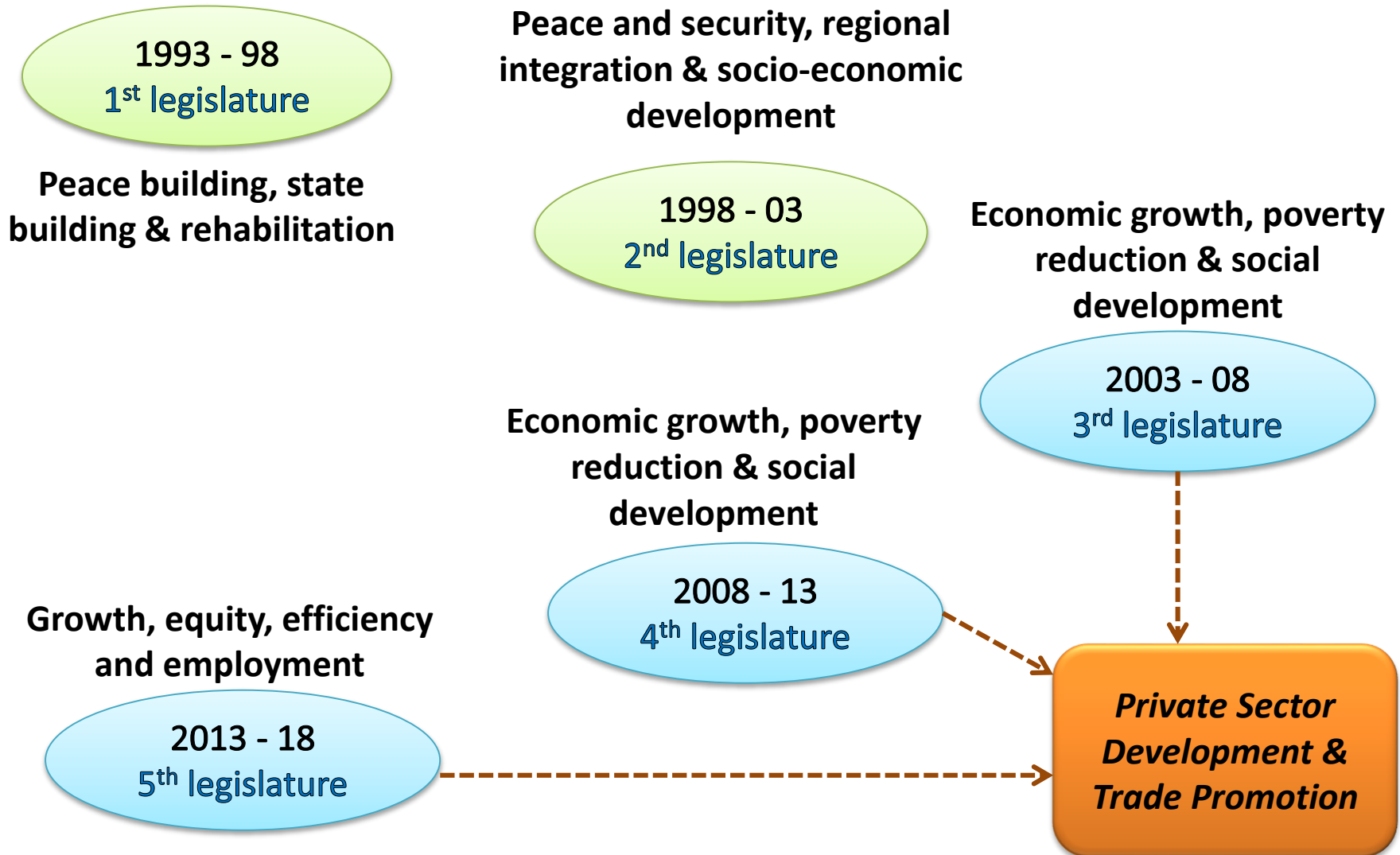
Special Economic Zone Development:

The Case of Cambodia

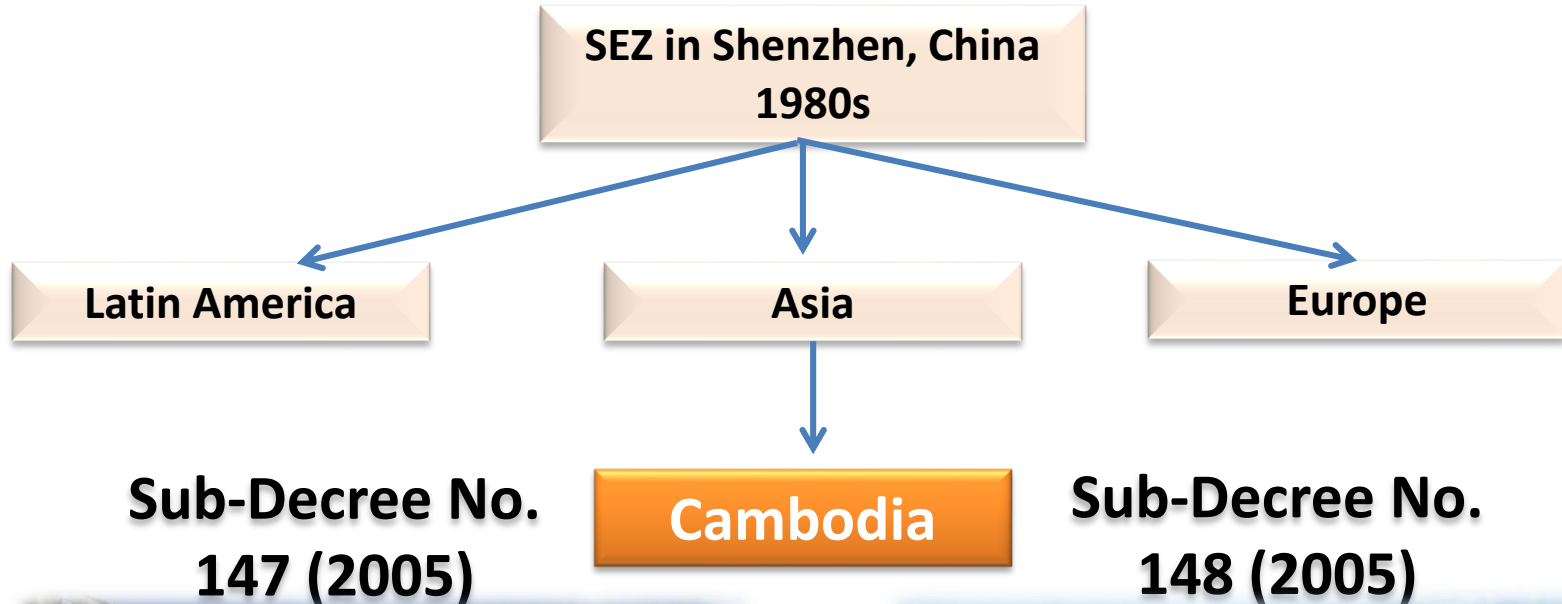
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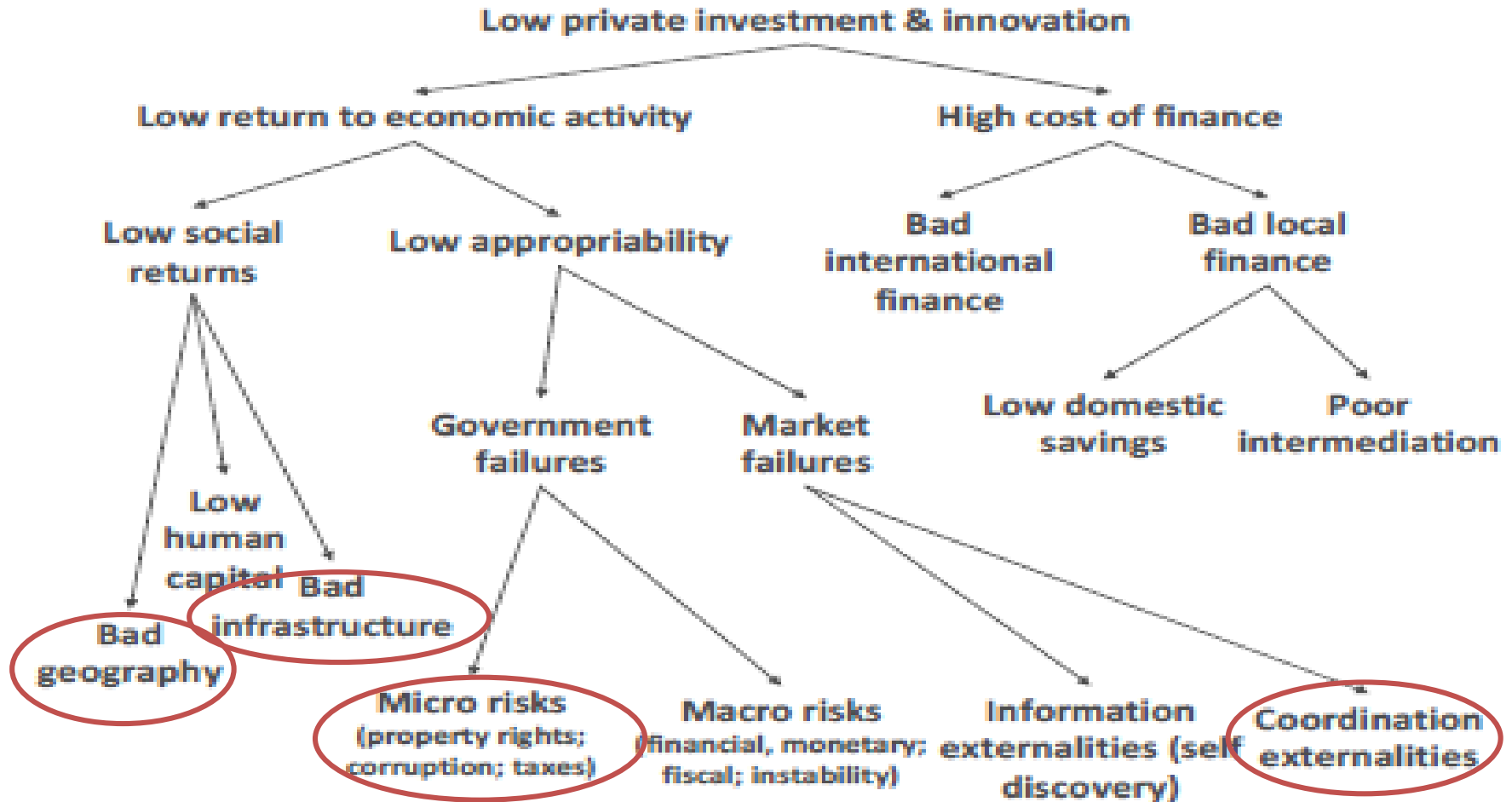
1. Contextualizing Policy Reform on SEZ



2. Policy Making: Emergence of SEZ



2. Policy Making: Emergence of SEZ



Source: Hausman and Rodrik (2005), as cited in World Bank (2011)

2. Policy Making: Expected Benefits of SEZs

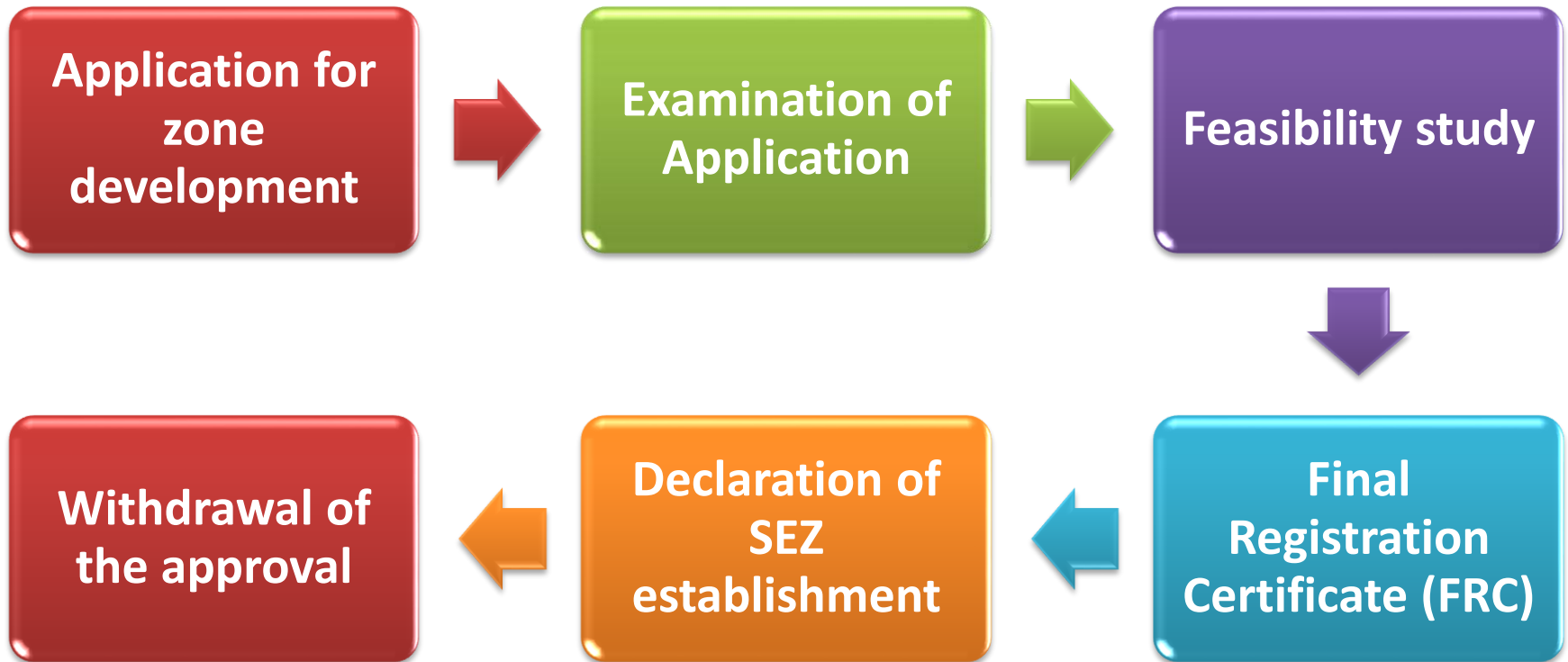
- Higher economic growth
- Infrastructure development
- Job creation
- Skill development
- Enhanced productivity
- Increased competitiveness
- Poverty reduction in rural areas

2. Policy Making: Agencies Governing SEZs

Agencies	Level	Target Group	Key Responsibility
Cambodian Special Economic Zones Board (CSEZB)	National level; based in CDC	Zone developers	One-Stop Services
Special Economic Zone Administration (SEZA)	Zone level; Based in each zone	Zone investors	Daily operation
Special Economic Zones Trouble Shooting Committee (SEZTSC)	National level; based in CDC	Both	High-level trouble shooting

Source: Author, based on Sub-decree No. 148

2. Policy Making: Application Process for SEZ Development



2. Policy Making: Conditions for SEZ Development

- More than 50 hectares
- Surrounding fence
- Management office building and zone administration office
- Large road network
- Clean water and electricity
- Telecommunication networks
- Fire protection & security system
- Residential Areas
- Sewage system
- Fulfilled technical requirements on construction and environment

2. Policy Making: Benefits of Investing in SEZs

Benefits	Inside SEZ	Outside SEZ
Fiscal incentives	Same regime	Same regime
VAT suspension	For all export-oriented activities	ONLY for garments and footwear
Non-Fiscal Incentives	<ul style="list-style-type: none">• OSS at each SEZ• Minimum inspections• Speedy import-export procedures• Lower electricity cost• Better security• Low insurance fees• Less labor disputes	<ul style="list-style-type: none">• OSS at CDC• Administrative procedures at respective ministries

3. Policy Implementation: Case Study of PPSEZ Background



- Established in 2006
- Owner: Cambodian
- Manager: Japanese
- Outskirt of PNH
- National Road No. 4
- 357 hectares
- Good infrastructures
- Domestic and export oriented

3. Policy Implementation: Profiles of Investors

- February 2015: 78 investors
- 57% Japanese
- Significance growth in 2014: 23 firms
 - ✓ In operation: 11 firms
 - ✓ Preparing to start: 7 firms
 - ✓ Under construction: 5 firms
- Household appliance → automobile spare parts
- Light manufacturing export: 46% of firms

3. Policy Implementation: Benefits of Investing in PPSEZ

Invest in Cambodia

- Political stability
- Good economic performance
- Strategic location
- Young and low-cost labor
- Secure land title & ownership

Invest in PPSEZ

- Management and administrative services
- Better physical infrastructure
- Proximity to domestic market and major transport infrastructure
- Stable supply of utilities
- Cultural understanding with zone developer

3. Policy Implementation: Major Facilitators

- Political support from the high level government
- Engagement of private sector
- ODA for construction of infrastructure and SEZ
- Regionally competitive investment law and policies
- Low-cost labor
- Zone-based incentives and services

3. Policy Implementation: Major Challenges

- High electricity costs
- Shortage of skilled labor and low labor productivity
- Limited capacity of policy implementing officials
- Poor infrastructure
- Informal fees

4. Policy Evaluation: Total Number of SEZs

Country	Total (2011)	On-going (operational)	On-going (implementing)	Proposed	Total (2015)
Burma ^{***}	6	0	0	6	6
Cambodia	24	6 (2009)	16	n.a	24
China [†]	1	1	n.a	n.a	1
Laos	8	5	??	3	32
Thailand ^{***}	6	0	1	5	6
Vietnam ^{**}	4	4	n.a	n.a	4

Only 11 SEZs are operational.

4. Policy Evaluation: Number of Job Creation

MoF: 500,000 new jobs in 2010-12; 1 million by 2020, with another 1.5-2 million indirect jobs

Table 1: Export and employment statistic of selected countries in 2008 (per year)

Country	SEZ Export (US\$M)	Export per capita (US\$)	Employment in SEZ	SEZ employment as % of National Industrial Sector employment
Vietnam	16,175	188	1,172,000	19%
Dominican Republic	4,545	462	124,517	30%
Honduras	4,000	550	130,000	30%
Bangladesh	2,430	102	218,299	3.0%
Ghana	1,300	56	28,559	3.5%
Lesotho	425	211	45,130	>80%
Kenya	410	11	30,678	15%
Senegal	400	33	N/A	N/A
Nigeria	100	1	1,156	<1%
Cambodia (2010)	93	7	7,728	~1%
Tanzania	59	1	75,000	N/A

Source: UN COMTRADE, the World Bank and calculation based on data from SEZ in Cambodia.

4. Policy Evaluation: Outcomes

- Mindset of government officials has improved, particularly in the Manhattan SEZ.
- No policies, mechanisms or incentives for technology transfer
- No backward and forward linkages

Conclusions and Lessons Learned

- Reform followed its original plan.
- SEZ has potential for growth.
- Delegation of authority (e.g. One-Stop Service) is a driver of successful implementation.
- Holistic approach to reform should be adopted.
- Capacity building of implementation staff is needed.
- Coordination for skills development, backward and forward linkages is needed.
- More incentives for FDIs
- Knowledge sharing among SEZs needs to be promoted.
- Infrastructure development is required.

Thank You!