

Keynote Address
Samdech Akka Moha Sena Padei Techo Hun Sen

Prime Minister of the Kingdom of Cambodia
Eighteenth Government-Private Sector Forum
Peace Palace, 29 March 2019

Samdech, Excellencies, Lokchumteav, Neak Oknha, Ladies and Gentlemen

Today, I have the great pleasure to once again join with Samdech, Excellencies, Members of the Royal Government, Neak Oknha, Ladies and Gentlemen Representatives of the Private Sector and all National and International Distinguished Guests at this Eighteenth Government-Private Sector Forum – five years after the Seventeenth Forum on 4 March 2014. As in previous fora, I wish to reiterate that our gathering today is considered an enlarged cabinet meeting. That means all the forum's decisions will have the same effect as cabinet decisions. I'd like to take this opportunity to express my sincere appreciation to H.E. Dr. Aun Pornmoniroth – Deputy Prime Minister, Minister of Economy and Finance and Coordinator of this Government-Private Sector Forum – for the detailed report presented to the forum and to all the ten working groups for their efforts in addressing investor challenges and bringing about remarkable achievements that significantly have helped to improve the investment and business climate in Cambodia. I also wish to highly commend H.E. Sok Chenda Sophea – Minister attached to the Prime Minister and Secretary General of the Council for the Development of Cambodia – for his effective coordinating role as Secretary General of the Government-Private Sector Forum. I highly commend the reports and requests by Neak Oknha Kith Meng, Chairman of the Cambodia Chamber of Commerce, Oknha Van Sou Ieng, Chairman of the Garment Manufacturers Association of Cambodia, and Mr Bretton Sciaroni, Chairman of the International Business Chamber of Cambodia. I will address these requests in my remarks that follow.

Before moving on, I wish to take this opportunity to draw your attention to two main reasons for organizing his forum, which is rather extraordinary compared to the organization of previous fora:

1. With the start of the Royal Government of the sixth legislature – formed after free, fair, transparent and just general elections in July 2018 – decided to organize this Government-Private Sector Forum to inform development partners, especially the private sector, about introducing and promoting the strong-willed and unbending implementation of a new package of specific reform measures of the Royal Government under the Rectangular Strategy Phase IV. This is in line with the two

mottos “reform internally and make friends externally based on a spirit of independence” and the five approaches of “looking into the mirror, taking a shower, scrubbing away the dirt, treating wounds and conducting surgery” aimed at enhancing competitiveness and accelerating economic diversification to ensure sustainable, inclusive and resilient long-term growth and create more quality jobs for the people.

2. By introducing and implementing policies, strategies and major reforms over the past 20 years – especially in ensuring peace and political stability – Cambodia has rapidly achieved strong economic and social development, elevating it to a lower middle-income country, and gradually improved people’s livelihoods in general. The Cambodian economy has been transformed from relying on agriculture and garments to an economy driven by agro-industry, construction, assembly, electronics and tourism. This has given Cambodia greater confidence and self-reliance in determining its destiny as it aims for upper middle-income status by 2030 and high-income status by 2050. To achieve this long-term and ambitious vision, Cambodia must achieve sustained high, inclusive and resilient economic growth. This is why the Royal Government must continue giving the utmost priority to continued peace and political stability – and to further consider specific reform measures to strengthen and expand competitiveness while promoting faster economic diversification that can be more easily attained, especially through targeted fixes of major structural issues and other key challenges that investors and businesspeople face in operating in Cambodia. Strengthening competitiveness and promoting economic diversification are not only key factors to ensure that Cambodia can achieve its long-term development vision but also an indispensable foundation for creating high-quality jobs, improving revenue and enhancing the livelihoods of people across the country.

At this point, allow me to state that introducing and promoting the implementation of specific reform measures of the Royal Government at this stage is not driven by the risk of EBA withdrawal by the European Union, although this risk may be an additional catalyst for accelerated government reforms. Our biggest objective, as I mentioned earlier, is to respond to the necessity of speeding up government reforms to strengthen competitiveness and economic diversification as a foundation to ensure that Cambodia keeps enjoying high, inclusive and resilient growth to achieve the long-term vision of progressive development. In this spirit, the Royal Government strongly hopes that the successful implementation of policies, strategies and specific reform measures will let Cambodia build with confidence a new economic foundation – driven by industries with high added value based on skills and technology – and help expand economic opportunities

for all stakeholders, allowing Cambodia to stand on its feet without having to rely on current and future preferential trade arrangements from other countries.

This does not mean that Cambodia doesn't need cooperation based on mutual benefit, honesty and mutual respect as an equal partner with equal rights and footing with our external partners. Cambodia extends its sincere gratitude to the generous assistance of all our partners and foreign friends for their invaluable contributions to our efforts in rebuilding and developing Cambodia from our most difficult times to what we have today. As for EBA, we know clearly that the trade preference scheme is not permanent – and will come to an end when Cambodia graduates from Least Developed Country status and has a strong foundation for continued progress on its own as an equal partner with the European Union. If Cambodia continues to receive EU trade-preference benefits through the EBA framework over the next few years, it will be an even better opportunity. But as I have often said, Cambodia cannot exchange our independence and sovereignty with assistance or trade preferences from any foreign country. What Cambodia will need is greater cooperation that provides mutual benefits in all sectors and fields, especially in economics, trade, investment and people-to-people ties with all our key partners – without discrimination – on the basis of honest respect of the independence and sovereignty of each other. The European Union remains one of our biggest and key partners.

Either with or without EBA, Cambodia will keep advancing towards our destiny with vigor and confidence to achieve our ambitious vision and determination of “restoring national pride and building a bustling nation” for a prosperous, bright and spirited future through “step-by-step building of a Cambodian society with peace, stability, social order and strict adherence to the principles of democracy, rule of law, rights and dignity of the people, having sustainable and equitable development, good social fabric and knowledgeable and civilized citizens with decent livelihoods, living in harmony with society and family.”

I wish to take this opportunity to inform our compatriots that in this proactive spirit, the Royal Government has formulated measures and prepared a sufficient budget to address and respond to any eventual situation or risk with the aim of ensuring not only overall peace and stability but also further promoting economic growth and ensuring stable livelihoods for Cambodian people at all levels, especially for workers employed in the garment sector.

Samdech, Excellencies, Lokchumteav, Neak Oknha, Ladies and Gentlemen

In 2018, the Cambodian economy grew faster than expected at 7.5 percent – the strongest rate in 10 years. Inflation remained low at about 2.5 percent in spite of the general elections. Growth reflected increased economic activity in all sectors including domestic investment, foreign direct investment, domestic consumption and international trade. Moreover, this remarkable growth reflected increased investor confidence – both domestically and internationally – in the strength of the Cambodian economy against the background of heightening global economic risks. Such noteworthy economic growth in 2018 was achieved through the efforts and commitment of the Royal Government in ensuring peace and both political and macroeconomic stability that have been conducive to flourishing investment and business activity in all sectors. The exceptional economic achievement also stemmed from the active contribution of all investors here and across the entire Kingdom of Cambodia through investment and job creation for the people.

Based on this great achievement and looking to sustained and inclusive growth – through strengthening and expanding competitiveness and promoting faster economic diversification that is more easily within reach – I will outline the package of specific reform measures. These aim to address major structural and other crucial issues that investors and businesspeople face in doing business in Cambodia. Addressing the major structural issues that Cambodia faces is not easy as doing so will have considerable impacts on institutions, people and the financial resources of the Royal Government. To achieve the nation's long-term development vision and the aspirations the people, I have to address problems by carrying out surgery – the last of the five approaches. These reforms offer substantial benefits to the private sector in terms of financial benefits and trade facilitation.

This morning, we listened to business representatives making several requests to the Royal Government. I will elaborate on existing measures, new measures to be introduced from today and measures to be further studied for future implementation. I will try to incorporate all requests that private-sector representatives have raised. For other requests that need more clarification, I will task relevant ministries or institutions to study them thoroughly and report back to me for a decision. I now wish to move to elaborating on and explaining the specific measures:

- 1. Removal of Cambodia Import-Export Inspection and Fraud Repression Directorate General (CAMCONTROL) from border crossings and elimination of Kampuchea Shipping Agency & Brokers (KAMSAB)**

Ending the permanent role of the Cambodia Import-Export Inspection and Fraud Repression Directorate General (CAMCONTROL) from carrying out inspections of goods at international border gates, land border checkpoints, airports, sea and river ports, and the elimination of the Kampuchea Shipping Agency & Brokers (KAMSAB) is a major structural reform by the Royal Government to reduce costs and paperwork, save time and provide maximum trade facilitation.

2. Elimination of Certificates of Origin for countries where they are not required

To facilitate exports, especially garment and footwear products, the Royal Government has decided to stop issuing Certificates of Origin for countries that do not require them through inter-ministerial Prakas No. 1627 MoEF Br.K on Adjustment to the Procedures for Import-Export Application dated 28 December 2018 between the Ministry of Commerce and the Ministry of Economy and Finance. This eliminates not only the certificates but also fees – both formal and informal – such as payments for stock clearance and reference fees.

3. Reduction of costs in logistics, lift-on/lift-off services and service charges at both ports

Logistics is a main factor determining a country's competitiveness. I asked the Ministry of Public Works and Transport to negotiate with major shipping companies and study the possibility of reducing service charges at both public ports – Sihanoukville Autonomous Port and Phnom Penh Autonomous Port. I wish to express my appreciation to the Ministry of Public Works and Transport for their negotiations and achieving the cost reductions:

- Terminal Handling Charge (THC): some shipping companies have agreed to reduce Twenty-Foot Equivalent Unit (TEU) Lift-on/Lift-off terminal service charges by USD 5. For this charge, companies said there would be additional reductions if the ports also reduced their charges. Total reduced cost from the lower service charge for lift-on/lift-off of goods at terminals will be about USD 2.5 million.
- Container Imbalance Charge (CIC): some shipping companies have agreed to reduce their service charge from USD 120 to USD 100 for a 20-foot container and from USD 240 to USD 200 for a 40-foot container. Other shipping companies are considering reductions and consulting with management.
- Ocean Freight Charge (OFC): The Ministry has yet to receive a response from shipping companies that attended discussions. But one company, SITC Logistics Cambodia, has agreed to reduce its shipping charge for transport relating to

exports of rice to China by 50 percent. This company lets other companies use SITC containers to transport rice to China without charge. Total reduced costs from the reduced Ocean Freight Charge is about USD 200,000.

- Emergency Bunker Charge (EBC): SITC Logistics Cambodia has agreed not to charge its Emergency Bunker Charge, which in the past was USD 15 for a 20 feet container and USD 30 for a 40 feet container. This cost reduction of EBC totals about USD 90,000. The Ministry will continue to discuss this cost reduction with other companies.
- Sihanoukville Autonomous Port has decided to reduce its Lift-on/Lift-off (Lo-Lo) charge by 10 percent, its bonus charge from USD 7.50 to USD 5 per box and will not charge for ship shifting. Total reduced costs will be about USD 2.13 million in 2019.
- Sihanoukville Autonomous Port plans to reduce its stevedoring charges and gate fees, offer an additional two-day grace period for storing export containers and container transport, and reduce its Lo-Lo scan charge. Total reduced costs will be about USD 1.2 million in 2019.

In conclusion, the cost reduction for the private sector participating with the government in the first phase is about USD 3.39 million. At the same time, our autonomous ports have reduced costs by about USD 3.33 million. So the total cost reduction is about USD 6.72 million.

Let me take this opportunity to share with you that some shipping companies have not yet responded to cost reductions of the two ports or the government's elimination of KAMSAB. In this regard, I wish to express my appreciation to SITC Logistics Cambodia for leading in reducing costs for water transport, especially for rice exports to China. I would like to call on other shipping companies to assess the possibility of reducing their costs. I also wish to ask the Ministry of Public Works and Transport to continue negotiating with these shipping companies and carefully monitor the implementation of mutually agreed reductions in fees.

4. Reducing electricity costs

Electricity costs are an issue frequently raised by the private sector because prices in Cambodia are higher than those in neighboring countries – and the Royal Government recognizes this. To reduce electricity prices gradually to levels similar to those of neighboring countries, the Royal Government has invested enormously in the sector

– both in power plants and transmission lines. On this basis, the Royal Government has lowered electricity prices from 2019 onwards for all consumers including industrial consumers connected via sub-transmission lines and medium-voltage lines of a distribution area, where prices have been reduced by two cents per kilowatt hour.

However, we know that skills-based and capital-intensive industries consume high volumes of electricity. To attract more investment in these industries, electricity prices must continue to decline. I therefore wish to ask the working group under the newly established Economic and Financial Policy Committee to begin studying and discussing the possibility of further reducing electricity prices, using solar energy and establishing electricity day and night rates to produce rapid results and report these results back to me through committee.

In response to questions from the business community about plans to supply stable electricity, I wish to share with the forum that Cambodia is encountering shortages due to a surge in investment projects, increased consumption as a result of lower prices and reduced production capacity caused by drought. At this stage, I have advised Electricite du Cambodge (EDC) to seek cooperation with neighboring countries to maintain or increase electricity supplies to Cambodia – and the Ministry of Mines and Energy to urgently carry out several plans to increase generation capacity to meet increasing demand in the short and medium term.

5. Development of Small and Medium-sized Enterprises

Small and Medium-sized Enterprises are the backbone of the economy and a strong catalyst in promoting growth and creating jobs for the people. Because the size of investments is small and mostly serve domestic needs, SMEs in Cambodia and other countries face many challenges. With a clear understanding of their importance, the Royal Government has introduced a policy package to promote SME development, strengthening competitiveness and improving production capacity. Priority sectors to receive incentives so far include:

1. Water production and supply;
2. Agricultural and agro-industrial production;
3. Food production and processing;
4. Manufacturing goods for export;
5. Manufacturing goods for domestic consumption, waste processing and producing goods for tourism;
6. Manufacturing of final products or semi-final products, parts and components, or accessories to supply to other manufacturers;

7. Innovative research and development of information technology; and
8. Development of SME Clusters

The package policy launched by the Royal Government includes:

- 1- Sub-decree No. 124 ANKr.BK dated 2 October 2018 on Tax Incentives for Small and Medium Enterprises, which includes income-tax exemption from three to five years, exemption of pre-payment income tax and minimum taxes, and expense exemption deductible from 150 percent to 200 percent;
- 2- Sub-decree No. 50 ANKr.BK dated 25 March 2019 on Customs Incentives for Small and Medium Businesses, which includes customs exemption on production equipment, construction materials and production inputs for enterprises producing and supplying clean water, enterprises that produce for export and supporting enterprises. Developers of SME Clusters and enterprises that produce for domestic needs to receive customs exemption on production equipment and construction materials. Information technology research and development enterprises receive customs exemption on equipment for installation and use in innovative research and development of information technologies.
- 3- Sub-decree No. 51 ANKr.BK dated 25 March 2019 on the Adjustment to Rates of Customs, Special Tax and Export Tax to encourage the agricultural sector, SMEs and environmental protection.
- 4- The upcoming establishment of an SME Bank in 2019 with an initial capital of USD 100 million from the budget of the Royal Government to support small and medium-sized enterprises with potential for expansion and job creation.
- 5- The Ministry of Industry and Handicrafts is leading the formulation of a policy package for SME promotion and reviewing common SME definitions for incentives to be completed in 2019. I wish to ask the Ministry of Industry and Handicrafts to study and review the feasibility of drafting an SME Law.
- 6- The Royal Government has set up an Entrepreneurial Fund with an annual budget of USD 5 million and the Techo New Business Training Center to provide financial, technical, marketing, manufacturing, training and consulting resources to SMEs and small startup companies.

With the introduction of policies to support them, what the Royal Government wants in return is for SMEs to register and operate with proper accounting and bookkeeping

records. I urge all SMEs in the areas mentioned to actively take advantage of the SME tax and customs incentives as well as other incentives to create more jobs and boost domestic production to new heights at a faster pace. I also request the Economic and Financial Policy Committee to continue paying close attention to monitoring and implementing existing measures to be highly effective and consider introducing new policies and measures to respond to the demand for SME development in Cambodia.

6. Trade facilitation measures under customs

In the past, the overlapping roles of Customs and CAMCONTROL created barriers to smooth trade facilitation – and this has been frequently raised by the private sector. Ending the role of CAMCONTROL in inspecting goods at import and export checkpoints has made a substantial improvement in trade facilitation. To promote greater trade facilitation and reduce times and costs, the Ministry of Economy and Finance has introduced the following measures:

- 1- To address business concerns about informal expenses for customs-related services and authorities, the Ministry of Economy and Finance issued Prakas No. 1608 MoEF Br.K dated 21 December 2018 on the Provision of Public Services of the General Department of Customs and Excise of Cambodia that will be officially implemented from 1 April 2019. This Prakas includes all services that the General Department of Customs and Excise of Cambodia provides to business people – both onsite and offsite – during and outside of business hours. All services shall be issued with a receipt generated by a computer system to goods owners, which ensures transparency of spending for such services. Owners of goods can use the receipt as an expense in formal tax filings. The effective implementation of this Prakas will eliminate some expenses previously considered informal payments to customs officers. At the same time, issuing receipts for all services will eliminate other informal payments in the name of “customs-administered informal payments” – and customs brokers will no longer be able to charge excessive fees to goods owners.
- 2- To further contribute to reducing export-import expenses, the Ministry of Economy and Finance issued an instruction on the decision to halve the container-scanning charge from USD 20 to USD 10 for 20-foot containers and from USD 32 to USD 16 for 40-foot containers starting 1 April 2019.
- 3- In order to minimize delays due to container scanning at ports, the Ministry of Economy and Finance issued Prakas No. 328 MoEF Br.K dated 21 March 2019

on the adjustment of the principles and procedures for determining export-import goods with container loading to pass through a scanning machine by following three principles: 1- scanning imported containers under a Risk Management System; 2- as an incentive, containers of a company with good compliance – best trader – are not required to be scanned every time; and 3- those having customs clearance at Phnom Penh Dry Port shall have their goods scanned there and not at the seaport. This Prakas will take effect on 1 April 2019.

- 4- Having seen that excessive embargoed and restricted goods in Sub-decree No. 209 ANKr BK issued in late 2007 cause numerous difficulties for trade facilitation, I have advised the Ministry of Economy and Finance to lead coordination in assessing the possibility of amending the Sub-decree. I wish to take this opportunity to call on all ministries and institutions of the Royal Government to pay close attention to reducing embargoed and restricted goods as much as possible. I request the inter-ministerial working group, led by the Ministry of Economy and Finance, to finalize the amendments to Sub-decree No. 209 quickly so they can be implemented from 1 July 2019.

- 5- As for the Cambodia National Single-Window System, linked to the ASEAN Single-Window System, I wish to share with the Forum that the Ministry of Economy and Finance, with the General Department of Customs and Excise of Cambodia as implementing agency, is leading the implementation of the Second Phase with participation of five ministries and institutions – the Ministry of Agriculture, Forestry and Fisheries, the Ministry of Health, the Ministry of Industry and Handicrafts, the Ministry of Commerce and the Council for the Development of Cambodia. The General Department of Customs and Excise of Cambodia and the five ministries and institutions are testing the system from 25 March to 17 May 2019. We expect that it will be officially launched in early June 2019, helping to promote effectiveness of trade facilitation to the next level by using information technology.

7. Business facilitation measures under the General Department of Taxation

There have been complaints by the private sector so far about the delay of the Value Added Tax (VAT) refund to businesses and overlapping auditing. I wish to take this opportunity to express my appreciation to the General Department of Taxation for working hard in collecting tax revenues as well as providing services and information to taxpayers and responding in a timely manner to address taxpayer issues. In response to need to coordinate VAT refunds and audits of the General Department of Taxation, the Ministry of Economy and Finance has:

1. recently introduced for implementation an online VAT system of the General Department of Taxation, aimed at administering the return of VAT and the efficient and effective use of Online-VAT Refunds and Online-VAT Credits, ensuring transparency, convenience, speed and credibility in servicing taxpayers;
2. issued Prakas on Tax Audit No. 270 MoEF Br.K dated 13 March 2019, outlining measures and detailed procedures aimed at eliminating overlapping auditing among specialized units of the General Department of Taxation, and reducing the tax reassessment period for comprehensive audits by setting the general principle to three years retrospectively; and
3. reducing the monthly interest rate on late tax payments from 2 percent to 1.5 percent.

8. Reducing the number of public holidays

Oknha Van Sou Ieng, chairman of the Garment Manufacturers Association of Cambodia, has asked the Royal Government to consider reducing the number of public holidays. Indeed, we have assessed that the annual public holidays in Cambodia are more than those of neighboring countries. Cambodia's public holidays in recent years were from 28 to 30 days per year while Vietnam has 13 days, Laos has 12 days, Thailand has 16 days and Singapore only 11 days. To further promote Cambodia's productivity, I have advised the inter-ministerial working group, under the facilitation of the Economic and Financial Policy Committee, to review and propose a reduction of public holidays and have decided to eliminate seven days of public holidays from 2020. Let me state that the reduction in the number of public holidays is not meant to eliminate religious or royal ceremonies or national and international days that the Royal Government and the Cambodian people have always closely observed but days in which civil servants in the public sector and workers in the private sector shall report to work as normal.

9. Reviewing and developing lists of institutions and timings for inspections at factories

The Royal Government has recognized that there have been many groups from different ministries and institutions carrying out inspections at factories and enterprises that have interrupted operations. To address this, I wish to introduce the following measures:

- As a first step, factory or enterprise inspections carried out by more than one inspection group from ministries or institutions shall be combined into a single group and carry out inspections once a year only, preparing a list of activities and setting clear timelines – except when necessary or in cases such as fainting or occupational accidents that require separate inspections by relevant specialized groups.
- The Ministry of Labor and Vocational Training shall then prepare and lead a working group – with participation of all ministries and institutions carrying out inspections at factories or enterprises – to assess the importance of each inspection, identifying clearly which is to be carried out and which is to be stopped, and to clearly prepare a list of inspection groups, their functions and timing for each inspection.

10. Establishing co-payment rates for the pension scheme

To promote the wellbeing of workers and employees, the Royal Government has introduced an obligatory pension scheme that requires employers and employees to make co-payments to a joint fund so employees have a pension in their old age.

The scheme's introduction has raised concerns among employers in most sectors about additional spending on co-payments, especially when it's time for companies to pay employee seniority indemnities. To clarify this issue for all investors, let me explain the timeline for implementing the co-payments:

1. The timeline for starting to implement the pension scheme – implementation was a promise by the Cambodian People's Party during the national election campaign in 2018. Now that the Cambodian People's Party has won the election, we must keep our promise and carry it out. Based on this reasoning, I wish to state that the timeline for implementing the pension scheme is in 2019 – as promised before the general elections. I request that H.E. the Minister of Labor and Vocational Training cooperate with relevant ministries and institutions to develop a Law on the Pension Scheme as soon as possible.
2. The co-payment rate – the National Social Protection Council has led meetings with government ministries and institutions, the private sector and labor unions to determine a co-payment rate that's acceptable to all relevant parties. In the initial years, all parties agreed to a 4 percent rate with 2 percent paid by employers and the other 2 percent by employees. I've approved this in line with the spirit of the

meeting and wish to announce that 4 percent is the total rate with 2 percent paid by employers and 2 percent by employees in the first years of implementation.

11. Determination of duration and number of days for seniority payments

With regard to seniority payments, I know the garment sector issued a statement fully supporting the Prakas of the Ministry of Labor and Vocational Training on calculating seniority payments – both back and forward payments. For other sectors, the Ministry of Labor and Vocational Training issued Circular No.042/19 dated 22 March 2019 on the Back Payment of Seniority prior to 2019 which specifies that back payments for seniority shall start to be implemented in December 2021 and be subject to six days per year of which three days to be paid in June and the other three days in December.

In conjunction with this, I wish to let the forum know that following a request by Ministry of Economy and Finance, I have approved certain tax favors with regards to these payments as follows:

1. Tax exemptions on new seniority payments from 2019 onwards and on seniority back payments in the apparel and footwear sector applicable in 2019 and other sectors in late 2021.
2. Deductible expenditure allowed for all seniority payments and back payments.
3. VAT exemptions on job-matching and training as well as sending and managing workers or interns abroad by private recruitment agencies.

12. Review of the Labor Law in line with the new economic context

As I pointed out earlier, the Cambodian economy has changed in shape and size, warranting a review of the Labor Law. In the spirit of promoting and enhancing Cambodia's competitiveness, I ask the Ministry of Labor and Vocational Training start studying, reviewing and consulting with all stakeholders to revise the Labor Law.

13. Minimum wages in garment sector

Oknha Van Sou Ieng raised a concern about rapid increments in minimum wages in the garment sector over the past five years – and suggested that the Royal Government review the pace of increments and consider wages based on the provinces and regions of Cambodia. I understand the concern of investors in the garment sector about the rapid increment in minimum wages. At the same time, as prime minister of the Cambodian people, I must also think about the well-being and living standards of workers and employees. With this reasoning, I urge the Ministry of Labor and Vocational Training – through the National Board for Minimum Wages – to devise an appropriate method of calculating minimum wages and the feasibility of calculating them based on regions, forecast productivity, the standard of living of workers and employees, and the likelihood of minimum-wage increments over the medium term.

14. Development of the agricultural sector

The agricultural sector has experienced slow growth over the past couple of years and the price of agricultural products has been somewhat unstable even though Cambodia has managed to produce more. Recently, the Royal Government set out a number of fiscal measures to help the sector such as (1) Exemption of VAT at the expense of the state for the import and supply of certain commodities such as fertilizers, seeds, animal medicines and feeds and supplementary feeds, all types of animal breeds, machinery and agricultural equipment (2) offering favorable VAT mechanisms for contractors who supply paddy rice for export including exemption of VAT at the expense of the state for imports of inputs and equipment for rice production for export, and zero VAT on direct supplies of rice or rice production services for export and (3) offering favorable provisional suspensions of income tax pre-payments for five years from January 2019 on production of paddy rice, corn, beans, pepper, cashews, cassava and rubber.

In response to the private-sector request about the payment of VAT, withholding taxes on transport and minimum taxes, I have instructed the Ministry of Economy and Finance to set out a number of additional measures as follows:

1. Consider VAT as a state responsibility for supplies of goods and services for domestic production or export of paddy, rice, corn, beans, pepper, cassava, cashews and rubber until the end of 2023.
2. Exempt enterprises involved in the domestic production or export of paddy, rice, corn, beans, pepper, cassava, cashews and rubber on withholding obligations of tax payments on supplying services by individuals not within the self-declared tax regime until the end of 2023.
3. For enterprises producing paddy, rice, corn, beans, pepper, cassava, cashews, and rubber for domestic supply or export, issue as a state responsibility renewable VAT certificates from the General Department of Taxation that are valid for one year – provided the enterprise keeps proper accounting records in accordance with the application laws and provisions.

15. Transforming the Rural Development Bank to the Rural and Agricultural Development Bank

The Rural Development Bank has made commendable achievements despite its low lending compared with market demand. To raise the bank to new heights – to support Royal Government policy with the capacity to provide financing and fully-fledged banking services effectively and sustainably for agricultural and rural development – I have decided to transform the Rural Development Bank into a Rural and Agricultural Development Bank with dual roles as a commercial bank and a policy bank.

A taskforce led the Ministry of Economy and Finance is studying and preparing this –

including redefining the business model and concept and developing medium-term business and investment plans and to comply with the requirements of the law. To this end, I have approved an additional injection of USD 50 million into this bank.

16. Railway Transportation

Okhna Van Sou leng has pointed out the need to build more roads and a more efficient operation of rail transport. I do not think I should talk much further on the issue of building more roads as it has been the priority of the Royal Government since 1993. The Royal Government of Cambodia has spent a tremendous amount of money on roads construction with the national budget as well as with foreign loans. As a matter of fact, I have just launched the construction of the Phnom Penh-Sihanoukville Expressway on 22nd March 2019.

With regard to the rail transport, please allow me to make some comments as follows: The Royal Government of Cambodia has lent it full support to the rehabilitation, construction and improvement of the national rail network which consists of the Northern Line and the Southern Line where approximately USD 141.6 million were spent from the national budget combined with the financial assistance from the ADB and other development partners, as well as an additional USD 85 million from the national budget. In order to enhance the capacity and efficiency of the rail transport, the Royal Government of Cambodia has concluded a 30-year concession agreement with Toll (Cambodia) Co., Ltd on 12th June 2009. However, in 2014 Toll Holding Limited of Australia, the parent company of Toll (Cambodia) Co., Ltd, eventually decided to transfer its 55% share to its local joint venture partner, the Royal Group, making the latter the sole shareholder of the railway concessionaire and changed its name from Toll (Cambodia) Co., Ltd to Royal Railway Cambodia until present. Thus, Royal Railway Cambodia has had direct responsibility for the operation of rail transport from Phnom Penh to Sihanoukville and has also made some investments on passenger transport service from Phnom Penh Railway Station to Phnom Penh International Airport.

Regrettably, during almost the past 10 years, rail transport in Cambodia has not been quite successful despite efforts made by the Ministry of Public Works and Transport to promote and publicize this mode of transport. In general, Royal Railway Cambodia has neither expanded its services nor invested on locomotive, wagons, and other equipments to fulfill the requirements of customers such as freight forward companies, export-import companies, traders, farmers and passengers. As is often the case, some trains broke down and without adequate budget allocated for maintenance and additional investment have resulted in a delay and interruption of services. These are challenges that need to be overcome to ensure the development in the rail transport and to respond to the needs and expectation of Cambodian people and traders with respect to the mode transport.

Therefore, in order to ensure the success of the operation of our rail network the Royal Government of Cambodia decides to terminate the railway operation of Royal Railway Cambodia. The Royal Government decides to temporarily hand over the management of the railway operation to the Ministry of Public Works and Transport tasking the latter to come up with operational management procedures before proceeding to a public tender to select a company that is well experienced and capable of working closely with the

Government to modernize and upgrade the Cambodian railway to an international standard, in providing transport service for freights and passengers that are reliable, safe, and reasonably priced, and to become the backbone of the Cambodian economy which will provide new opportunities for Cambodia.

In addition, I request to the Ministry of Public Works and Transport to improve the railway transport from Poipet to the Sihanoukville Port without having to transfer or reload goods in Phnom Penh, and to collaborate with relevant ministries/agencies and stakeholders to invest more on rice storage facilities in certain important locations in Banteay Meanchey, Battambang, Pursat, and Kampong Speu provinces that are accessible by train, for the sake of rice export promotion.

17. Reform Measures that are being Prepared for Implementation

What I have mentioned earlier are specific reform measures packages to enhance competitiveness and economic diversification that are already adopted and being implemented. Other than the above measures, I have instructed the preparation of additional measures that will be implemented in the near future as below:

1 – Finalize the Amendment of the Law on Investment and Finalize the Law on Special Economic Zone

I have instructed the Council for the Development of Cambodia to amend the Law on Investment and to prepare the Law on Special Economic Zone and to finalize them by the end of the first semester of 2019. On 18th February 2019, the CDC organized a consultative meeting with the private sector and stakeholders to collect inputs on the two laws. I urge the Council for the Development of Cambodia to finalize draft amendments to the Law on Investment and the Law on SEZs in the first semester of 2019 as scheduled.

Neak Oknha Kith Meng suggested that the Royal Government to consider incentives in all sectors. Overall, I'm of the view that this suggestion be taken and considered within the framework of the amendment to the Investment Law being undertaken by the CDC. Nonetheless, I wish to note that incentives are a key policy tool for the Royal Government to attract and reorient private investment flows into priority sectors necessary for overall socio-economic development. As a policy, the Royal Government employs different criteria in determining incentives for each sector – such as job creation, technology adoption, connectivity with small and medium-sized enterprises and export-oriented industries. The Government will provide more incentives to sectors that we want to promote – sectors that we believe provide more benefits in terms of national socio-economic development. In this respect, should the Royal Government provide incentives to all sectors, incentives as such will no longer be a meaningful policy tool for the government. By the same token, I wish to share that I have approved in principle that the Chapter on Investment Incentives be removed from the Law on Investment and the Law on SEZs and placed in the National Budget Law and that a sub-decree be prepared for its execution to provide greater flexibility, giving room for incentive policy changes for priority sectors in an expeditious response to demand for Cambodia's future socio-

economic development. Obviously, the CDC remains the relevant body overseeing the Law on Investment and the Law on SEZs.

2 – Review and study the feasibility on harmonization of business registration and facilitation of business registration

Business registrations for both general incorporations and small and medium-sized enterprises is cumbersome and fragmented these days. Moreover, requirements for particular information are redundant, causing unnecessary inconvenience to investors. In today's ICT and digital era, the business registration for both general incorporations and small and medium-sized enterprises can be done on a shared IT platform – and all necessary particulars and information required by ministries and institutions can be harmonized and shared on this single platform and retrievable at the same time. For this reason, I've instructed the Economic and Financial Policy Committee to establish an inter-ministerial taskforce with representatives from the Ministry of Economy and Finance, the Ministry of Industry and Handicrafts, the Ministry of Commerce, the Ministry of Labor and Vocational Training and other relevant ministries and institutions to study the common information required and information-sharing procedures to propose an IT platform and all infrastructure investment requirements necessary to modernize and expedite business registration and roll it out in 2019.

3 – Export market diversification

Going forward, Cambodia should not count only on two or three major markets. While Cambodia's efforts to diversify export markets for goods have made notable progress – reflected by increased exports to new markets apart from the United States and Europe – there is still room for growth. In this regard, I urge the Ministry of Commerce to do its utmost to engage in negotiations for bilateral free-trade agreements with Canada, the United Kingdom, China, Japan, Korea and other countries in Africa. As for multilateral agreements, Cambodia shall continue to expedite negotiations for the Regional Comprehensive Economic Partnership (RCEP) and the Eurasia Economic Union (EEU). For the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), Cambodia may also study and consider acceding if other ASEAN member states that have not acceded agree on a stance to prepare for accession together.

At the same time, attracting investment from China, Japan, Korea, Thailand and Vietnam is of paramount importance – these countries are the basis for major industries. The strength of investment from China, Japan and Korea lies in their having production bases in the ASEAN region, notably Thailand, Malaysia, Indonesia and Vietnam. I therefore advise the CDC to take the lead in studying in greater depth and setting out special mechanisms to attract their investments – such as setting up SEZs along borders, connecting power grids and supplying sufficient electricity with lower tariffs, determining target industries and rearranging incentives for those investments, and facilitating trade and logistics along borders or within SEZs.

Samdech, Excellencies, Lok Chumteav, Neak Oknha, Ladies and Gentlemen

This is the package of specific reform measures that the Royal Government has set out and for which it will ensure effective implementation to enhance competitiveness and economic diversification – especially by addressing major structural issues and other practical challenges that investors and businessmen face doing business in Cambodia. With this package, I have made every effort to respond to several requests and suggestions that the private-sector representatives have made by linking within the framework of reform measures the Royal Government has set out and is now setting out. I now wish to respond briefly – straight to the point – to requests and suggestions by the private-sector representatives.

- The Royal Government will roll out an online system for public service delivery. I think it's a good request and I concur. I call on all ministries and institutions to review their ability to enable online public-service delivery based on a specific master plan.
- The Ministry of Labor and Vocational Training will continue to strictly apply the law to reduce illegal strikes and demonstrations. I concur with this request and advise the Ministry of Labor and Vocational Training to continue ensuring strict and effective application of the law and other legal instruments.
- The e-commerce law will be pushed forward and adopted. The Law on E-Commerce is a priority for the Royal Government. The Ministry of Commerce has finalized the draft which is now being discussed by different ministries. I think the draft law will be submitted to the Council of Ministers for review and adoption in the first semester of 2019.
- Application of the law and legal provisions will be non-retroactive. I refer this matter to the Ministry of Justice in collaboration with relevant ministries and institutions to review and recommend solutions to address this request.
- Shortages of skilled labor to supply the job market will be addressed – I entrust the issue to the Working Group on Education and the Ministry of Labor and Vocational Training to discuss and propose recommendations.

Overall, I wish to express my appreciation for all genuine issues and constructive suggestions raised by the private sector. Some have been addressed with responses. For the remaining issues and suggestions, I urge relevant ministries and institutions to candidly study, review and resolve them in a proactive and constructive spirit. If need be, report to me for a decision.

I concur with the suggestion to strengthen the performance of the thirteen working groups under the umbrella of this forum to which three new groups have just been added. I encourage my colleagues – representatives of relevant ministries and institutions of the Royal Government who have been assigned to each working group – to work hard and collaborate closely with their counterparts from the private sector in a proactive spirit to

enhance Cambodia's competitiveness and economic diversification with a robust private sector as the driving force for growth, long-lasting development and prosperity for Cambodia and her people. In this spirit, I request that the thirteen working groups meet regularly and do their utmost to address inherent challenges faced by the private sector. In the event that issues are inter-ministerial or cross-cutting in nature or cannot be resolved, the working group in question shall forward the issues to the Economic and Financial Policy Committee to coordinate for solutions. If needed, the committee may propose recommendations to me for decisions. Going forward, earlier I have already agreed with the request of the private sector to convene the forum annually, preferably in February.

I wish to take this opportunity to convey to all investors that while the Royal Government is making every effort and being proactive in addressing pertinent challenges that hinder the growth potential of the private sector, the private sector itself should simultaneously do its utmost to continuously strengthen competitiveness, improve corporate governance, fulfill tax obligations – both local taxes and custom duties – help to upskill human resources, ensure decent work for workers and employees, promote corporate social responsibility and further expand investment.

Samdech, Excellencies, Lok Chumteav, Neak Oknha, Ladies and Gentlemen

Before concluding, I wish to once again highly commend colleagues in the Royal Government and representatives of the private sector for their renewed spirit and good tradition of close collaboration in pursuit of collective solutions and becoming indispensable and complementing partners for the common goal – creating an even more friendly and conducive environment for doing business and investing in Cambodia. Again, I encourage everyone to uphold and further promote the culture and attitude of constructivism in pursuit of solutions to any challenge to sustainable, resilient and inclusive economic growth and decent quality job creation for the people in the advance towards realizing the long-term development aspirations of Cambodia to become an upper-middle income country by 2030 and a high-income country by 2050.

Finally, I wish Samdech, Excellencies and Lok Chumteav Members of the Royal Government, Neak Oknha, Ladies and Gentlemen, Representatives of the Private Sector, and Distinguished National and International Guests the four gems of Buddha's blessing – longevity, nobility, health and strength.

Thank you for your attention.