

White Book

Business Policy Recommendations

2024



The European Chamber of Commerce in Cambodia (EuroCham) was inaugurated on 2 June 2011 with the support of three founding European Business Organisations: the Chambre de Commerce Franco Cambodgienne (CCFC), the British Business Association in Cambodia (BBAC) and the German Business Group, Arbeitskreis Deutsche Wirtschaft (ADW). EuroCham was established with the objectives of promoting the interests of European businesses operating in Cambodia, facilitating the entry of European companies into the market and creating an extensive support network among corporate and individual members.

The European Chamber of Commerce in Cambodia is grateful to our contributing member companies for their inputs and support in making this edition of the White Book possible.

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EUROCHAM

CAMBODIA

The White Book 2024 is a collective expression of the views of EuroCham member companies on specific aspects of the business environment in Cambodia. The information and views put forward in this publication are solely intended to promote constructive dialogue and offer suggestions for the improvement of Cambodian-European business relations. EuroCham has made all efforts to ensure that the information contained in the White Book 2024 is accurate at press time to the best of our knowledge and belief. However, EuroCham does not assume and it hereby disclaims any liability or responsibility to any party for the contents of the White Book 2024 and or the outcome of any decision as a result of this publication.

White Book 2024

Business Policy Recommendations

EUROCHAM
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CAMBODIA

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Special acknowledgements for contributions to this publication therefore go to:



Methodology

The fourth edition of the White Book presents **78** policy recommendations intended to improve the business environment and regulatory framework in Cambodia.

We have developed these recommendations mostly through extensive consultations with EuroCham members participating in our 12 sectoral Advocacy Committees, each of which

represent a chapter of this publication. In addition, we have relied on interviews from sectoral experts to formulate specific recommendations which fall outside of the normal remit of EuroCham’s Advocacy but are nonetheless considered to be in the public interest.

Our intention is to serve as a constructive partner to the Royal Government of Cambodia and

other national authorities. Every White Book recommendation is based upon a real-life practical issue and suggests ad-hoc policy solutions that could be implemented by the relevant authorities within the short to medium term.

Our recommendations follow the format below.

Recommendation status

Indicates that a policy proposal has been either **RETAINED** or **UPDATED** from 2019, or it is a **NEW** proposal for 2024.

ISSUE DESCRIPTION

Details the present-day situation and how it affects the private sector.

IMPACT ON BUSINESS

Illustrates why it is in the interest of the Royal Government to address the issue.

2024 RECOMMENDATION

Presents specific actions that could improve the situation for all parties.

HEALTHCARE | Registrations and Renewals

48

Scheduling of Registration and Renewal Committee Sessions

RETAINED

ISSUE DESCRIPTION The decisions on medical product registrations and renewals take place during the Ministry of Health’s committee sessions. This committee receives all relevant documentation required from the applicant beforehand to be reviewed before making a decision on whether to approve a product’s application. As these meetings are a necessity for the approval process of all medical products in Cambodia, they are of the utmost importance for the functioning of the healthcare sector. While the Department has confirmed that the committee intends to meet five to six times per year, the compliant private sector believes that if the committee could meet with more frequency, Cambodia’s healthcare system could respond to the needs of patients more effectively as product applications would be processed more efficiently.

IMPACT ON BUSINESS Prolonged product registration and renewal processes make it more difficult for healthcare companies to do business in Cambodia and negatively impacts prospective investors’ perceptions of the market. More importantly, delays in product registration and renewal can prevent vital, life-saving medicines and equipment from entering the country. If the Ministry’s registration and renewal committee was able to commit to meeting more frequently than 6 times per year, it would enable healthcare companies to better coordinate their applications and help reduce the reoccurring product registration and renewal delays.

2024 RECOMMENDATION

✓ **Hold registration and renewal committee sessions at least once per month.**

While EuroCham recognises the difficulties involved in the coordination of multiple committee members, we would encourage the Ministry of Health to hold registration and renewal committee sessions more frequently than six times per year. We suggest meeting at least once per month, for a total of 12 meetings per year. While we expect that this decision would be dependent on the schedules of committee members, we feel that it would be most beneficial if the sessions could be held at least once per month to provide the greatest opportunity to process applications.

We also believe that if the schedule was set and published for the year ahead, committee members could accommodate their schedules according to these meetings, as they are of the utmost importance to patients in Cambodia. Through doing so, the Ministry would support the industry to bring more innovative and life-saving treatments to Cambodia more efficiently, thus improving the overall healthcare system and quality.

Message from the Chairman

Tassilo Brinzer

On behalf of EuroCham Cambodia, I am delighted to present the 2024 edition of our White Book, a set of trade and investment policy recommendations that have been collectively developed by our members, via 12 sectorial committees, for consideration by the Royal Government of Cambodia. For the first time, all recommendations and advocacy activities of EuroCham will also transparently be presented, followed and updated online via our newly developed “Advocacy Compass” on the EuroCham Cambodia website.

This updated publication is a methodical revision to provide realistic solutions developed by businesses and their on-the-ground expertise to overcome regulatory and structural barriers to make doing business in the Kingdom ever more attractive and efficient. We envisage that over the coming years, the reforms that we seek through this White Book will enhance the Cambodian business environment and drive greater flows of trade and investment towards the Kingdom.

As Cambodia continues to reinforce its position within an ever-turbulent global market, EuroCham Cambodia advocates for meaningful transformations to ensure the Kingdom remains attractive as an investment destination, and competitive as a manufacturing, tourism and service centre within a region that is growing strongly.

In August 2023, a new Cambodian Government with a rejuvenated leadership has taken office, and immediately presented a vision for a “Pentagonal Development Strategy”. EuroCham is offering, through

this set of recommendations as well as through its manifold, ongoing trade and investment initiatives throughout the year, our unconditional support for here mentioned reform, innovation and efficiency measures that ensure Cambodia grows healthily along its peers in the region.

This year's White Book contains 78 new, updated and retained policy recommendations across an expanded range of sectors, which sees the inclusion of our newest sectoral committee and corresponding chapter for the Garment industry. The expansion of our sectoral committees to 12 signals the business community's enthusiasm for closer collaboration with the Royal Government to overcome regulatory challenges. We have identified two important underlying themes that lie at the heart of our work accompanying the next legislature: the reduction of red tape in administration and governance to welcome and facilitate more and better international investment, and ongoing measures to support a level playing field for international and local companies.

Consistent and transparent enforcement of the Kingdom's legal framework, which seeks to recognise and encourage compliant practices, will make the economy stronger, more efficient, more flexible and ultimately more competitive within the regional and ASEAN framework. We believe that the adoption of our recommendations will ensure a more robust and dynamic economic activity and broader, more equal growth within the country.

Change through meaningful reforms is essential for Cambodia to navigate the new normal of disruptive geopolitical landscapes that threaten many developing economies and those in transition. Under these circumstances, it is EuroCham's hope that this White Book edition will again be welcomed by the Royal Government and all stakeholders in Cambodia's development.

EuroCham would like to express our sincere thanks to those that have contributed to the development of this White Book 2024. Without their knowledge, expertise and steadfast support of our advocacy programmes, this would not have been possible. A special thanks goes to Matthew Pocock and Joachim Dautais from the EuroCham team for putting this publication and its digital version together.

We once again invite all members of the Cambodian business community to take advantage of opportunities to have your voices heard by participating in the discussions and consultations that will follow on this release. We remain committed to supporting the compliant private sector and to working in partnership with the Royal Government to support its efforts for renewed, sustainable growth and prosperity of the Cambodian economy.



2024 Policy Recommendations

An overview of the proposals EuroCham members made for 2024.

CUSTOMS, TRANSPORT AND LOGISTICS

- | | |
|---------|---|
| Customs | <ol style="list-style-type: none">1. Continue simplifying Customs clearance procedures.2. Deepen the digitalisation of Customs procedures.3. Implement regulatory and operational measures to encourage pre-arrival processing.4. Expand coverage of the Cambodia National Single Window.5. Update the procedure through which the private sector can escalate issues and request decision reviews by the General Department of Customs and Excise. |
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|-------------------------|--|
| Transport and Logistics | <ol style="list-style-type: none">6. Publish and update a list of certified and/or authorised truck modification operators.7. Improve truck weighing stations.8. Increase road safety requirements in the trucking sector. |
|-------------------------|--|

TRADE POLICY

- | | |
|----------------------|--|
| Digital Trade Agenda | <ol style="list-style-type: none">9. Set a list of digital integration areas and plan for DEFA negotiations in consultation with the private sector. |
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|---------------------|---|
| RCEP Implementation | <ol style="list-style-type: none">10. Implement measures to maximise the potential of RCEP. |
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| Digital Services | <ol style="list-style-type: none">11. Facilitate the emergence of new service exports. |
|------------------|--|

AUTOMOTIVE

- | | |
|---------------------|--|
| Consumer Protection | <ol style="list-style-type: none">12. Ensure stronger enforcement of homologation regulations for all distributors.13. Provide authorised automotive distributors with selected data on vehicle registrations on a quarterly basis.14. Set restrictive requirements and other measures to encourage the use of new vehicles. |
|---------------------|--|
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- | | |
|-----------------|---|
| Taxation Policy | <ol style="list-style-type: none">15. Increase Customs value by 15% for personal-use vehicles.16. Promote fair competition through adjusted docket price tables. |
|-----------------|---|

AGRIBUSINESS

Food Safety	17. Reform the list of banned substances in animal production. 18. Enhance disease prevention measures among Cambodian poultry, livestock and the wider avian population.
Sustainable Production	19. Provide economic incentives for companies investing in training and technical assistance to farmers. 20. Create a framework for sustainable farming standards by employing relevant certification and financial schemes.
Labour Regulations	21. Reform labour regulations to accommodate the specific nature of agricultural work.
Contract Farming	22. Strengthen contract farming by including specific provisions in the draft upcoming law on Contract Farming.

DIGITAL AND TECHNOLOGY

Development of the Digital Economy	23. Prioritise the adoption of comprehensive data protection and privacy laws, taking inspiration from the EU GDPR and the Council of Europe's Convention 108+. 24. Implement mobile phone number portability and a broadband open access policy. 25. Promote greater engagement between training providers and the private sector to improve ICT courses and accreditations to address the skills gap.
Telecommunications	26. Continue to engage in substantive consultation with the private sector prior to the adoption of the telecommunications relicensing process and explore opportunities to incentivise investment in telecommunication infrastructure. 27. Restrict future auctions to the allocation of new spectrums and ensure that bidders are appropriately screened. 28. Prioritise the formulation and publishing of a 5G roadmap and policy, that set clear rules for the private sector's engagement in the spectrum allocation, commercialisation and management of 5G technology.
Cloud Computing	29. Adopt a cloud computing framework.

GREEN BUSINESS

Finalising the Environment and Natural Resources Code of Cambodia	30. Consult with the private sector to finalise the Environment and Natural Resources Code of Cambodia. 31. Ensure that the nationality requirement for Environmental Impact Assessment consultancies is not included in the final Environment and Natural Resources Code of Cambodia.
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Transition to a Green Economy	32. Implement an energy efficiency labelling scheme. 33. Introduce an EPR scheme in Cambodia. 34. Strengthen the provision of green loans and collaterals to Cambodian SMEs. 35. Develop fiscal and non-fiscal instruments to recognise, encourage and incentivise private sector initiatives to reduce, separate and recycle their waste.
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GARMENT

Sustainable Production	36. Allow additional measures for textile factories to offset their allowance of generable textile waste. 37. Introduce new measures for Cambodia’s solar rooftop regime.
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Health and Safety	38. Promote sexual harassment reduction measures in the workplace. 39. Establish a licencing regime to improve the road safety standards of collective transport vehicles for garment workers.
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Data Sharing	40. Promote better data sharing practices in the industry.
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HEALTHCARE

Access to Biological Products	41. Widen the acceptance of biological products to include those approved by the European Medicines Agency.
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Over-the-Counter Products	42. Align the eligibility criteria and processes involved to reclassify a prescription pharmaceutical product as an Over-the-Counter product in Cambodia with ASEAN practices.
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Restricting Unregistered Products	43. Protect consumers from the adverse effects of unregistered pharmaceutical products.
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Registrations and Renewals	44. Consult with the private sector to enhance the usability of CamPORS for product registrations. 45. Allow the collective registration of multiple medical devices under a family or category registration. 46. Clarify the guidelines that healthcare companies must follow to obtain approval from the Ministry of Health for their marketing activities. 47. Reinstate a channel for companies to obtain urgent import licences for medical products awaiting renewal or registration by adopting a formal application process with clear guidelines outlining eligibility. 48. Hold registration and renewal committee sessions at least once per month.
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FAST MOVING CONSUMER GOODS

Consumer Protection and
Commerce

49. Consult with the private sector to increase consumer protection in Cambodia.

REAL ESTATE AND CONSTRUCTION

Cadastral and Real Estate
Development

50. Prescribe a set of universal standards of measurement for the real estate industry.

51. Increase financial controls for residential development projects.

Land Management and Urban
Planning

52. Adopt clear zoning plans.

Modernising Residential Property
Regulations

53. Request the harmonisation of residential property regulations.

54. Enable private ownership of property parking spaces.

55. Create a mechanism to collect charges in co-owned buildings.

56. Create an applicable legal status for boards of regulators in co-owned buildings.

57. Establish a timeframe for the creation of boards of regulators in co-owned buildings.

58. Prioritise the digitalisation of the transfer process of immovable property by launching an online platform.

59. Consult with the private sector to ensure a practical set of building standards.

Construction

60. Adopt legislation to prohibit the use of asbestos in the construction sector.

TOURISM AND HOSPITALITY

National Heritage

61. Establish a public body for the conservation of Cambodia's heritage buildings.

Investment Policy

62. Set investment sites for special economic tourism zones, with a comprehensive package of financial and regulatory benefits for investors.

Human Resources

63. Create a working group on a minimum wage for the industry.

64. Clarify service charges' regime.

INVESTMENT AND TAX

Legal Review Mechanisms	<p>65. Ensure that future laws and regulations incorporate practical transitional provisions, and that new legal instruments are not applied to impose retroactive penalties for non-compliance.</p> <p>66. Create an independent review mechanism within relevant ministries and public bodies responsible for processing applications and approvals for private entities, and a Supreme Administrative Court.</p>
Development of New Laws	<p>67. Prioritise the adoption of a new Commercial Contracts Law.</p>
Protection of Intellectual Property Rights	<p>68. Introduce a pre-registration gazetting requirement for new trademark applications.</p> <p>69. Develop a more detailed legal framework to enable stronger provisional measures in the protection of intellectual property rights.</p> <p>70. Consult with the private sector to develop legal instruments to define specific remedies for Intellectual Property Rights infringement cases.</p> <p>71. Create a formalised Alternative Dispute Resolution process to address trademark rights infringement cases through relevant ministries.</p>
Development of Securities Regulatory Framework	<p>72. Recognise that Stamp Duty should not apply when a capital increase is completed disproportionately by one shareholder, as the holdings of the remaining shareholders have not changed ownership.</p>
Tax Formalisation Process	<p>73. Continue offering voluntary disclosure options to taxpayers for previous tax irregularities prior to an audit notification being issued.</p>

HUMAN RESOURCES

Employing Foreign Staff	<p>74. Replace the predefined contract template for foreign employees with a standardised online form containing the fundamental details of a formal employment contract.</p>
Apprenticeship Training Requirements	<p>75. Formally recognise suitable internship programmes as a viable alternative to an apprenticeship when assessing compliance with Prakas No.4.</p> <p>76. Request that the Ministry of Labour and Vocational Training establish a consultative body to involve the private sector in the planning and management of funds collected from the Apprenticeship Tax.</p> <p>77. Permit businesses to deduct reasonable training expenses used to meet the Labour Law's apprenticeship requirement, on a pro-rata basis from the applicable Apprenticeship Tax.</p>
Working Conditions	<p>78. Recalculate work overtime limits on a monthly rather than daily basis, setting a maximum amount of monthly working hours to 260.</p>

Business Policy Recommendations Cambodia, 2024

CUSTOMS, TRANSPORT AND LOGISTICS

CUSTOMS, TRANSPORT AND LOGISTICS

2019 WHITE BOOK

2019	Recommendation	Initiated	Status	Summary
Customs				
22	Simplified Customs Clearance Procedures	2019	New	Continue simplifying Customs clearance procedures.
23	Customs Modernisation	2016	Updated	Prioritise the implementation of a secure online payment system and expansion of online document capabilities to facilitate customs procedures more effectively.
New 2024 Recommendation	Digitalisation of Customs Procedures			Despite the adoption of ASYCUDA, the digitalisation of documentation procedures is currently incomplete. Indeed, in addition to the ASYCUDA platform, other Customs clearance systems are required to be filled.
New 2024 Recommendation	Pre-Arrival Processing			Pre-arrival processing (PAP) involves traders or businesses sending information about their shipments ahead of their arrival to the Customs authority of the destination country. A greater and more effective use of PAP—along with its intended benefits—relies on the availability of both physical infrastructure (e.g., ASYCUDA) and rules, procedures, and operations that enable its use. At the moment, there is a lack of both regulatory and operational frameworks for the GDCE to use PAP effectively.

2024 WHITE BOOK

Progress Made

Result

Status

2024 Recommendation Number

Cambodia made progress on Overall Performance on the World Bank's Logistics Performance Index in 2022, showing the effort of the Royal Government of Cambodia on the matter.

Eurocham acknowledges the progress made in the logistical sector and would like to encourage the Royal Government of Cambodia to continue its effort in simplifying Customs clearance procedures.

Updated

1

In the last four years, Cambodian Customs have modernised their infrastructure: the ASYCUDA platform has been installed and implemented, the GDCE is working relentlessly on its Pre-arrival processing agenda and the Cambodia National Window is being implemented.

The modernisation of Cambodian Customs is warmly welcomed by EuroCham as it will encourage higher levels of international trade. To be more specific, this recommendation has been split into three new ones, reflecting the areas of necessary intervention.

Split

The GDCE has made progress in implementing ASYCUDA and modernising its infrastructure, nevertheless there are still gaps in the digitalisation of document submission and processing.

EuroCham respectfully recommends to adopt measures to deepen the digitalisation of Customs procedures by streamlining several requirements.

New

2

The National Committee on Trade Facilitation, headed by the GDCE, has put together an Action Plan on National Trade Facilitation, which involves developing the country's PAP capacity by enhancing the electronic interlinkages between the Customs clearance systems of Cambodia and trader systems. The goal is to cut down processing time for Cambodia-bound shipments.

EuroCham respectfully recommends that the GDCE consider implementing a comprehensive regulatory and operational framework to encourage Pre-arrival processing.

New

3

2019 WHITE BOOK

New 2024
Recommendation Coverage of the
Cambodia National
Single Window

In 2019, the Ministry of Economy and Finance launched the Cambodia National Single Window with the vision of creating a comprehensive, online platform where traders could upload and process all documentation necessary for import and export procedures. The current challenge is how to ensure that improvements to business operations become even more substantial.

Transport and Logistics

24 Procedure for
Escalation of Issues

2017 **Updated**

Update the procedure through which the private sector can escalate issues and request decision reviews by the General Department of Customs and Excise.

New 2024
Recommendation Truck Modification
Operators

Transport vehicles in Cambodia are modified for a variety of reasons, such as to repair them after an accident, to make their trailers larger to accommodate more space for freight, or other ad-hoc changes. These can include changes to bodywork, suspension, and braking systems to make the fleet more suitable for operations on Cambodian roads.

However, several local trucking companies, motivated by the prospect of higher profit margins by increasing the goods transported on each trip, make unauthorised modifications to their trailers to increase the carrying load.

2024 WHITE BOOK

Currently in Phase 2, the Cambodia National Single Window has seen the onboarding of five key government bodies that issue licences, certificates, permits and others (LCPO's) according to Sub Decree No.17. Phase 3 will involve the onboarding of the 11 remaining government agencies laid out in Sub Decree No.17 by 2025, covering a total of around 1500 documents.

The Royal Government of Cambodia has made tremendous progress on the digitalisation of Customs. EuroCham respectfully recommends to expand the coverage of the Cambodia National Single Window.

New

4

While overall improvements in Customs processes can be observed, the current Procedure for Escalation of Issues is insufficient to handle Cambodia's rising levels of trade.

EuroCham retains its wish that the procedure through which the private sector can escalate issues and request decision reviews by the General Department of Customs and Excise be updated.

Retained

5

The Royal Government of Cambodia, through the Ministry of Public Works and Transport (MPWT), takes an interest in promoting road safety and higher standards in the trucking industry. Their main contribution is to conduct annual vehicle inspections on trucks. These inspections review the safety of the brakes, engine, lights, and other vehicle components but do not look into the nature of modifications that have been made to the vehicle.

EuroCham respectfully recommends that the MPWT, possibly through its Vehicle Inspection Department, publish and keep updated on their website a list of approved truck modification operators in Cambodia, complete with contact details. This will enable logistical companies to make more informed decisions on which contractors to rely upon for truck modifications.

New

6

2019 WHITE BOOK

New 2024
Recommendation

Truck Weighing
Stations

Articles 26 and 60 of the Road Traffic Law set a weight limit on trucks permitted on the road and establish a system of inspections through weighing stations located along the main Cambodian highways. Trucks weighing over 5 tons must pass through special weighing stations situated at various points along the road, at any time of the day or night. Reports suggest that trucks produce different results depending on which weighing station they are inspected at, raising questions about the calibration and harmonisation of measurements across the country's weighing stations.

New 2024
Recommendation

Truck Safety

The majority of trucks in the country's fleet are old and unsafe. According to some estimates, up to 80% of trucks in Cambodia are over 10 years old. Due to their age, the condition of some vehicles can be poor, with some lacking basic safety features such as seatbelts and airbags, let alone more modern systems common in other countries such as GPS tracking or dash cams. Inadequate maintenance and illegal modifications are other issues concerning the vehicles.

2024 WHITE BOOK

There are approximately 30 weighing stations located on Cambodia's roads, placed outside cities at regular intervals. For example, there are reportedly three weighing stations on the road from Sihanoukville to Phnom Penh, a major logistical artery. At these stations, Cambodian officials weigh the trucks and cross-check the weight with the maximum allowance, which is 40 tons. If a vehicle is found to be non-compliant, it is either given a warning for the first reported infringement, or fined based on the percentage of the load that is overweight. The fines reportedly range from a few dozen to hundreds of dollars.

EuroCham respectfully recommends that the MPWT, possibly through its Vehicle Inspection Department:

New

7

- Allow for the issuing of invoices at weighing stations whenever trucks are found overweight. Invoices should state the amount of overweight and an identification number for the issuing station/official;
- Review calibration processes across weigh stations to ensure harmonised results when weighing vehicles.

Besides contributing with stricter road safety legislation and conducting more overall road inspections, the Royal Government of Cambodia (RGC) has also taken an interest in increasing the safety in the trucking sector. The Ministry of Public Works and Transport has promised more vehicle inspections and put in a new requirement to obtain driving licences. Those licenced after 2019 now need to undergo, as part of the procedure, a 2-week training course at the ministry's Heavy Vehicle Driver Training Centre.

We therefore call for the MPWT to increase the safety requirements for trucking companies.

New

8

Simplified Customs Clearance Procedures

UPDATED

ISSUE DESCRIPTION

The acceleration of international trade and Cambodia's integration into global supply chains have been fundamental drivers in the Kingdom's continued economic expansion, with an impressive average annual GDP growth of 7% between 2009 and 2019. Post-COVID-19, the economy has continued to grow, by 5.2% in 2022. The surge in cross-border trade has placed increasing demands on the resources of the General Department of Customs and Excise (GDCE), due to the complexity of Customs procedures required to facilitate the transfer of goods in and out of the country.

World Customs Organisation (WCO) guidelines suggest that Customs authorities categorise incoming shipments into the following categories for clearance purposes: documents/correspondence, De Minimis, low-value, and high-value consignments. Each of these categories has different documentation requirements. Although we recognise the Royal Government of Cambodia's energetic efforts in speeding up Customs processing times, including by formally adopting these guidelines, we have reports from our members in the logistics sector, of such guidelines not being implemented by officials at border crossings.

Reportedly, these officials are not distinguishing between different types of cargo, value, size, or expedited shipping services for international consignments, other than for shipments under the declared value of USD 50, following the successful implementation of the De Minimis regime in 2018. This means that the level of documentation required by officials to process and release goods is the same for any weight and value above USD 50, e.g. three document sets for master airway bill, house airway bill, invoice and packing list, business registration, value-added tax (VAT) certificate, and a letter of authorisation.

The lack of practical differentiation between types of shipments for Customs clearance raises questions concerning the efficient cross-border movement of goods. Smaller and lower-valued shipments—typical for e-commerce users, for example—are expected to receive the same level of scrutiny from Customs as higher-value shipments, despite their risk being lower. This causes particular issues for consignments sent via express or airfreight, as segregation for these services is similarly unavailable, often resulting in a delayed release as clearance cannot be expedited and companies must submit the same lengthy documentation as other forms of shipping.

Cambodia's current challenges in processing times are reflected in the country's international logistical rankings. The World Bank's 2022 Logistics Performance Index (value from 1 to 5, with 5 being the highest) saw Cambodia lag behind Thailand, Vietnam and Lao PDR on two key indicators: "Efficiency of Customs clearance processes" and "Frequency with which shipments reach the consignee within scheduled or expected time", with scores of 2.2 and 2.7, respectively. The country fared slightly better on Overall Performance, still behind Thailand and Vietnam but tied with Lao PDR at 2.4. In addition, a 2018 estimate indicated logistics costs over sales in Cambodia at 20.5% in 2018, higher than Thailand and Vietnam.

Simplified customs clearance procedures are important for ensuring the efficient and timely movement of goods in and out of Cambodia.

The lack of simplified customs clearance procedures in Cambodia can have several detrimental impacts on the logistics and trade industry. Firstly, it can result in increased delays for shipments, which can have a cascading effect on the entire supply chain, leading to lost sales, decreased customer satisfaction, and increased inventory holding costs.

Secondly, the lack of simplified Customs clearance procedures can increase logistical costs for businesses. This is because customs Clearance procedures often involve complex documentation and lengthy bureaucratic processes, which can result in additional fees and charges for businesses. These costs can ultimately be passed on to consumers, leading to increased prices for goods and services.

Thirdly, the lack of simplified Customs clearance procedures can result in reduced revenue for Customs. This is because delays and inefficiencies in the Customs clearance process can result in reduced volumes of goods being cleared, leading to a decrease in Customs revenue.

Lastly, the lack of simplified Customs clearance procedures can reduce overall business competitiveness in Cambodia. This is because it can deter foreign investment, limit export opportunities, and make it more difficult for businesses to operate efficiently in the country. In today’s globalised economy, businesses need to operate efficiently and effectively to remain competitive, and the lack of simplified customs clearance procedures can hinder this.

✓ **Continue simplifying Customs clearance procedures.**

**2024
RECOMMENDATION**

Whilst acknowledging the Royal Government of Cambodia’s efforts in speeding up Customs procedures, we would respectfully recommend that it continue engaging in tackling the remaining bottlenecks, by:

- considering the promulgation of a Prakas specifically dealing with express clearances. The Prakas would recognise the unique nature of express goods and the need for them to be treated differently from general cargo for Customs purposes, as enunciated for example in the WCO Immediate Release Guidelines;
- separating procedures for returned good consignments (for example, those deriving from e-commerce) from general cargo and simplifying said procedures, in recognition of their different nature from general cargo, particularly the temporary nature of storage in Customs bonded facilities;

- _ increasing the De Minimis shipment threshold to a value between USD 300 and 500;
- _ streamlining processing and approval steps for high-value clearance shipments.

Simplifying Customs clearance procedures in Cambodia can help the overall business environment by reducing the time and cost of importing goods, increasing trade, and improving the competitiveness of Cambodian businesses.

Digitalisation of Customs Procedures

NEW

The Royal Government of Cambodia (RGC) has pledged to the World Trade Organisation to implement trade facilitation agreements to improve the ease of trading in the country, including reducing the time and cost for traders or businesses to handle import and export procedures. A key issue for businesses is the time spent printing, signing, and processing paper-based documents for Customs clearance, often requiring them to visit multiple departments and offices and submit multiple copies of the same documents.

ISSUE DESCRIPTION

As a member of the National Committee on Trade Facilitation and the agency responsible for handling import/export procedures at the border, the General Department of Customs and Excise (GDCE) has promoted the modernisation of its infrastructure through its Customs Reform and Modernisation Strategy (2019-2023). As part of this strategy, the GDCE has also expanded the use of ASYCUDA, an electronic Customs clearance system developed by UNCTAD and adopted by the GDCE in 2015. ASYCUDA allows GDCE officials to upload and process export and import documents in digital format submitted by traders.

As of April 2023, ASYCUDA had been installed and implemented at 95 Customs and Excise offices, with 17 functions and modules that can process documents, such as automated Customs declarations or air and cargo manifests. The roll out of the software at Cambodia's border crossings was intended to speed up the digitalisation of document submission and reduce document processing time for both traders and GDCE officials.

However, despite the adoption of ASYCUDA, the digitalisation of documentation procedures is currently incomplete. This is firstly due to the GDCE using another Customs clearance system in conjunction with ASYCUDA, called the Customs Valuation Declaration System (CVDS). Traders need to obtain a paper-based approval from the CVDS before submitting an electronic declaration on ASYCUDA. Secondly, the GDCE's internal operational procedures have not been updated to reflect the de jure shift from paper to paperless documentation submission and processing.

Traders and other workers involved in moving goods across the border still report being asked to follow paper-based procedures. For example, Customs brokers – who handle Customs clearance processes on behalf of traders – state that they are still required to print, sign, and submit paper copies of the Single Administrative Document (SAD) to Customs. The SAD is a key document that was intended to be simplified and processed significantly faster through digital uploading and processing by ASYCUDA. Moreover, Customs officials are still required to vet the authenticity of the document in person – a process known as “consignee physical endorsement” – rather than relying on authentication software. Other examples include traders having to process documents through both ASYCUDA and CVDS, or having to pay warehouse fees separately from duties and taxes.

In conclusion, while the GDCE has made progress in implementing ASYCUDA and modernising its Customs infrastructure, there are still gaps in the digitalisation of document submission and processing.

IMPACT ON BUSINESS

Despite the GDCE embracing digitalisation of Customs clearance processes, the currently incomplete state of said digitalisation brings with it two significant risks.

Firstly, it can lead to delays and inefficiencies in Customs clearance, increasing the cost of doing business and reducing the country’s competitiveness in the global market. This can result in a decrease in trade and investment, hindering the country’s economic development.

Secondly, incomplete digitalisation can limit the potential for revenue collection, as manual procedures are less efficient in detecting undervaluation, misclassification, and other Customs violations from users.

**2024
RECOMMENDATION**

✓ **Deepen the digitalisation of Customs procedures.**

We therefore respectfully recommend that the GDCE deepen the digitalisation of Customs procedures, by streamlining the following requirements:

- Eliminating the requirement for “consignee physical endorsement” of paperwork for all shipments before declaration; we recommend that the GDCE also adopt the use of electronic notifications to inform traders whether they need further clarification on the shipment or need to submit additional documentation;
- Ensuring consignee authorisation letters to be made online and to allow blanket approval;
- Streamlining and combining CVDS with ASYCUDA into the declaration process, without the need for double submission;
- Allowing ASYCUDA to be the primary Customs tool for processing, assessment and release, with no manual paperwork and approvals;
- Ensuring payment of warehouse fees is combined and linked with payment of duties and taxes online;
- Ensuring Customs warehouse releases of goods are linked to ASYCUDA without the need for manual paperwork.

Relatedly, the Royal Government of Cambodia can also consider accelerating the ratification of the UNESCAP Framework Agreement on Paperless Trading, to which it is signatory.

The adoption of digital procedures for Customs clearance in Cambodia is expected to bring several benefits to the economy. It can reduce the time and cost of Customs clearance, increase efficiency and transparency, and improve the country's competitiveness in the global market. The digitalisation of Customs procedures can also help increase revenue collection, providing additional resources for government investment in public goods and services. Overall, the adoption of digital procedures for Customs clearance can contribute to the modernisation and development of the Cambodian economy.

Pre-Arrival Processing

NEW

ISSUE DESCRIPTION Pre-arrival processing (PAP) involves traders or businesses sending information about their shipments ahead of their arrival to the Customs authority of the destination country. This allows the Customs officials to assess which shipments can be released directly upon arrival and which ones must be inspected. The transfer of information regarding each shipment is done electronically between Customs and the trade data provider.

As part of its commitments to improve trading conditions under the WTO Trade Facilitation Agreement (TFA), the Royal Government of Cambodia (RGC) is attempting to implement PAP of shipment data through the relevant authority, the General Department of Customs and Excise (GDCE).

The National Committee on Trade Facilitation, headed by the GDCE, has put together an Action Plan on National Trade Facilitation, which involves developing the country's PAP capacity by enhancing the electronic interlinkages between the Customs clearance systems of Cambodia and trader systems. The goal is to cut down processing time for Cambodia-bound shipments.

Currently, PAP in Cambodia is not widely implemented and only certain types of traders are entitled to its benefits. This includes, for example, 40 businesses that were awarded by the GDCE the status of "Best Traders" due to their merits in complying with regulations.

The GDCE is also partnering with development organisations and projects to help support its PAP agenda. For example, it is collaborating with the European Union and German partners to strengthen capacity for PAP of sea and express consignments, while doing the same with Swiss partners on postal consignments. These collaborations involve allowing trade data providers to submit electronic cargo information pre-arrival to the GDCE via the newly-developed ASEHUB platform.

Despite these initiatives, however, there are still challenges in Cambodia related to the relatively slow processing times for goods' declarations, particularly those arriving by sea or land. Most of the time, the GDCE is processing declarations at the moment of or after the goods' arrival. This raises the question of what should be done to ensure the GDCE fully realises the potential of PAP.

A greater and more effective use of PAP—along with its intended benefits—relies on the availability of both physical infrastructure (e.g., ASYCUDA) and rules, procedures, and operations that enable its use. At the moment, there is a lack of both regulatory and operational frameworks for the GDCE to use PAP effectively. This could be partly due to concerns from the part of businesses and government officials that the use of electronic systems compromises the security of confidential information that is normally exchanged in Customs clearance processes, such as personal signatures and details about company operations or shipments.

The limited adoption of PAP of imported goods' declarations into Cambodia can pose significant risks to the country's Customs system. Firstly, it can lead to delays and inefficiencies in Customs clearance, increasing the cost of doing business and reducing the country's competitiveness in the global market. This can result in a decrease in trade and investment, hindering the country's economic development. Secondly, the manual processing of Customs declarations can limit the potential for revenue collection, as manual procedures are less efficient in detecting undervaluation, misclassification, and other Customs violations from users. Thirdly, a lack of pre-arrival processing can limit the government's ability to monitor and regulate trade flows effectively, hindering its ability to detect and prevent the entry of illegal goods and activities.

✓ **Implement regulatory and operational measures to encourage pre-arrival processing.**

**2024
RECOMMENDATION**

Although we recognise the potential concerns over deeper implementation of electronic data exchanges between Customs and traders regarding the exposure of confidential information, we believe that current technologies allow said data to be exchanged safely, provided appropriate operating procedures and risk management frameworks are put in place.

We therefore respectfully recommend that the GDCE consider implementing a comprehensive regulatory and operational framework to encourage PAP. This framework should include clear rules and procedures for the submission and processing of pre-arrival information, mainstreaming of e-signatures and e-documents into Customs procedures, as well as measures to ensure the security of confidential information. The GDCE should also work to raise awareness on PAP among businesses and government officials, and to address any remaining concerns about the security of electronic systems.

By enabling a greater use of e-signatures and e-documents in pre-arrival processing, incoming shipments to Cambodia will be cleared into the country faster, reducing congestion at border points. This in turn will benefit businesses by cutting operating costs, thus encouraging greater trade flows and allowing the GDCE to collect more revenue.

Encouraging PAP will also speed up Cambodia's achievement of its objectives under the WTO TFA and facilitate its regional and international trade integration.

Coverage of the Cambodia National Single Window

NEW

ISSUE DESCRIPTION As part of its commitments to the World Trade Organisation (WTO) and the Association of Southeast Asian Nations (ASEAN), the Royal Government of Cambodia (RGC) aims to enhance the move towards greater digitalisation of trade documentation.

In 2019, the Ministry of Economy and Finance launched the Cambodia National Single Window (CNSW) with the vision of creating a comprehensive, online platform where traders could upload and process all documentation necessary for import and export procedures. This would involve onboarding all of Cambodia's ministries and other government agencies involved in the issuing and processing of said documentation, such as phytosanitary certificates or certificates of origin. This would also increase the scope of Cambodia's e-government.

The roll out of the CNSW is meant to go through three gradually increasing phases, from set up to full implementation.

Currently in Phase 2, the CNSW has seen the onboarding of five key government bodies that issue licences, certificates, permits and others (LCPOs), according to Sub Decree No.17 from 2020: the Ministry of Health, the Ministry of Agriculture, Forestry and Fisheries, the Council for the Development of Cambodia, the Ministry of Commerce, and the Ministry of Science, Industry and Innovation.

However, in terms of service delivery coverage, the use of CNSW is still limited to prohibited and restricted goods, leaving out other key trade documents such as cargo manifests and arrival reports. The CNSW has also been connected via a gateway mechanism for data exchange with other electronic platforms used by trade stakeholders: Customs document uploading and submission portal ASYCUDA, the ASEAN Single Window, airlines and carriers to receive cargo manifest information, and banks for service charges. Importantly, e-signatures are still not currently implemented.

Finally, despite the onboarding efforts regarding other government agencies (OGAs), the CNSW is still used predominantly by the General Department of Customs and Excise (GDCE), with the vast majority of LPCOs on the platform being issued by this body.

Consultations with the private sector suggest that use of the CNSW is still limited mostly due to the inability to upload key trade documentations such as cargo manifests on the platform, but also due to occasional difficulties in using the system. Despite the meaning of a "Single Window", businesses need to use multiple platforms to process their shipments in and out of the country.

Phase 3 will involve the onboarding of the 11 remaining government agencies laid out in Sub Decree No.17 by 2025, covering a total of around 1,500 relevant documents.

We warmly welcome the progress that has been made by the RGC in implementing the CNSW. However, the current challenge is how to ensure that improvements to business operations become even more substantial rather than superficial.

The two key challenges are: firstly, to ensure that the onboarding of the remaining line ministries and agencies is accompanied by an effective adoption of electronic document submission practices by government officials in these bodies; secondly, to listen to the feedback of the CNSW’s users on suggested improvements for its usability and put in place a workstream to follow through with those improvements.

Without an effective CNSW onboarding, businesses still face duplication and high costs for processing trade-related documents. Moreover, user difficulties with the CNSW might discourage them from adopting it as their go-to channel for processing documents. Ultimately, an incomplete roll out of the CNSW carries with it the risk of preventing Cambodian businesses from taking full advantage of digital tools and hampering the country’s trade integration agenda.

✓

Expand coverage of the Cambodia National Single Window.

**2024
RECOMMENDATION**

In light of these challenges, we respectfully recommend that the Royal Government of Cambodia:

- Complete the onboarding of remaining ministries and agencies onto the CNSW and implement effective measures (such as special operating procedures) to ensure officials in each of these bodies fully take advantage of the opportunity to transfer their share of trade documentation processing and submission onto the CNSW; we also recommend that the RGC implement the use of electronic signatures on the CNSW;
- Expand the coverage of LPCOs on the platform to include not only prohibited and restricted goods but also key trading documents such as cargo manifests;
- Consider engaging in constructive dialogue with a representation of CNSW users from the private sector to listen to feedback on the usability of the platform and discuss ways to enhance its usability.

By ensuring a complete and substantive roll out of the CNSW, businesses will be able to upload and process a larger share of trading documents electronically, saving them the need to visit several different locations in person and doing away with printing and other paper-based procedures. The fact that the submission platform is consolidated across all documents also saves time. Cambodia will become more attractive to traders and will ultimately benefit from enhanced trade flows and more trade integration.

Procedure for Escalation of Issues

RETAINED

ISSUE DESCRIPTION The General Department of Customs and Excise has a Public Relations Unit which is generally very active and responsive, and we are appreciative that the Department has been helpful in addressing specific issues raised by EuroCham. This being the case, our members have raised concerns with the existing procedure to escalate issues relating to Customs officials or to request a Customs determination review.

Article 24 of Chapter 3 of the Law on Customs that was promulgated in 2007, states that any person dissatisfied with the determination of a tariff classification, origin or Customs value by a Customs official may object, by writing to the Director General within 30 days of receiving the Customs notification. Following which, the Director General shall make a decision regarding the objection within 60 days, otherwise the appeal will be deemed as accepted. If a decision is made by the Director General, this can also be objected by filing a written appeal to the Customs Tariff Committee, after which any further appeals must be made to a court within 30 days of the Committee’s decision.

While this process may have been appropriate for the earlier needs of the economy, as Cambodia’s trade volume has risen dramatically, as well as the number of businesses operating, it is likely that this process is now inefficient to manage the increased frequency of requests and reviews. Accordingly, businesses, particularly small and medium enterprises, require a more efficient and effective method to escalate issues that they encounter while engaging with Customs officials and to request a determination review.

IMPACT ON BUSINESS The process for escalating issues encountered with Customs has not adapted to the needs of Cambodia’s current level of economic activity, and is therefore creating a feeling of insecurity for businesses, as they consider their right to appeal decisions made by Customs officials to be limited.

✓ **Update the procedure through which the private sector can escalate issues and request decision reviews by the General Department of Customs and Excise.**

**2024
RECOMMENDATION**

We respectfully encourage the General Department of Customs and Excise to update the procedure through which businesses can escalate issues and request a systematic review of a decision made by Customs officials. This procedure should be conducive to the economic growth trajectory of Cambodia and the complexity of its economic activities to ensure it can manage an increasing volume of requests efficiently and effectively. Furthermore, the procedure should be widely disseminated among Customs officials and the private sector to raise the awareness of this process and enhance investor confidence.

To enable an improved recourse would enhance the confidence of current and prospective investors in Cambodia, and would help to ensure that the Kingdom's laws and regulations are applied fairly and consistently across all businesses and in all circumstances.

Truck Modification Operators

NEW

ISSUE DESCRIPTION Cambodia has experienced a significant rise in international trade volumes, reaching USD 52 billion in 2022, up 9% from 2021. Connected to this growth is the rise of the country's logistical and freight forwarding sector. Most of the country's goods are moved by land, through trucks. Most logistical companies are small-scale, with a few major international companies. The majority of Cambodia's trucking fleet consists of imported, used vehicles, usually from Korea, the United States, and Japan. Despite sizeable increases in average income levels and consumer spending, the picture of the country's trucking sector has remained largely unchanged, with little in terms of fleet or process modernisation.

Transport vehicles in Cambodia are modified for a variety of reasons, such as to repair them after an accident, to make their trailers larger to accommodate more space for freight, or other ad-hoc changes. These can include changes to bodywork, suspension, and braking systems to make the fleet more suitable for operations on Cambodian roads.

However, several local trucking companies, motivated by the prospect of higher profit margins by increasing the goods transported on each trip, make unauthorised modifications to their trailers to increase the carrying load. These modifications are often done informally, in improvised garages, and carried out by unsupervised personnel with little or no technical knowledge in trucking, road engineering, or vehicle maintenance. This lack of knowledge means that truck modifications are done with little or no adherence to official guidelines and instructions, leading to significant risks to both engine performance and road safety.

Widespread truck modifications in Cambodia are being carried out without any formal approval or certification. While the Royal Government of Cambodia, through the Ministry of Public Works and Transport (MPWT), takes an interest in promoting road safety and higher standards in the trucking industry, their main contribution is to conduct annual vehicle inspections on trucks. These inspections review the safety of the brakes, engine, lights, and other vehicle components but do not look into the nature of modifications that have been made to the vehicle. This lack of oversight poses significant dangers to road safety and the trucking industry in Cambodia.

IMPACT ON BUSINESS The informal nature of truck modifications in Cambodia poses serious risks to various stakeholders in the country's trucking sector. Firstly, these modifications can compromise the safety of the vehicle, making it more prone to accidents and breakdowns. Such modifications can also lead to overloading of the vehicle, increasing the risk of accidents and damage to roads and bridges. Overloaded trucks can also cause significant damage to the roads and bridges, leading to costly repairs and maintenance.

Secondly, these modifications harm fair competition as they undercut compliant businesses' efforts to maintain the safety and reliability of their trucking fleet by allowing unscrupulous competitors to save costs and cut corners at the expense of collective safety. A secondary

impact on the business environment is the higher resulting insurance premiums paid by the collective due to the more unsafe conditions of the country's trucking fleet.

Finally, these modifications discourage businesses from investing in upgrading their fleet of transport vehicles to newer, safer, and more environmentally-friendly vehicles, representing a lost opportunity for stakeholders and the wider public alike. The lack of investment in modernising the fleet can also lead to higher operating costs in terms of maintenance, fuel consumption, and inefficiencies in delivery schedules.

✓ **Publish and update a list of certified and/or authorised truck modification operators.**

**2024
RECOMMENDATION**

We respectfully recommend that the MPWT, possibly through its Vehicle Inspection Department, publish and keep updated on their website a list of approved truck modification operators in Cambodia, complete with contact details. This will enable logistical companies to make more informed decisions on which contractors to rely upon for truck modifications.

Ultimately, this availability will have four key benefits. Firstly, it will make Cambodian roads safer by establishing a clear line of compliance between authorised and unauthorised truck modification operators. Law enforcement officials conducting vehicle inspections will have a clear way to assess the suitability of truck modifications for Cambodian roads.

Secondly, it will make economic competition between logistical operators fairer as they will all now be equally incentivised to make their truck modifications conform to what is legally permitted.

Thirdly, it will also help logistical companies to insure their vehicles and further contribute to making roads safer in Cambodia.

Finally, it will increase the economic competitiveness of Cambodian logistical companies as they will now have a clear and safe incentive to make modifications to their trucks to increase their profit margins when carrying goods. In other countries such as the USA, Australia, and Thailand, certifications on truck modifications mean that trucks with adaptations to axles and other components can carry on operating with higher weight. Some countries, such as Australia, have even published official guidelines on how to carry out modifications to various truck components.

Overall, the publication of a list of approved truck modification operators in Cambodia will have significant positive impacts on road safety and fair competition, and will also contribute to the economic competitiveness of the country's logistical sector.

Truck Weighing Stations

NEW

ISSUE DESCRIPTION Overweight and overloaded trucks pose a hazard to roads, other drivers, and pedestrians in Cambodia. The country’s regulations, specifically Articles 26 and 60 of the Road Traffic Law, set a weight limit on trucks permitted on the road and establish a system of inspections through weighing stations located along the main Cambodian highways. Trucks weighing over 5 tons must pass through special weighing stations situated at various points along the road, at any time of the day or night.

There are approximately 30 weighing stations located on Cambodia’s roads, placed outside cities at regular intervals. For example, there are reportedly three weighing stations on the road from Sihanoukville to Phnom Penh, a major logistical artery. At these stations, Cambodian officials weigh the trucks and cross-check the weight with the maximum allowance, which is 40 tons. If a vehicle is found to be non-compliant, it is either given a warning for the first reported infringement, or fined based on the percentage of the load that is overweight. The fines reportedly range from a few dozen to hundreds of dollars.

In theory, the same vehicle should produce the same weight measurement if weighed on more than one weighing station. However, reports suggest that trucks produce different results depending on which weighing station they are inspected at, raising questions about the calibration and harmonisation of measurements across the country’s weighing stations.

IMPACT ON BUSINESS The lack of harmonised measurements at Cambodian truck weighing stations can have several negative impacts on the country. Firstly, it can lead to inconsistencies in enforcing weight limits on trucks, resulting in overloaded trucks on the roads. Overloaded trucks can cause significant damage to the roads and bridges, leading to costly repairs and maintenance. These trucks also pose a risk to road safety, increasing the likelihood of accidents and damage to other vehicles.

Secondly, the lack of harmonisation can harm fair competition as it allows unscrupulous businesses to cut corners and save costs by overloading their trucks. This can undercut compliant businesses’ efforts to maintain the safety and reliability of their trucking fleet and harm the overall competitiveness of the industry.

Finally, it can result in higher costs for the trucking industry. Inconsistent measurements can lead to disputes between trucking companies and authorities over the weight of their vehicles, resulting in delays, fines, and higher insurance premiums.



Improve truck weighing stations.

**2024
RECOMMENDATION**

We therefore respectfully recommend that the MPWT, possibly through its Vehicle Inspection Department:

- Allow for the issuing of invoices at weighing stations whenever trucks are found overweight. Invoices should state the amount of overweight and an identification number for the issuing station/official;
- Review calibration processes across weigh stations to ensure harmonised results when weighing vehicles.

Harmonisation of measurements at Cambodian truck weighing stations is essential to ensure fair competition, road safety, and the overall economic and environmental sustainability of the country. Compliance with weight limits can help maintain the safety and reliability of trucking fleets and improve the overall competitiveness of the industry. It can help improve road safety and reduce the cost of repairs and maintenance. It can result in cost savings for the industry and improve its economic sustainability.

Truck Safety

NEW

ISSUE DESCRIPTION Cambodia’s trucking fleet is diverse and consists of a range of vehicles, from small pickup trucks to large commercial trucks. The country’s trucking industry is an essential part of its economy, transporting goods across the country and to neighbouring countries.

The majority of trucks in the country’s fleet are old and unsafe. According to some estimates, up to 80% of trucks in Cambodia are over 10 years old. Due to their age, the condition of some vehicles can be poor, with some lacking basic safety features such as seatbelts and airbags, let alone more modern systems common in other countries such as GPS tracking or dash cams. Inadequate maintenance and illegal modifications are other issues concerning the vehicles.

Driving behaviour is also unsafe in Cambodia, with the National Road Safety Committee calculating, over the first 6 months of 2023 alone, a total of 1,548 road accidents nationwide, with 2,072 injuries and 756 fatalities. A large share of these accidents is thought to be caused primarily by the “big four” (drinking, speeding, ignoring traffic rules and use of mobile phones while driving) unsafe driving behaviours. Although there is no recent detailed breakdown of road accident statistics involving trucks in Cambodia, we can assume these behaviours are rampant among truck drivers too. Unsafe trucks bring an added hazard to others compared to other vehicles given their larger size, more difficult controllability, and potential to cause wider harm. Truck drivers do receive training before getting their licence, but it does not cover many common safety-related areas common in other countries’ curricula (such as crash-and-spill response).

Besides contributing with stricter road safety legislation and conducting more overall road inspections, the Royal Government of Cambodia (RGC) has also taken an interest in increasing the safety in the trucking sector. The Ministry of Public Works and Transport has promised more vehicle inspections and put in a new requirement to obtain driving licences. Those licenced after 2019 now need to undergo, as part of the procedure, a 2-week training course at the ministry’s Heavy Vehicle Driver Training Centre. This centre offers theoretical and practical courses for commercial vehicle drivers in Cambodia; it is reportedly well run, but feedback suggests marketing and promotion of its courses could be enhanced to reach a wider audience among truck drivers.

IMPACT ON BUSINESS The lack of stricter safety requirements in Cambodia’s trucking sector is contributing to the country’s still relatively high road accident rates, as it doesn’t discourage unsafe practices among trucking drivers and vehicles to a sufficient level. This is putting the lives of drivers, passengers, and pedestrians at risk.

It also risks tarnishing the RGC’s energetic efforts to improve road safety cross the country.



Increase road safety requirements in the trucking sector.

**2024
RECOMMENDATION**

We therefore call for the MPWT to increase the safety requirements for trucking companies, through provisions such as:

- Considering setting mandatory use of GPS and dash cam systems on trucks;
- Considering the expansion of the course offer at the Heavy Vehicle Driver Training Centre to offer more specialised training for truck drivers (examples: fatigue management, driving at night, defensive driving, crash and spill response, emergency response); also consider expanding outreach activities among the Cambodian truck driver community;
- Setting regular mandatory medical check-ups (example, every 5 years) and making the renewals of driving licences pending on the results of such check-ups.

GPS and dashcam use can increase the safety and security of drivers and cargo. Strengthening medical checkups on truck drivers can help identify and prevent health issues that could impact their ability to drive safely. Overall, these measures can improve the safety and efficiency of Cambodia's trucking industry and reduce the risk of accidents, delays, and damage to the roads and bridges.

TRADE POLICY

TRADE POLICY

2019 WHITE BOOK

2019	Recommendation	Initiated	Status	Summary
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Digital Trade Agenda

New 2024 Recommendation	ASEAN Digital Trade Agenda			ASEAN is currently in the scoping phase of DEFA negotiations; a study has been commissioned to identify areas to be included in the agreement, and it is expected to be completed in 2023. It is assumed that each ASEAN country, including Cambodia, is currently providing their inputs on the list of coverage areas.
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RCEP Implementation

New 2024 Recommendation	RCEP Commitments			<p>The RGC needs to implement an alternative trade agenda that can absorb the expected loss of trade preferences in key export markets.</p> <p>Focusing on the most immediate opportunities, Cambodia has signed the RCEP but has still to implement most of its commitments under the agreement. It also needs to negotiate pre-emptively with alternative markets (such as China) to ensure non-tariff barriers are removed as much as possible to facilitate the entrance of Cambodian products.</p>
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Digital Services

New 2024 Recommendation	Service Exports			For Cambodia, the signing of RCEP and the greater adoption of negative lists in regional trade negotiations shift opens up major opportunities in the development of further liberalisation of services, specifically the export of digital services from Cambodia, in areas where the country holds competitive advantages.
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2024 WHITE BOOK

Progress Made

Result

Status

2024 Recommendation Number

As an ASEAN member, Cambodia has a significant opportunity to contribute to the formulation of ASEAN's digital integration agenda by putting forward topics to be included in future DEFA negotiations.

Set a list of digital integration areas and plan for DEFA negotiations in consultation with the private sector.

New

9

The absence of an alternative trade negotiation agenda to one relying on preferential trading schemes to carry the export economy seriously risks undermining Cambodia's current high levels of economic growth and development. Having no comprehensive trading alternative once Cambodia becomes a middle-income country, risks suddenly making a significant share of the country's export industries uncompetitive as suppliers of products such as garment and footwear.

Implement measures to maximise the potential of RCEP.

New

10

If Cambodia fails to diversify its exports into services, it may miss out on several potential benefits, including greater insulation from global market shocks, greater job creation, and more equitable development outcomes.

Facilitate the emergence of new service exports.

New

11

ASEAN Digital Trade Agenda

NEW

ISSUE DESCRIPTION Digital trade refers to the exchange of goods and services through digital technologies such as e-commerce platforms, social media, or mobile applications. It includes transactions such as online purchases, digital payments, cloud computing, and cross-border data flows. Digital trade is on the rise across ASEAN, with the total value expected to grow to USD 1 trillion by 2030.

Recognizing the importance of putting in place strategic frameworks to foster digital trade, particularly as the world recovers from the COVID-19 pandemic, ASEAN countries, including Cambodia, have signed numerous agreements enhancing the facilitation of intra-regional digital integration, including the ASEAN Digital Integration Framework Action Plan 2019-2025, the ASEAN Digital Master Plan 2025, and the ASEAN E-Commerce Agreement and Workplan.

The Bandar Seri Begawan Roadmap sets out the plans for future intra-ASEAN negotiations on digital integration. 2025 is earmarked for the start of negotiations among member countries for a new Digital Economy Framework Agreement (DEFA). Inspired by Singapore’s successful examples of implementing digital-specific trade agreement provisions to foster digital integration, DEFA promises to offer ASEAN countries a blueprint for future digital chapters of intra-regional and international trade agreements.

Until 2025, each ASEAN country is expected to prepare for the start of the DEFA negotiations by identifying and submitting specific areas of the digital economy for which they foresee coverage under DEFA, in order to promote integration in these areas. As of April 2023, ASEAN is currently in the scoping phase of DEFA; a study has been commissioned to identify areas to be included in the agreement, and it is expected to be completed in 2023. It is assumed that each ASEAN country is currently providing their inputs on the list of coverage areas.

IMPACT ON BUSINESS As an ASEAN member, Cambodia has a significant opportunity to contribute to the formulation of ASEAN’s digital integration agenda by putting forward topics to be included in future DEFA negotiations.

The Royal Government of Cambodia (RGC) can influence the list of specific areas to be included under DEFA negotiations by leveraging its influence in the various working groups and committees, namely:

- the coordinating body, the ASEAN Coordinating Committee on Electronic Commerce (ACCEC) or its nominated successor;
- ASEAN sectoral body meetings;

- the overseeing ASEAN Senior Economic Officials Meetings.

To take advantage of this opportunity, the RGC needs to proactively prepare a list of digital economy areas whose advancement in DEFA negotiations it sees as beneficial for the national and regional trade integration agenda.

Missing out on this opportunity could be detrimental to Cambodia's trade agenda and overall economic development. Firstly, Cambodia could miss out on potential economic benefits from increased digital trade, such as increased export opportunities and job creation. Secondly, the country could fall behind other ASEAN countries that are more active in digital trade negotiations, potentially leading to a competitive disadvantage. Thirdly, the lack of progress in digital trade integration could lead to a lack of investment in Cambodia's digital infrastructure, which could further hinder the country's economic growth and development. Finally, Cambodia could miss out on opportunities to attract foreign investment and strengthen its position as a regional hub for digital trade.

✓ **Set a list of digital integration areas and plan for DEFA negotiations in consultation with the private sector.**

**2024
RECOMMENDATION**

We therefore respectfully recommend that the Ministry of Commerce and other line ministries of the Royal Government of Cambodia (RGC) proactively prepare an ambitious list of digital integration areas and plan for its mainstreaming into DEFA negotiations, in consultation with the private sector. EuroCham is ready to take a leading role in arranging public-private consultation sessions. We put forward some potential negotiation areas for the RGC's consideration:

- **Consumer protection and data privacy:** Citing the ASEAN Framework for Personal Data Protection and other international frameworks, the RGC could push for the implementation of interoperable frameworks with common global standards, messages, and rules. The RGC could also work with financial institutions to develop inclusive open API standards and roadmaps, and develop or build on existing national digital ID systems to encourage adoption of digital financial services;
- **E-commerce:** Citing the goals set by the AEC 2025 Strategic Action Plans for Financial Integration, the RGC could push for the implementation of interoperable frameworks with common global standards, messages, and rules. The RGC could also work with financial institutions to develop inclusive open API standards and roadmaps, and develop or build on existing national digital ID systems to encourage adoption of digital financial services;

- Broadening the digital talent base: Citing the ASEAN ICT Masterplan 2020 and AEC Blueprint 2025, the RGC could partner with the private sector in designing the most relevant digital skills roadmaps and accelerate the roll out of relevant programmes;
- Fostering entrepreneurship: The RGC could assist digital MSMEs by simplifying existing hurdles in setting up and doing business for its MSMEs;
- Cybersecurity: The RGC could strengthen its cybersecurity framework and work with the private sector to develop best practices in cybersecurity;
- Paperless trade: The RGC should promote the use of digital technologies to facilitate trade, such as electronic signatures and electronic invoicing;
- UNCITRAL Model Law: As a cross-sectoral recommendation, the RGC could push for the adoption of the UNCITRAL Model Law as a template for digital agreements across ASEAN. We believe that this law contains the best blend of key digital areas.

On the domestic side, to complement the RGC's regional integration efforts, we respectfully recommend that the RGC accelerate its plans to implement its national ASEAN (particularly the ASEAN E-commerce Agreement) and RCEP (Chapter 12 on e-commerce) digital commitments, including those in the areas of cybersecurity, electronic transactions, e-trade facilitation, consumer protection and data privacy, open internet access, business trust, and cross-border data flows.

Through both a proactive approach towards DEFA negotiations and a strong record of domestic digital commitments, Cambodia has a real chance to establish its reputation as an ASEAN-wide leader of digital transformation agreements. Were these agreements to be effectively negotiated in the future, Cambodia and the wider ASEAN region will be able to benefit from enhanced data flows and more development opportunities from the digital economy.

RCEP Commitments

NEW

ISSUE DESCRIPTION

The Royal Government of Cambodia (RGC) has demonstrated a willingness to engage in foreign trade, as evidenced by the formulation of a long-term national trade strategy and its participation in various trade agreements. Cambodia's Trade Integration Strategy Update (CTISU) 2019-2023 aims to ensure that the benefits of international trade continue to drive Cambodia's rise away from Least Developed Country status and into middle income status, in the process upgrading its positions in the global and regional supply chains. In 2022, Cambodia exported products for a total value of USD 20.5 billion, and its imports were worth USD 29.9 billion.

A key component of the RGC's trade strategy has been its adhesion to new trade agreements. The multilateral Regional Comprehensive Economic Partnership (RCEP) was signed in 2020. RCEP now constitutes the world's largest trading bloc, comprising 10 ASEAN members (including Cambodia) and five other regional partners: Australia, China, Japan, India, Korea. It encompasses a population of 2.2 billion people (30% of the world) and USD 38.8 trillion (30% of the world's GDP). The purpose of RCEP is to establish a modern, comprehensive, high-quality, and mutually beneficial economic partnership that will facilitate the expansion of regional trade and investment and contribute to global economic growth and development. By signing it, countries commit to open regionalism and global trade.

The benefits of RCEP are not so much on tariff reduction but on non-tariff measures to improve market access, such as commitments to simplify and harmonise Rules of Origin and its thresholds, simplify import-export procedures, remove barriers to trade and review phytosanitary standards. RCEP will indeed reduce or eliminate import tariffs on most industrial products, encompassing about 92% of all products across multiple key tariff classification codes. Still, since as many as 86 to 90% of categories of goods covered by RCEP already qualify for tariff elimination under existing ASEAN Free Trade Agreements (FTAs) with Dialogue Partners, RCEP will improve market access but not necessarily imply large tariff reductions for all parties.

For its part, Cambodia has received good trade preferences for its products under RCEP, which cover:

- Agricultural products, such as cashew nuts, maize, coconut, fresh mango, and banana;
- Processed agricultural goods including noodles, cakes, fish processing goods, cassava flour, package noodles, etc;
- Industrial goods including bicycles, garments, footwear, electronic components, electrical cables, etc.

Despite its active trade agenda, challenges for Cambodia lie ahead, which put into question the future sustainability of the country's position in the world economy.

Cambodia’s export-oriented economy suffers from low diversification, both in terms of export sectors and destination markets. Sector-wise, most of the export revenue comes from garments and footwear. There has been in recent years a small shift towards higher value-added products in components and transport, but not enough yet to upset the main trend. In terms of geography, Cambodia still heavily relies on exports to the European Union and the USA, destinations which allow preferential trading conditions to the country under preferential trading schemes.

As much as these schemes allowed Cambodia’s export sector to grow and thrive in the last 10-15 years, helping develop the economy, in a few years Cambodia will graduate from LDC status to become a middle-income country, meaning it will suddenly lose most of the preferential trading conditions to key export markets. This is because existing trading schemes for the most part do not plan a transition period for Cambodian exports.

In practical terms, this means that in only a few years, unless conditions change, a substantial share of products exported from Cambodia to key export markets will see price hikes in accordance with higher costs due to new import tariffs that will kick in. Such added costs (assuming these will be absorbed by producers rather than end consumers) seriously jeopardise the competitiveness of Cambodia’s export industries, and require urgent action in the trade negotiation sphere from the RGC.

The RGC needs to implement an alternative trade agenda that can absorb the expected loss of trade preferences in key export markets.

Focusing on the most immediate opportunities, Cambodia has signed the RCEP but has still to implement most of its commitments under the agreement. These commitments make up several hundred pages of documents, including those relating to:

- _ Chapter 2 (Trade in Goods);
- _ Chapter 3 (Rules of Origin);
- _ Chapter 4 (Customs procedures and trade facilitation);
- _ Chapter 5 (Sanitary and Phytosanitary measures);
- _ Chapter 8 (Trade in Services);
- _ Chapter 12 (E-commerce).

Additionally, the RGC has to ensure in future bilateral and multilateral discussions with RCEP members that they also commit to implementing their share of agreements, as these commitments by foreign governments in key prospective markets – eg. Korea, China – will determine the outcome of enhanced market access for Cambodian exports.

The absence of an alternative trade negotiation agenda to one relying on preferential trading schemes to carry the export economy seriously risks undermining Cambodia's current high levels of economic growth and development. Having no comprehensive trading alternative once Cambodia becomes a middle-income country, risks suddenly making a significant share of the country's export industries uncompetitive as suppliers of products such as garment and footwear.

Producers in these sectors will consider leaving the country and transporting their factories over to other countries, either those still enjoying LDC status (eg. Myanmar) or to other more mature economies (eg. Vietnam). The loss of these industries would be a significant blow to Cambodia's ambitions of scaling up the global value chains and risks setting the country back for years to come.



Implement measures to maximise the potential of RCEP.

**2024
RECOMMENDATION**

We therefore put forward to the MoC and other line ministries, a comprehensive set of measures to maximise the potential of RCEP across three levels.

Firstly, on the most basic level, we recommend that the RGC accelerate the implementation of its RCEP commitments, particularly those relating to the chapters of the agreement listed above.

Secondly, we recommend that the RGC push for its RCEP counterparts to also speed up their share of RCEP commitments, particularly in key priority markets, and that particular attention be devoted towards obtaining a reduction in Non-tariff Measures (NTMs) from China (the country has the highest number of NTMs obstructing market access for Cambodian exports, especially agricultural produce, mostly in TBT, SPS and export measures). The RGC can capitalise on its reputation as one of the countries with the lowest number of NTMs to ensure as close a reciprocal treatment can be obtained from its partners;

Thirdly, to enhance the long-term attractiveness of its export products and to help upgrade the country's position in global and regional value chains, we have the following sectoral recommendations:

1. For the garment sector: promote structural changes. RCEP can bring structural transformation to the Cambodian economy, particularly its export sector, towards higher value-added manufacturing in global value chains. As long as the trade agenda is accompanied by structural reforms, it will diversify garment and textile manufacturing away from simple, labour-intensive "cut, make and trim" and into more functional services such as branding, marketing and sourcing, allowing Cambodia to move up the value chains;

2. For the agricultural sector: develop opportunities in agri-processing, production and exports. Upscale GVC activities in branding, marketing, warehousing, storage, that allow movement of products to key destinations, as well as manufacturing and processing. Invest in Agri-Industrial Parks. Work on export certifications. Work with other ASEAN LDCs to raise concern over SPS measures applied by China on agri-exports, develop a negotiating strategy with ASEAN LDCs to enhance RCEP provisions on SPS contain WTO-plus elements that can facilitate market access to China;
3. For the light manufacturing sector: attract higher value-added activities. Despite rising export competitiveness of computers, electronic/electrical products, machinery parts and components, and transport equipment, Cambodia's upward shift in Global Value Chains has been moderate. The RGC should attract more multinational and GVC activities in these industries, taking advantage of a single RoO framework and less complicated RoO;
4. Cross-sectoral: Strengthen competitiveness and linkages of SEZs to GVC activities to attract multinational activities, updating them to higher value-added activities;
5. For the digital services sector: separate recommendation, see below.

The sheer scope of the RCEP promises to offer Cambodia much larger benefits than current preferential trading schemes and individual trade agreements, besides cutting down on administrative requirements such as performance requirements and conditional rules.

According to a 2022 study by the Economic Research Institute for ASEAN and East Asia, if implemented correctly (including through some of the measures mentioned above), RCEP could ramp up Cambodia's exports by between +9.4% and 18% annually. A scenario with 9.4% more annual growth could increase GDP by 2% and employment by 3.2% as well; an 18% growth scenario could increase GDP by 3.8% and employment by 6.2%. As a side note, RCEP also offers the potential for European and other foreign companies originating outside of RCEP countries to take advantage of preferential RoOs to install manufacturing plants in Cambodia and qualify their products as originating from Cambodia. This trend would see a further boost to FDI in the country.

Service Exports

NEW

The signing of RCEP, of which Cambodia is a participant, represents an immense opportunity for deeper services liberalisation in e-commerce, financial, telecom, and among others, professional services across ASEAN and the wider region.

ISSUE DESCRIPTION

Regarding the ongoing services liberalisation among ASEAN countries, we notice an interesting trend at the negotiating table: countries are moving away from adopting positive list approaches to regulate the opening of services, and towards using the negative list approach instead.

This means that during negotiations, whereas with the previous approach, only certain service sectors within the party countries were implied to be open to trade and investment, with the new negative list approach, the standard starting negotiating position between countries is that they will have most sectors open for trade and investment, and those that don't need to be specifically excluded on a list. This saves negotiators time and allows for greater scope of services liberalisation between parties.

For Cambodia, this shift opens up major opportunities in the development of further liberalisation of services, specifically the export of digital services from Cambodia, in areas where the country holds competitive advantages. Export of services refers to the provision of services by a company or individual in one country to a client or customer in another country. Examples of exported services include consulting, financial services, software development, and tourism.

For example, let's consider some of Cambodia's emerging services sectors, such as the provision of HR, accounting, medical, dentistry, and IT services. The country's notable comparative advantages in these sub-sectors include a high level of proficiency in the English language in the larger cities—where these services are usually provided—relatively low labour costs, a young and digitally-savvy population, and relative proximity to the major regional travel and tourism hubs of Thailand, Singapore, and Vietnam.

In staying true to its major trade policy document, the Trade Integration Strategy Update (CTISU) 2019-2023, the Royal Government of Cambodia has a major opportunity to further its economic diversification, service and digital service promotion, and overall regional trade integration agendas, by recognising the importance of facilitating emerging service exports from Cambodia.

IMPACT ON BUSINESS

If Cambodia fails to diversify its exports into services, it may miss out on several potential benefits. Firstly, the country’s over-reliance on a few export sectors, such as garments, can make it susceptible to external factors such as changes in global demand, trade policies, and market competition. This can lead to economic instability, job losses, and a lack of investment in other sectors.

Secondly, a lack of diversification can lead to a lack of job opportunities and skills development in other sectors, which can hinder the country’s economic development and limit its potential for growth.

Thirdly, services exports can provide higher-paying and more skilled jobs, contributing to a more equitable and sustainable economic development trajectory. Failure to diversify into services may result in a lack of investment in the country’s digital infrastructure and hinder its ability to attract foreign investment.

Finally, a failure to diversify into services may result in a lack of innovation and competitiveness in the global market, limiting the country’s ability to compete with other countries in the region.

**2024
RECOMMENDATION**

✓

Facilitate the emergence of new service exports.

We respectfully recommend that the RGC facilitate the emergence of new service exports, including in areas such as HR, accounting, medical, dentistry, and IT, by:

- Pushing for the implementation of service liberalisation commitments among RCEP signatories;
- Considering mainstreaming service liberalisation in future service trade integration strategies;
- Consulting with the private sector to discuss awareness-raising venues on the opportunities for Cambodia’s service and digital service exports.

By promoting the diversification of its service and digital service exports, Cambodia has the opportunity to establish itself as a regional hub for the provision of emerging services in an era of globalisation and cross-border flows. The spillover effect on enhancing the nation’s human capital, particularly its levels of professional skills, would be considerable, further solidifying the country’s status as a middle-income economy and, hopefully, providing a springboard for higher-value-added activities in both services and manufacturing.

AUTOMOTIVE

AUTOMOTIVE

2019 WHITE BOOK

2019	Recommendation	Initiated	Status	Summary
Consumer Protection				
25	Application of UNECE Safety Standards	2016	Updated	Ensure that Prakas No. 150 is applied universally to all vehicles imported into Cambodia, in line with Prakas No. 99.
New 2024 Recommendation	Application of New Safety Standards			Prakas No.266 does not mention any instructions or homologation process for parallel and grey market vendors.
26	Enable Authorised Dealerships to Better Serve and Protect Customers	2016	Updated	The distributors are unable to track market trends, assess the competition or set prices competitively. Investors are hesitant to invest due to the lack of transparent automotive market data and it is hard for them to track the performance of investments.

2024 WHITE BOOK

Progress Made

Result

Status

2024 Recommendation Number

EuroCham's Automotive Committee had the opportunity to raise these policy shortcomings with H.E. Kitti Settha Pandita CHAM Prasidh, Senior Minister, Minister of Industry, Science, Technology and Innovation. During a constructive meeting with EuroCham in late March 2023, the Minister and other MISTI representatives reviewed Cambodia's progress in improving vehicle safety standards, and agreed to work further to improve enforcement of such standards across the country, including by working more closely with the Committee.

EuroCham considers this issue solved as Cambodia now has a comprehensive regulation on vehicle safety standards. EuroCham's remaining concerns over vehicle safety have been included in a new recommendation, included below.

Resolved

In 2016, MISTI issued Prakas No.150 which introduced 19 technical regulations for automotive products that aim to increase safety standards in Cambodia. MISTI also promulgated a new regulation, Prakas No.266, which represented a step-by-step enforcement of the automotive regulations that extended the implementation of vehicle standards with a period from 2020-2024.

We respectfully request that the Ministry of Industry, Science, Technology & Innovation and Institute of Standards of Cambodia ensure stronger enforcement of homologation regulation for all vehicle distributors.

New

12

Today, the only data publicly available to importers in Cambodia is the total number of vehicles registered per year in three categories: motorcycles, light-duty vehicles, and heavy-duty vehicles. This is available on an annual basis.

We respectfully request that the Department of Land Transport provide authorised automotive distributors with selected data on vehicle registrations on a quarterly basis.

Updated

13

2019 WHITE BOOK

New 2024
Recommendation Encourage Use of
New Vehicles

Countries around the world have been imposing requirements to curb the import of used cars. These requirements are being imposed to promote the importation of cleaner and more fuel-efficient vehicles, while discouraging the transfer of obsolete and polluting vehicle technology from the manufacturing country.

Taxation Policy

27 Rationalise Taxation
Policy

2016 **Updated**

Rationalise taxation policy for automobiles to encourage the use of more suitable and environmentally-friendly vehicles in Cambodia.

New 2024
Recommendation Increase Customs
Value for Vehicles for
Personal Use

New **New**

EuroCham supported the raising of Customs value for personal-use vehicles, to bring the overall tax liability amount closer to that of commercial goods. We welcomed the MoE notification No.10220 SHV on increasing the Customs value by 15% for personal-use imported vehicles.

New 2024
Recommendation Fair Competition
through Harmonised
Docket Price Tables

New **New**

The grey market imported high-spec vehicles and declare their value as the docket price, omitting the higher value given by such specifications and thus cutting out a substantial amount from their tax liability.

2024 WHITE BOOK

Used cars are imported from other countries, and they may not meet the safety standards set by the Royal Government of Cambodia.

We recommend setting more restrictive requirements and other measures to encourage the use of new vehicles.

New

14

The Royal Government of Cambodia has made significant progress in adjusting the tax rates for vehicles entering Cambodia to encourage the use of more environmentally-friendly vehicles, a move which is appreciated deeply by EuroCham. Specifically, Sub Decree No.122 of June 2023 reduces import duties for electric vehicles.

We respectfully suggest to rationalise taxation policy for automobiles to encourage the use of more suitable and environmentally friendly vehicles in Cambodia. These various aspects of the taxation policy in the automotive sector is now better reflected in this edition of the White Book, as this recommendation has been split into two new recommendations.

Split

Currently, the GDCE allows the import of vehicles for personal use via registered companies. Any company in Cambodia is allowed to import cars provided they have a general import permit issued by the Ministry of Commerce (MoC).

We respectfully request that the Customs value be increased by an additional 15% for vehicle importations for personal use, on top of the current percentage rate as per Notification No.10220.

New

15

Although taking significant steps in modernising its infrastructure and increasing overall transparency, the GDCE reportedly continues to use Customs docket price tables that do not take into account vehicle specifications, particularly those on the high end.

EuroCham respectfully requests that the Royal Government of Cambodia take action to address the issue of unfair competition, and to encourage a more even playing field for all stakeholders in the automotive industry.

New

16

Application of New Safety Standards

NEW

ISSUE DESCRIPTION Road safety is a concerning issue in the country; although the figures of accident-caused fatalities and injuries have been going down in recent years, they remain high. The National Road Safety Committee calculated, over the first 6 months of 2023, a total of 1,548 road accidents nationwide, with 2,072 injuries and 756 fatalities.

The Royal Government of Cambodia (RGC) has been working hard in recent years to increase vehicle safety for users.

Back in June 2016, to increase safety standards, the Ministry of Industry, Science, Technology and Innovation (MISTI) issued Prakas No.150, which introduced 19 Technical Regulations for Automotive Products. These regulations were harmonised in ASEAN and fully followed the regulations of the United Nations Economic Commission for Europe (UN-ECE). Prakas No.150 applied to anyone who produced, transformed, imported, advertised, or sold automotive products in the Kingdom of Cambodia. It required producers or distributors to have a licence and to label the Cambodian safety standards on the vehicle.

Considering flexibility for distributors, MISTI then issued Prakas No.99, which extended the delay of the implementation of the 19 UN-ECE regulations to December 2019. However, it was clear that enforcing all 19 UN-ECE regulations at once would be impractical. Understanding the difficulty of the automotive industry, MISTI promulgated a new regulation, Prakas No.266, which presented a step-by-step enforcement of the aforementioned automotive regulations. This new regulation extended the implementation of vehicle standards across a period from 2020 to 2024.

EuroCham's Automotive Committee strongly welcomed Prakas No.266, which provided more flexibility for distributors. However, the new regulation only applied to new automotive products. Used cars are still freely imported and sold in Cambodia. Used cars represent a major share in the total vehicle market, estimated by the Cambodia Automotive Industry Federation to be around 70% in 2021. In addition, the regulation did not mention any instructions or homologation process for parallel and grey market vendors. This absence of procedures would favour unauthorised importers to freely distribute vehicles in the Cambodian market.

EuroCham's Automotive Committee had the opportunity to raise these policy shortcomings with H.E. Kitti Settha Pandita CHAM Prasidh, Senior Minister, Minister of Industry, Science, Technology and Innovation. During a constructive meeting with EuroCham in late March 2023, the Minister and other MISTI representatives reviewed Cambodia's progress in improving vehicle safety standards, and agreed to work further to improve enforcement of such standards across the country, including by working more closely with the Committee.

EuroCham’s Automotive Committee appreciates the ongoing efforts of MISTI and the Institute of Standards of Cambodia (ISC) to introduce a series of regulations with the objective to promote homologation in Cambodia. We understand that the regulation mainly aims to maintain safety for users.

However, we believe Cambodia will struggle to maintain the safety and roadworthiness of its vehicles because the current regulations provide more flexibilities to unauthorised distributors. There is also a lack of strong enforcement of automotive regulations. Many parallel and grey market distributors are importing new vehicles without applying for the safety standard licence, and they have not labelled the safety standard mark on vehicles in their showrooms.

The ISC has conducted visits to the vehicle showrooms of a few authorised distributors with the purpose of informing other unauthorised distributors to start complying with the standard regulations. However, only conducting inspections on the authorised distributors will not make the grey market and parallel importers follow the law.

While the provisions of Prakas No.266 and other vehicle safety standards only apply to new cars, which represent around 30% of the total market, this will not effectively contribute to the common objective of the regulation that intends to promote the roadworthiness and safety for consumers. The brunt of the risks faced by consumers on the road comes from driving used cars or ones that do not comply with requirements laid out by official distributors. Enforcing the regulation mostly on authorised, new cars will only serve to perpetuate an unfair business and safety environment.

As the regulation seems to place more burden on the new car importers, this circumstance will rather favour the used car, grey, and parallel importers. Cambodia will lose potential investments in the automotive sector in the future. As the authorised distributors, we believe that having a fair playing field and stronger enforcement of the regulation would contribute to better safety for users.

✓ **Ensure stronger enforcement of homologation regulations for all distributors.**

2024
RECOMMENDATION

EuroCham’s Automotive Committee respectfully encourage the Royal Government of Cambodia to promote stronger enforcement of homologation regulation for all distributors, including:

- Conducting regular inspections of vehicle showrooms of unauthorised distributors;

- Including the regulation standards in the Customs import procedures and in the safety technical inspection process of the General Department of Land Transport;
- Providing automotive distributors with at least 12 months' lead time to plan and react to released policies and planning documents.

We believe that enforcing the regulation for all importers, including authorised and unauthorised distributors, grey market and parallel importers, will create more confidence for prospective and existing investors to invest more in Cambodia. Introducing the verification procedure for used car distributors would also reduce the potential risk or accidents on the road. We strongly believe that the Royal Government of Cambodia will be able to maintain the safety for consumers after fairly enforcing the regulations for all importers.

Data on Vehicle Registrations

UPDATED

Good data is essential for making good business decisions and safe products. An understanding of what brands, models, and engine sizes are in demand helps automotive importers prepare sales and production plans, decide what spare parts to keep in stock, and understand for which models and engines technical training is required. Access to registration data allows brands to measure how they are performing against competitors. Without an understanding of what is selling today, importers are left unsure when it comes to deciding what to sell tomorrow and how and where to market it.

It also helps businesses better protect their consumers and improve road safety by allowing for faster and more meticulous product recalls in case of failures. Of course, detailed information related to the ownership of individual vehicles (name, ID number, address, telephone number, etc.) should be protected by data privacy and, in fact, is not required for the uses mentioned herein. A good balance between wider availability of market data and data privacy can be achieved.

On a longer-term basis, importers and distributors need to know where their brand's sales occur in order to make investment decisions related to the location of showrooms, workshops, parts depots, storage yards, and pre-delivery inspection centres. Today, the only data publicly available to importers in Cambodia is the total number of vehicles registered per year in three categories: motorcycles, light-duty vehicles, and heavy-duty vehicles. This is available on an annual basis and is insufficient to assist in meaningful decision making.

The lack of detailed data on vehicle registrations in Cambodia can have a number of detrimental effects for car distributors, the wider business environment, and drivers.

Without this data, distributors are unable to track market trends, assess the competition, or set prices competitively. This can lead to distributors importing cars that are not in demand or not importing enough cars to meet demand. As a result, they may lose market share to competitors. In recent years, leading car distributors – such as Star Auto, Audi, and Range Rover – have been dismantling their business operations in Cambodia, citing this very reason.

The lack of transparent automotive market data in Cambodia makes it difficult for potential investors to assess the size and growth potential of the market. This can lead to investors being hesitant to invest in the country, as they are not sure whether the market is large enough or growing fast enough to be profitable. In addition, the lack of data makes it difficult for investors to track the performance of their investments. This can make it difficult to make informed decisions about whether to continue investing in the country or to withdraw their investment. Overall, the lack of transparent automotive market data in Cambodia makes it a less attractive destination for investment.

ISSUE DESCRIPTION

IMPACT ON BUSINESS

**2024
RECOMMENDATION**

✓ **Provide authorised automotive distributors with selected data on vehicle registrations on a quarterly basis.**

The Automotive Committee respectfully suggests that the following data be made available by the Ministry of Public Works and Transport (MPWT) on a quarterly basis for all vehicles registered. A single standard listing of data would be usable by all brands.

The data required would ideally include:

- Year and month of registration;
- Province of registration;
- Brand;
- Model;
- Model year;
- Engine size (cc).

It should also be noted that members of the Automotive Committee are regularly contacted by business consultants looking for reliable quantitative data concerning the size and composition of the Cambodian automotive industry. These consultants have been hired to assist with investment decisions in the automotive industry, for example, by brands considering entering the market, multi-brand workshops, and aftermarket parts suppliers.

Therefore, the Automotive Committee also suggests that this information would be helpful to both companies that have already invested in Cambodia and those considering doing so. At a minimum, it would be worthwhile to make the basic information regarding the size of the industry available to the various statistics-sharing platforms that provide automotive industry data.

Use of New Vehicles

NEW

The Cambodian car market has been increasing in recent years. According to a Focus2move market report, light vehicle sales in 2018 were 10,086, then hit a record high of 26,355 in 2019. The pandemic reduced sales in 2020 to 18,718, but they increased again in 2021 to 23,143.

Car sales, and therefore also import figures, are on the rise. However, the vast majority of cars imported are used cars — estimated by the Cambodia Automotive Industry Federation (CAIF) to be around 70% of the total market in 2021. This makes the new vehicle market quite small.

Together with Laos, Cambodia is the only country in ASEAN without a clear policy against the import of pre-owned, old, high-polluting, and low-safety vehicles. The tax reform applied in 2017, which increased the duties for new vehicle imports, has penalised local distributors. This has increased prices, freezing a potentially high demand and creating a wide space for trading from Japan or other ASEAN countries.

Allowing the import of used cars is an important factor in ensuring that the lower class can afford cars for businesses, consumption, and other general means of travel. However, countries around the world have been imposing requirements to curb the import of used cars. For example, Vietnam bans the import of cars older than five years from the manufacturing date. These requirements are being imposed to promote the importation of cleaner and more fuel-efficient vehicles, while discouraging the transfer of obsolete and polluting vehicle technology from the manufacturing country.

The use of used cars in Cambodia poses several road safety and environmental hazards. The country has a high rate of road accidents (1,548 road accidents nationwide, with 2,072 injuries and 756 fatalities, reported for the first half of 2023) and many of these accidents can be attributed to the poor condition of the vehicles on the road. Used cars are imported from other countries, and they may not meet the safety standards set by the Royal Government of Cambodia. This can result in faulty brakes, tires, and other mechanical issues that increase the risk of accidents.

In addition to road safety hazards, second-hand cars in Cambodia can also have negative environmental impacts. Many of these vehicles are older models that do not meet modern emissions standards. This can lead to increased air pollution in cities and contribute to climate change. Furthermore, older cars often have lower fuel efficiency, which means they consume more gasoline and produce more greenhouse gas emissions. Cities around the world, such as Beijing, have introduced strict emissions standards and other measures for vehicles, which has led to a significant reduction in local air pollution.

ISSUE DESCRIPTION

IMPACT ON BUSINESS

**2024
RECOMMENDATION**

✓ **Set restrictive requirements and other measures to encourage the use of new vehicles.**

We respectfully recommend that the Royal Government of Cambodia consider setting requirements to ban the import of cars over three years old from the manufacturing date and implement other measures to encourage the use of new vehicles, such as tax credits for buyers of new vehicles and the institution of vehicle scrappage programmes.

Overall, restricting second-hand car imports would have beneficial impacts for the environment and road safety in Cambodia. It would reduce the number of older, polluting vehicles on the road, which would lead to cleaner air and a healthier environment. It would also ensure that all vehicles on the road meet modern safety standards, which would reduce the risk of accidents. Finally, the measure would promote the importation of newer, more fuel-efficient vehicles, which would reduce greenhouse gas emissions and help to mitigate climate change.

Customs Value for Vehicles for Personal Use

NEW

Import duties for vehicles in Cambodia vary widely depending on the type of vehicle, from 39.15% to 130.17% according to the General Department of Customs and Excise (GDCE) in late 2021. These duties are an important source of revenue for the Royal Government of Cambodia (RGC), which can use them to fund essential public services. Import duties are calculated by multiplying the Customs value of an imported good by its applicable rate, plus VAT. The rate of vehicle import duties varies depending on whether the vehicle in question is meant for personal or commercial use, in the latter case meaning it is intended to be re-sold for a profit.

ISSUE DESCRIPTION

Currently, the GDCE allows the import of vehicles for personal use via registered companies. Any company in Cambodia is allowed to import cars provided they have a general import permit issued by the Ministry of Commerce (MoC). As thus, car imports are not restricted to authorised distributors through, for instance, the issuing of automotive import licences. This situation creates potential legal loopholes, wherein companies intending to sell cars in Cambodia import them by declaring them as for personal use and claim exemption from the Exclusive Right regulation issued by the MoC. This results in these companies paying lower duties than required, as rates for goods meant for personal use are overall lower than those for commercial-use goods.

To discourage this practice and close the loophole, EuroCham has supported the raising of the Customs value for personal-use vehicles, to bring the overall tax liability amount closer to that of commercial goods. We welcomed the Ministry of Economy and Finance's Notification No.10220 SHV dated 10 December 2020, which increased the Customs value by 5% for personal-use imported vehicles. This was a positive measure that enabled authorised distributors to compete more fairly in the Kingdom of Cambodia.

However, given the reports that registered Cambodian companies continue to import vehicles meant for commercial use by declaring them as for personal use continues in Cambodia, we believe further action is needed to discourage such practice.

The import of commercial vehicles by declaring them as personal-use vehicles can have damaging impacts on Cambodia's tax revenue and overall business environment.

IMPACT ON BUSINESS

Personal-use vehicles are subject to lower taxes and fees than commercial vehicles, which means that businesses can save money by importing commercial vehicles and declaring them as personal-use vehicles. This can result in a significant loss of revenue for the RGC, which can ultimately limit its ability to fund important public services and infrastructure projects.

Secondly, the import of commercial vehicles as personal-use vehicles can create an uneven playing field for businesses. Authorised distributors that comply with the law and pay the appropriate taxes and fees can find themselves at a disadvantage compared to those that import commercial vehicles and declare them as personal-use vehicles. This can discourage the growth of local businesses and limit economic development in Cambodia.

**2024
RECOMMENDATION**



Increase Customs value by 15% for personal-use vehicles.

We therefore respectfully call for the Customs value to be increased by an additional 15% for the vehicle importation for personal use, on top of the 5% from Notification No.10220.

We believe such an increase would help address these irregularities and ensure that authorised distributors are able to compete more fairly in the market. Moreover, such an initiative would align with the Ministry of Economy and Finance’s Circular No.009 SHV dated 1 December 2005 on the Management of Imported Non-Commercial Goods. This law states that if goods are commercially imported by non-registered companies, the Customs value shall be increased by 20%.

Raising the Customs value would have two beneficial effects. It would help generate additional revenue for Customs due to the higher tax bases of imported vehicles.

It would also level the playing field for authorised distributors and discourage unfair practices, leading to an overall more sustainable and competitive business environment.

Harmonisation of Docket Price Tables

NEW

Cambodia's General Department of Customs and Excise (GDCE) plays a crucial role in inspecting export-import goods, collecting revenues that include duties, special taxes, and value-added tax, and preventing and suppressing offenses. To determine the Customs tax and duty calculation, the value of imported goods is used as the basis by multiplying it with the rate of Customs duty. It is the responsibility of the importer to declare and pay tax based on the official commercial invoice from the manufacturers. Customs officers can verify the value declaration made by the importer or relevant individual. Customs value can be determined through different methods, including transaction value, transaction value of identical goods, transaction value of similar goods, induction value, calculated value, and the last method. The final value of the product for Customs purposes is stored in a document held by GDCE officials, called a docket price table.

In the automotive industry, non-authorized distributors import products into Cambodia without complying with legal obligations or requirements, putting authorized distributors at a disadvantage due to unfair competition. For example, when importing vehicles, non-authorized distributors declare the value based on the docket price, rather than following the value of the commercial invoice. This allows the grey market to offer a more affordable price for customers in the market, unlike the authorized distributor, who is required to follow a complicated process of compliance, homologation, vehicle safety standards, paying taxes, and paperwork.

Furthermore, authorized distributors have to declare the price based on the commercial invoice, which is often higher than the docket price. Authorized distributors also declare the value based on the actual price or value from the Original Equipment Manufacturers (OEM), and the value of the vehicles can differ based on the specification of the vehicle. Vehicles with more added options, or higher specifications, clearly are valued at a higher price. This leaves room for the grey market to import high-spec vehicles and declare their value as the docket price, omitting the higher value given by such specifications and thus cutting out a substantial amount from their tax liability.

The detrimental effects of unfair competition between authorized and unauthorized vehicle distributors are already being seen in Cambodia. Some of EuroCham's automotive members have decided to leave Cambodia and have moved their offices to neighbouring countries. For example, Audi, the luxury vehicle brand, left Cambodia for Vietnam in 2022. Additionally, the authorized distributors of Mercedes-Benz and Porsche have announced the ceasing of operations on the Cambodian market in 2023.

Moreover, given that Cambodia is experiencing a nascent car parts assembly industry, and that the Royal Government of Cambodia is betting on this industry as part of a wider export diversification strategy, EuroCham's Automotive Committee is concerned that car assemblers

ISSUE DESCRIPTION

IMPACT ON BUSINESS

currently operating in the Kingdom may follow suit and leave, thus stifling growth in an emerging industry.

Finally, for the Royal Government itself, the retreat of established car distributors and assemblers from the country represents a significant potential loss of tax revenue, which could be used to fund important public services.

**2024
RECOMMENDATION**



Promote fair competition through adjusted docket price tables.

EuroCham's Automotive Committee encourages the Royal Government of Cambodia to take action to address the issue of unfair competition, promote fair competition, and create a level playing field for all stakeholders in the automotive industry in Cambodia.

Specifically, we recommend that the General Department of Customs and Excise make changes to the calculation of docket price tables for the Customs value of imported vehicles by taking into account the increased value of high specifications whenever applicable.

Furthermore, we advocate for compulsory docket price for each distributor and public announcement of the Customs value tax table for the purpose of transparency. We also urge the government to consider updating the value of docket prices every three months to ensure that the values are up-to-date according to the market on the list.

These changes will promote a fair and transparent business environment in the automotive industry, which will benefit all stakeholders, including authorised distributors, non-authorised distributors, and the Royal Government of Cambodia.

AGRIBUSINESS

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2019 WHITE BOOK

2019	Recommendation	Initiated	Status	Summary
Food Safety				
28	Banned Substances in Animal Production	2019	New	Reform the list of banned substances in animal production.
New 2024 Recommendation	Reportable Diseases in Livestock			Animal epidemics are significant because they can have a major impact on human health, the economy, and the environment. Since 2021, fourteen human cases of influenza A(H5N1) have been reported worldwide by the World Health Organisation (WHO) as of May 31, 2023.
Combating Illegal Agricultural Inputs				
29	Availability of Illegal Agricultural Input Products	2019	New	Request that the Ministry of Agriculture, Forestry and Fisheries implement stronger enforcement measures during their inspections at the point of distribution for agricultural input products.

2024 WHITE BOOK

Progress Made	Result	Status	2024 Recommendation Number
<p>On January 16, 2018, the Ministry of Agriculture, Fisheries, and Forestry (MAFF) of the Kingdom of Cambodia promulgated Prakas No.51 PRK.MAFF on Procedures and Standard Requirements for Registration of Animal Feeds, Feed Ingredients, and Additives.</p>	<p>Under Annex 7, Prohibited Feed Additives, there is only a limited list of forbidden substances. Additionally, under Prohibited Hormones, no specific hormones are mentioned. Furthermore, under Annex 5, Standard of Compound Feed for Pig, Chicken, Duck, and Cattle, the minimum level of nutrients for each specific feed has been described, but the list is not detailed. We therefore recommend the list to be refined, to accommodate more strict requirements on feed ingredients and greater levels of consultation with the private sector when designing such pieces of legislation.</p>	Updated	17
<p>Since 2021, fourteen human cases of influenza A(H5N1) have been reported worldwide by the World Health Organisation (WHO) as of May 31, 2023.</p>	<p>Request to enhance disease prevention measures among Cambodian poultry, livestock and the wider avian population.</p>	New	18
<p>EuroCham appreciates the practical achievements by the Royal Government in conducting greater enforcement measures to protect the health and safety of Cambodian consumers, including from the harmful effects of dangerous and/or illegal agricultural inputs.</p>	<p>We are aware that the Royal Government of Cambodia is currently strengthening its inspection of products in the agricultural sector, to ensure they comply with existing regulations on food safety and consumer protection. We therefore consider this issue as resolved, pending further developments.</p>	Resolved	

2019 WHITE BOOK

Sustainable Production

New 2024
Recommendation

Incentives for
Companies
Supporting Farmers

One of the most significant challenges faced by Cambodian farmers is the lack of technical skills. The current landscape of technical training in agriculture is represented mainly by development sector projects. The participation of the private sector is lacking in this regard.

New 2024
Recommendation

Sustainable Farming
Standards for
Cambodia

Increasing natural resource use efficiency is crucial for sustainable food production and environmental protection. This requires innovative and climate-resilient agricultural production systems and technologies that promote yield growth while protecting ecosystems. Sustainable farming, which includes the principles of Agroecology and Conservation Agriculture (CA), is one strategy for achieving these goals.

Labour Regulations

30

Unique Employment
Conditions of the
Agriculture Sector

2019

New

Reform labour regulations to accommodate the specific nature of agricultural work.

Contract Farming

New 2024
Recommendation

Strengthen Contract
Farming

Formal Contract Farming, in the form of a contractual relationship, offers advantages to both producers and buyers in terms of guaranteed prices, quantity and quality, inputs, credit, improved production technology, and extension,

2024 WHITE BOOK

Inadequate investment in technical assistance for Cambodian farmers could have far-reaching consequences for the nation's economy and its agricultural sector. Greater involvement of the private sector is needed to upskill Cambodian farmers.

Request to provide economic incentives for companies investing in training and technical assistance to farmers.

New

19

Conventional farming practices have been the foundation of Cambodia's food production, but they are increasingly harmful to the environment, economy, and businesses. The use of synthetic fertilisers, pesticides, and herbicides causes soil degradation, biodiversity loss, and water contamination.

Create a framework for sustainable farming standards by employing relevant certification and financial schemes.

New

20

The MLVT and MEF issued Prakas No.335 dated 27 March 2020 to enact Prakas No.714 dated 19 July 2019 on official government fees. This Prakas provides practical guideline to attract employees.

EuroCham remains concerned about the costs for agricultural enterprises regarding the employment process, the cost of health checks, and the structures of the labour contracts. Nevertheless the labour regulations should be reformed to accommodate the specific nature of agricultural work.

Updated

21

Without contract farming, farmers may be less likely to adopt improved agricultural practices, which could lead to lower yields and incomes. Farmers who are unable to sell their crops at a fair price may be more likely to fall into poverty. If farmers are unable to produce enough food, it could lead to food insecurity, especially for the most vulnerable groups. Furthermore, if farmers are not incentivised to adopt sustainable agricultural practices, it could lead to environmental degradation, such as soil erosion and water pollution.

Strengthen contract farming by including specific provisions in the draft upcoming law on Contract Farming.

New

22

2019 WHITE BOOK

Diversifying Agricultural Production

31	Hybrid Rice	2019	New	Consider permitting hybrid rice breeds to be legally grown and registered in Cambodia.
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Mandatory Environmental Testing

32	Mandatory Use of the Ministry of Environment Testing Facilities	2019	New	Request clarification into whether it is mandatory for businesses to use the Ministry of Environment's laboratory facilities to conduct water quality testing.
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Although EuroCham is keen to promote the diversification of Cambodia's agricultural crops and export sector, it also remarks that past experiments in the Kingdom concerning the planting of hybrid rice varieties have not been entirely successful from a commercial standpoint, and have concluded that advocacy efforts in this area should therefore be terminated.

We therefore consider this issue as **Resolved** resolved.

EuroCham is aware that according to Cambodian regulations, it is still mandatory for companies to conduct water testing through official government facilities. However, due to practical reasons, some companies have been carrying out these tests through private facilities instead. The reaction from Cambodian authorities has been accommodating on this issue. As of 2023, pending further developments, EuroCham has decided to suspend this recommendation from its advocacy efforts.

This issue is therefore, for the moment, **Resolved** considered resolved.

Banned Substances in Animal Production

UPDATED

ISSUE DESCRIPTION

The Royal Government of Cambodia adopted the Law on Animal Health and Production in 2016 to ensure the effective management and development of livestock farming by modernising and standardising practices with international regulations to prevent the spread of communicable diseases. Similarly, the Law sought to align Cambodia's livestock standards with its regional neighbours to facilitate the growth of cross-border trade in animal products and further regional integration.

On January 16, 2018, the Ministry of Agriculture, Fisheries, and Forestry (MAFF) of the Kingdom of Cambodia promulgated Prakas No.51 PRK.MAFF on Procedures and Standard Requirements for Registration of Animal Feeds, Feed Ingredients, and Additives that are traded and used for feed manufacturing in Cambodia. This was to ensure the effective management and development of livestock farming by modernising and standardising practices with international regulations.

While this demonstrates the notable progress undertaken by the Royal Government of Cambodia to increase the health and safety of animal production in Cambodia, we believe that some improvements could be made to make the Law more effective.

Under Annex 7, Prohibited Feed Additives, there is only a limited list of forbidden substances. Additionally, under Prohibited Hormones, no specific hormones are mentioned.

Furthermore, under Annex 5, Standard of Compound Feed for Pig, Chicken, Duck, and Cattle, the minimum level of nutrients for each specific feed has been described. While acknowledging that this is a good way to ensure a minimum quality of feed, we believe that this regulation is increasing the production cost of livestock farmers. Animal nutrition is a science that is continuously developing, and some minimum requirements mentioned in the Annex, such as crude protein for some specific species and feed types, are on a very high level. Due to continuous improvement in genetics, raw material digestibility, availability of synthetic amino acids, the required crude protein levels for optimal cost-effective production are lower than mentioned in the Annex.

IMPACT ON BUSINESS

High feed costs can have significant detrimental effects on Cambodia's agricultural and livestock sector.

Firstly, it can increase the production cost of livestock farmers, which can lead to lower profitability and reduced competitiveness in the market. This can discourage investment in the sector and limit its growth potential, which can have a negative impact on the overall economy.

Secondly, high feed costs can result in lower food security and increased food prices, which can have a negative impact on the welfare of the population, particularly those who rely on agriculture and livestock for their livelihoods. Moreover, it can lead to increased poverty and malnutrition, particularly among vulnerable groups such as smallholder farmers and rural communities.

In addition to economic and social impacts, high feed costs can also have environmental impacts, such as increased deforestation and land-use change to expand production areas.

✓ **Reform the list of banned substances in animal production.**

**2024
RECOMMENDATION**

We respectfully recommend that the MAFF consider revising its list of banned substances for animal production. More specifically:

On Annex 7, our advice would be to follow the WHO recommendations, which recommends forbidding Human Critical Antibiotics for animal use (administration through feed, water, and directly). These are Quinolones, Cephalosporins, Macrolides and ketolides, Glycopeptides and Polymyxins. The next step should be to shape regulation, which allows the use of Antibiotics only for curative use, not for preventive usage. Doing so, will give Cambodia the advantage of accessing more premium export markets for animal proteins such as meat, eggs, fish and milk.

Under Prohibited Hormones, we would advise banning the administration of hormones (through feed, water and directly) for human health reasons as well as to give access to a larger number of export markets.

Under Annex 5, we would recommend the MAFF to consult with NGOs and the private sector from the industry, to arrange for the optimisation of substance levels to strike a balance between quality and production cost optimisation.

Reportable Diseases in Livestock

NEW

ISSUE DESCRIPTION

Animal epidemics are significant because they can have a major impact on human health, the economy, and the environment. They can spread to humans, causing zoonotic (animal-to-human transmission) diseases, the most infamous recent example of which has been the COVID-19 pandemic. They can also damage crops and livestock, leading to food shortages and economic losses. In addition, animal epidemics can disrupt ecosystems and contribute to climate change.

One of the key diseases affecting domestic poultry (chicken and duck) stocks and wild birds in Cambodia is Highly Pathogenic Avian Influenza (HPAI), a highly contagious disease caused by Influenza A viruses. Some subtypes, including certain clades of H5N1, are considered endemic in Cambodia's poultry, but there have been multiple subtypes affecting stocks to date. HPAI H5N1 clade 2.3.2.1c is one such clade found in circulation that is affecting both wild birds and poultry/ducks in Cambodia. Globally, the more recently emerged clade 2.3.4.4b has infected and killed an unprecedented diversity of wild birds (affecting 320 species) compared to previous lineages, causing devastation of domestic bird stocks and hundreds of mammal mortalities since 2021.

Since 2021, fourteen human cases of influenza A(H5N1) have been reported worldwide by the World Health Organisation (WHO) as of May 31, 2023. There is no evidence of human-to-human transmission from these cases. There have, however, been two confirmed human cases of H5N1 (clade 2.3.2.1c) in Cambodia this year, resulting in the death of one child in February 2023.

The ongoing outbreaks of H5N1 2.3.4.4b have affected millions of chickens, with more than 58 million domestic poultry infected or culled in the United States alone, and globally, have resulted in “the death and destruction of more than half a billion poultry.” Wild birds are vulnerable (68,013 wild bird casualties reported), as are mammals, including dolphins and seals (289 mammalian cases reported). The factors that can contribute to the spread of avian influenza virus include international trade, farming and sale (live bird markets), wild birds, and migratory routes.

Other diseases of concern include Newcastle Disease (avian paramyxovirus type 1), and around 20 other reportable bird pathogens.

IMPACT ON BUSINESS

The current risks in Cambodia associated with the spread of highly pathogenic avian influenza (HPAI) include potential hazards to human health, agricultural livelihoods, and the wider economy.

Zoonotic diseases are a significant threat to human health. They can cause serious illness, disability, and death. They can be spread through contact with infected animals, their bodily fluids, or their products.

Regarding agricultural livelihoods, farmers generally do not receive compensation if their stocks are lost to diseases. Governments in some countries will provide financial compensation to farmers who are required to euthanise their flocks due to HPAI; this does not occur in Cambodia. Global statistics estimate that farmers might experience a high level of mortality in their flocks, with rates often around 50%.

On the wider economic scale, detrimental impacts include potential trade bans from neighbouring countries as reactive measures to disease outbreaks. For example, Laos recently implemented a pork ban on imports from Thailand and Vietnam in response to rising cases of African Swine Fever in the region. The most recent global HPAI event has now affected more countries across the world than ever before with an unprecedented geographic scale and rate of spread, and this may influence changes in how and when trade bans are imposed.

On a side note, there is the added risk of small-scale farmers often not reporting unusual morbidity/mortality events in their poultry for several reasons, including the belief these events are due to weather, a lack of incentive to report, uncertainty with how to report, and others. This underreporting translates into limited animal health surveillance. Thus, the actual scale of the impacts is largely unknown, and warrants extreme caution.

✓ **Enhance disease prevention measures among Cambodian poultry, livestock and the wider avian population.**

**2024
RECOMMENDATION**

We respectfully recommend that the Ministry of Agriculture, Forestry and Fisheries (MAFF) consider taking the following actions:

- Scaling up the resources needed for data collection, reporting, and surveillance, with particular attention at the district and provincial levels. This includes surveillance and reporting of mortality events for both wildfowl and poultry. Timely reporting and response to waterbird mortality events, with the use of mobile data collection tools, are crucial for early detection and reporting of events involving sick and dead wildlife, facilitating an efficient response;
- Ensuring adequate laboratory capacity at government facilities to test for HPAI. This would include a system of communication to ensure that laboratory findings are distributed promptly to ensure a rapid response where needed, given the speed of the disease transfer;
- Reducing the interface between livestock, poultry and wild birds. This may include poultry-husbandry changes which would prevent the release of duck or chicken stocks into wetlands and areas with populations of wild birds. Establishing more robust

physical and natural barriers to pathogen transmission between domestic and wild birds reduces transmission risk for a range of diseases. Further, protection of wetland integrity and the associated separation of poultry operations from wildlife habitat has been found to lower the risk of HPAI outbreaks. There is a risk that the pathogen can spill over and spill back between domestic and wild animals at this interface, which can result in the reassortment of the virus, potentially mutating into a more lethal strain;

- Assessing the applicability of vaccinations. Vaccination can be an effective tool for preventing the spread of HPAI, but it is important to assess the applicability of vaccination in Cambodia, taking into account factors such as the cost of vaccination, the availability of vaccines, and the potential for vaccine resistance.

We believe that these actions would help to mitigate the risks posed by HPAI in Cambodia and would help to protect the country's poultry industry and its people.

Incentives for Companies Supporting Farmers

NEW

The Royal Government of Cambodia (RGC) is committed to combating climate change and accelerating the transition to a climate-resilient, low-carbon sustainable mode of development. The RGC has supported global efforts against climate change by being a Party to the United Nations Framework Convention on Climate Change (UNFCCC) since 1996. Cambodia adopted and ratified the Paris Agreement by which the country submitted an ambitious Intended Nationally Determined Contribution (NDC), which showcased the country’s progress in climate policy, and put forward mitigation targets and adaptation actions consistent with the national circumstances. Furthermore, Cambodia has also modelled a credible scenario for carbon neutrality by 2050 and has put forward a Long-Term Strategy for Carbon Neutrality (LTS4CN) that presents a policy scenario to realise a vision of a carbon neutral and resilient society within the next 30 years.

ISSUE DESCRIPTION

To combat the impacts of climate change, a comprehensive approach has been adopted, focusing on both mitigation and adaptation measures. The LTS4CN and the NDC emphasise the need to reduce the flow of greenhouse gases into the atmosphere, while also preparing for the expected climate change.

Mitigation efforts aim to reduce the sources of greenhouse gas emissions or increase the sinks that absorb them. For instance, transitioning to renewable energy sources or enhancing carbon sequestration in forests and soils. Meanwhile, adaptation strategies aim to minimise the risks posed by climate change, such as more severe weather events or food insecurity. This involves adjusting to changing climate conditions, such as using advanced farming techniques and improving post-harvesting processes.

The LTS4CN and NDC prioritise activities that promote sustainable land management, including Conservation Agriculture (CA), as both a mitigation and adaptation measure. CA minimises soil disturbance, maintains permanent soil cover, and diversifies plant species. Additionally, it emphasises the need for improved quality, safety, and agro-business enhancement to enhance resilience and adaptability in the agricultural sector.

However, achieving these measures to secure the sustainability in agriculture can be challenging, particularly for small-scale farmers who may lack the knowledge and resources needed to adopt sustainable farming practices. This is where technical assistance from companies can play a critical role.

One of the significant challenges in sustainable production is the increasing pressure on natural resources, such as land, water, and biodiversity. Climate change further exacerbates the situation, causing unpredictable weather patterns, extreme weather events, and a higher incidence of pests and diseases. By providing technical assistance, companies can help farmers adopt sustainable agricultural practices which contribute to conserving resources, reducing greenhouse gas emissions, and enhancing soil fertility. Moreover, technical assistance can empower farmers with the knowledge and skills needed to increase productivity and make them more competitive in the market.

Another challenge faced by farmers is the lack of access to modern technologies, quality inputs, and financial services. Companies that invest in technical assistance can bridge these gaps by facilitating the transfer of innovative technologies, providing farmers with access to high-quality seeds, fertilisers, and equipment, and linking them with financial institutions. This support can enable farmers to invest in their farms, adopt new practices, and ultimately improve their livelihoods.

However, technical assistance and trainings to farmers are primarily in the domain of donor-funded development projects and there is a need for private firms and companies to get involved to accelerate the adoption of sustainable production and agricultural practices.

IMPACT ON BUSINESS

Inadequate investment in technical assistance for Cambodian farmers could have far-reaching negative consequences for the nation's economy and its agricultural sector.

The absence of proper financial and technical support may lead to reduced productivity, for instance. Farmers may be unable to adopt new farming techniques and technologies, which could lead to lower yields and increased costs. It may also perpetuate inefficient farming practices. Farmers may continue to use outdated methods that are harmful to the environment and less productive. Moreover, it may bring a loss of market opportunities: Cambodian farmers may be unable to meet the growing demand for high-quality agricultural products, which could lead to lost export markets and reduced income. In addition, inadequate technical assistance could exacerbate existing environmental issues, such as soil degradation and water pollution. Unsustainable farming practices can lead to the depletion of natural resources, which could have a negative impact on the country's long-term economic growth and food security. Finally, the lack of proper support for farmers could increase rural poverty and widen income disparities. Without access to the resources they need to be successful, farmers may be unable to escape poverty.

**2024
RECOMMENDATION**

✓ **Provide economic incentives for companies investing in training and technical assistance to farmers.**

To mitigate these risks, it is crucial to create economic incentives for companies to invest in the training and technical assistance of Cambodian farmers. By supporting farmer education and capacity-building, companies can help boost agricultural productivity, enhance market competitiveness, and promote sustainable farming practices. This, in turn, would contribute to a more robust agricultural sector, improved food security, and a stronger Cambodian economy.

Therefore, we respectfully recommend that the Royal Government of Cambodia and the relevant ministries consider the following policy measures:

- Provision of tax credits or exemptions to qualifying companies that invest in farmer training and technical assistance programmes. These tax breaks can reduce the cost of the investment for the company and encourage them to continue providing these services;
- Provision of grants and subsidies to qualifying companies that invest in farmer training and technical assistance. These funds can be used to offset the cost of providing these services or to expand the programme to reach more farmers;
- Provision of low-interest loans to qualifying companies that invest in farmer training and technical assistance. This can help the company to finance the programme and provide the necessary resources to train farmers;
- Facilitate certification and accreditation programmes for companies that invest in farmer training and technical assistance. This can help to establish the company as a reputable provider of these services and encourage more farmers to participate in the programme;
- Negotiate trade agreements that provide preferential treatment to companies that invest in farmer training and technical assistance. This can help to increase demand for these services and provide a competitive advantage to the companies that provide them.

We believe that these recommendations would help to create a more favourable environment for companies to invest in the training and technical assistance of Cambodian farmers. This, in turn, would help to boost agricultural productivity, enhance market competitiveness, and promote sustainable farming practices, which would benefit the entire country.

Sustainable Farming Standards for Cambodia

NEW

ISSUE DESCRIPTION As the global population grows and consumption patterns change, global food production is estimated to increase by 30% by 2030 and 50% by 2050. Climate change is also expected to impact crop yields in the long term. Therefore, increasing natural resource use efficiency is crucial for sustainable food production and environmental protection. This requires innovative and climate-resilient agricultural production systems and technologies that promote yield growth while protecting ecosystems.

Sustainable farming, which includes the principles of Agroecology and Conservation Agriculture (CA), is one strategy for achieving these goals. CA is an agroecological practice that aims to sustain agricultural productivity, profits, and food security while preserving and enhancing the environment. It is based on three main principles: minimal or no soil tillage, permanent organic soil cover, and crop species diversification. These principles promote ecological processes, which drive soil biota diversity and functionality, soil structure, and soil organic carbon and nitrogen accumulation, contributing to system resilience. CA practices have been shown to improve land and labour productivity, enhance biodiversity, and conserve soil and water resources, making farmers and communities more resilient to climate change impacts and economic shocks.

The Royal Government of Cambodia’s commitment to sustainable farming and agriculture development is evident in various policies and plans, including the overarching Rectangular Strategy IV and National Strategic Development Plan (2019-2023), as well as the country’s commitment to achieving the Cambodia Sustainable Development Goals (CSDGs) and other development targets. The Ministry of Agriculture, Forestry and Fisheries has embarked upon a systems approach with the Conservation Agriculture and Sustainable Intensification Consortium (CASIC), addressing the needs of stakeholders at various scales through different systems, the so-called Light Bulb Approach. These include research for development and vocational training, skills and human resources, a public-private partnership extension model (Metkasekor), engagement of the private sector on machinery and plant biodiversity, and DeiMeas, a financial mechanism incentivising farmers towards agroecological farming. This dynamic is supported by several development partners, including Swisscontact.

IMPACT ON BUSINESS Conventional farming practices have been the foundation of Cambodia’s food production, but they are increasingly harmful to the environment, economy, and businesses. The use of synthetic fertilisers, pesticides, and herbicides causes soil degradation, biodiversity loss, and water contamination. Agriculture also contributes significantly to greenhouse gas emissions, leading to increased costs from climate change impacts. Resource depletion is another concern, as conventional farming requires large amounts of water and energy, which can lead to depletion of these resources and increased costs for farmers.

Moreover, consumers are increasingly seeking sustainably produced goods, and companies are recognising the importance of sustainable practices to maintain their social licence to operate. Sustainable farming practices, including agroecology principles, can mitigate these negative impacts while enhancing competitiveness and reducing risks.

✓ **Create a framework for sustainable farming standards by employing relevant certification and financial schemes.**

**2024
RECOMMENDATION**

The transition to sustainable farming is crucial for securing a sustainable future for Cambodia's economy and businesses. It can improve the health of ecosystems, reduce environmental impacts, and increase resilience to climate change. Sustainable practices can also lead to increased efficiency, increased productivity, and improved working conditions for farmers. Therefore, promoting sustainable farming practices should be a matter of concern for the RGC and the private sector to ensure the long-term sustainability of Cambodia's food production and enable it to meet the future challenges of food security and climate change.

We therefore respectfully recommend that the relevant ministries consider creating a framework for sustainable farming standards that complies with the principles of agroecology and employ relevant certification and financial schemes to encourage farmers to transition towards sustainable farming practices.

Furthermore, the Light Bulb approach has been well established as an effective system to transition from conventional farming towards sustainable farming. Therefore, the RGC can also support in strengthening the light bulb model through various policy implementations, including:

- Under Research for development and vocational training, the RGC can support in establishing partnerships between research institutions, private sector actors, and local communities to ensure that research is demand-driven and relevant to the needs of smallholder farmers. The RGC can also increase funding for research and development in the agriculture sector, particularly in areas related to climate change, sustainable practices, and innovation;
- Under Skills and human resources in agroecology, the RGC can provide scholarships and other incentives to encourage students to pursue studies in agroecology and promote courses on agroecology in universities. The RGC can also support in developing frameworks to link and connect students specialising in agroecology to the other systems so that there is a better influx of specialists in the field of agroecology and sustainable farming;

- Under the Public-private partnership extension model (Metkasekor), the RGC can support in establishing a clear regulatory framework for public-private partnerships in agriculture extension services to ensure transparency, accountability, and equity. The RGC can also promote the participation of smallholder farmers, particularly women and youth in MetKasekor;
- Under Technologies and Practices, the RGC can encourage private sector investment to address the issues of accessibility and affordability of sustainable farming machinery and practices such as cover crop use. This can be done by providing tax incentives, subsidies and access to credit, and other forms of support to source appropriate machinery and establish partnerships between the private sector and smallholder farmers to build capacity of farmers to use the technologies and implement sustainable farming practices;
- Under Transition financing (Dei Meas), the RGC can support by implementing land use policies to encourage sustainable farming practices. Furthermore, the RGC can also facilitate market access for sustainably produced agricultural products through certification schemes, labeling, and promotion of sustainable products to consumers.

Adopting sustainable farming practices presents significant opportunities for businesses to enhance competitiveness, mitigate risks, and contribute to a more sustainable future. By transitioning to sustainable farming, businesses can reduce their environmental impact, meet consumer demand for sustainable products, and comply with regulations. Sustainable practices can also improve resource efficiency, reduce input costs, and increase crop yields over time. This, in turn, can enhance competitiveness, boost market share, and improve brand reputation. Furthermore, sustainable farming can attract investment and support from stakeholders who prioritise sustainability, contributing to the long-term viability of businesses.

Employment Conditions of the Agricultural Sector

UPDATED

The current Labour Law in Cambodia sets out a framework, outlining the relations between employers and employees, and sets out the working conditions applicable to all private sectors active in the national economy. Agriculture is generally seen as a rural-operated enterprise, which has given rise to the unique demands placed on the agriculture sector businesses employing workers.

ISSUE DESCRIPTION

These additional obligations specified by the Law - that other sectors are not required to adhere to - are set out in Chapter 7 of the Labour Law, which stipulates the specific working conditions that agricultural businesses must provide for their employees and families to ensure compliance. These obligations include free housing or an allowance, utilities, food, day-care nurseries, and the construction of their own schools. In addition, Chapter 8 Section 3 of the legislation places further obligations on all enterprises, requiring an infirmary for companies with a workforce of 50 or more, with a mandatory full-time labour Physician, as described in Chapter 8 Section 3.

While these conditions add a substantial expense to the operations of agricultural businesses, many recognise that this is part of the cost of doing business in the sector in Cambodia, as it fulfils the basic needs of employees situated far from the normal day-to-day luxuries of city life. Although these added benefits are often not taken into consideration when evaluating the actual wages that workers receive, they act as an incentive to attract labour to work with the enterprises in rural areas.

Despite all these added benefits, agricultural enterprises are still struggling to retain labour due to mass urbanisation, an ageing rural population and migrant workers. The labour that does stick with the enterprises tends to move in and out of employment due to their need to cultivate their own smallholder farms.

These circumstances are not taken into account by the Labour Law, and the recognised forms of work contracts - the UDC (Unspecified Duration Contract) and FDC (Fixed Duration Contracts as described in Chapter 4) - do not make it possible to employ these labourers over longer periods of time as they will be moving in and out of the business in an informal way.

Coupled with this informal movement comes the financial burden that agricultural enterprises need to carry, as set out by the Ministry of Labour and Vocational Training and the Ministry of Economic and Finance in Prakas No.335 dated 27 March 2020 to enact Prakas No.714 dated 19 July 2019 on official government fees.

Below are the key highlights of the Prakas:

N o.	DESCRIPTION	OFFICIAL FEE (RIEL)	VALIDITY
1	Physical Check-up for local employees (at the MLVT)	20,000	1 year
	Physical Check-up for local employees (at private rural clinic)	40,000	2 year
2	Physical Check-up for foreign employees (at the MLVT)	100,000	1 year
3	Certification on Physical Check-ups for local/foreign employees	20,000	1 year
4	Enterprise Opening Registration	120,000	Permanent
5	For various enterprises including: (1) enterprises employing more than 100 employees;		
5.1	Enterprise Book Registration	80,000	Permanent
5.2	Registration of Payroll Book/approval of E-payroll	80,000	Permanent
5.3	Internal Work Rules Registration	600,000	Permanent
5.4	Approval of Employment Contract Suspension	480,000	2 months
5.5	Approval on Overtime Work	100,000	2 months
5.6	Approval for Overtime Work on Weekly Days-off and Paid Public Holidays	100,000	1 month
5.7	Regular labour inspection (once per year for enterprises under sectors of garment, textile, footwear, travel and bag products and similar products)	1,000,000	1 year
5.8	Regular labour inspection (once per year for enterprises other the sectors of garment, textile, footwear, travel and bag products and similar products)	400,000	1 year
5.9	Issuing Recognition Letter for Shop Steward Election	250,000	2 years
5.10	Approval on the Use of Child Labour between 12-15 years' of age or between 15-18 years' of age	800,000	1 year
5.11	Apprenticeship Application	5,000	1 year
5.12	Issuing Work Book for Local Employees	20,000	Permanent
5.13	Registration on Declaration of Movement of Personnel "IN" or "OUT"	4,000	Permanent
5.14	Issuing Work Permit to Foreign Employee	520,000	1 year
5.15	Issuing Quota Approval for the Employment of Foreign Employee	200,000	1 year
5.16	Registration of Foreign Employee's Employment Contract	40,000	N/A

We thank the Ministry for its foresight in developing this practical guideline to attract employees. However, we remain concerned about the costs for agricultural enterprises regarding the employment process, the cost of health checks, and the structures of the labour contracts. An additional cost for these enterprises is the cost of transporting labour for health checks and the cost of these checks at private clinics in rural areas, which increases the cost of employment.

The current high cost of employment, including the cost of basic wages and added benefits, coupled with the constant movement of labour in rural areas, makes it unduly expensive to run an agri-enterprise and still be profitable. Cambodian agri-enterprises, on the whole, strongly believe in paying the labour their worth, but the cost of doing business should not exceed the benefit from doing such business. Commercial operators already struggle to compete within the highly competitive market, as smaller agricultural enterprises and other industries do not need to comply with statutory regulations.

Agriculture used to be one of the biggest employers in Cambodia but has been declining rapidly over the past few years, to the point of employing only about 35% of the current workforce. The increased pressures of employment in agriculture and the cost of employment make it more and more difficult to do business in agriculture in the country.

✓ **Reform labour regulations to accommodate the specific nature of agricultural work.**

**2024
RECOMMENDATION**

With agriculture being one of the larger contributors to the GDP (around 22% in 2022) and one of the main sources of employment, members from the sector – represented by EuroCham’s Agribusiness Committee – would like to respectfully recommend that the Royal Government of Cambodia take into consideration the additional benefits, the distance to clinics, and the cost of health checks and employment as additional costs over and above the current benefits already provided by agricultural businesses when implementing new labour reforms to ensure that the sector remains competitive. When this is combined with recent labour reforms such as the National Social Security Fund, seniority indemnity payment, and the pension scheme, the cost-effectiveness and economic case for commercial agriculture production in Cambodia are already under threat, without the additional burden of a standard minimum wage.

We, therefore, also respectfully suggest that the MAFF enable agricultural enterprises to provide in-house health checks at the infirmaries, as stipulated in the Labour Law, to reduce the cost of health checks.

Finally, we would respectfully recommend that the MAFF explore more flexible formats of labour contracts tailored to agricultural workers, to allow them to move in and out of employment without being terminated under the current arrangements.

This would bring about a reduction in costs for enterprises, ultimately allowing for sustained investment and modernisation of the sector.

Contract Farming

NEW

ISSUE DESCRIPTION Contract farming (CF), or contract-based agricultural production, has been around for decades in the agricultural sector and is also common in Cambodia, mostly in the form of informal contracting agreements between producers and buyers.

At the heart of contract-based agricultural production lies an agreement between farmers (producers) and buyers: both agree in advance on the terms and conditions for the production and marketing of farm products. These conditions usually specify the price to be paid to the farmer, the quantity and quality of the product demanded by the buyer, and the date for delivery to buyers. In some cases, the contract may also include more detailed information on how the production will be carried out or if inputs such as seeds, fertilisers, and technical advice will be provided by the buyer. Contract-based agricultural production is particularly suited for high-value crops, highly perishable crops, and technically difficult production. This makes it an ideal practice for the future development of Cambodian agriculture and its export diversification strategy towards rich markets such as the European Union.

Formal CF, in the form of a contractual relationship, offers advantages to both producers and buyers in terms of guaranteed prices, quantity and quality, inputs, credit, improved production technology, and extension, etc. On the other hand, informal CF based on verbal agreements will remain for the majority of producers and buyers in the foreseeable future unless entry into CF is made easier and more inclusive.

The RGC has for some time wished to move to a more formal system of contract-based agricultural production and issued a Sub Decree on CF in 2011. The CF Sub Decree set the legal framework for CF by designating an agricultural production contract (APC) as an agreement of agricultural production business (APB) conducted by two parties or more, which is legally binding and shall specify in advance any requirements demanded and accepted by contracting parties.

In terms of implementation, although the literature is scarce, there seem to have been a number of moderately successful cases of CF in Cambodia, in areas such as rice, pepper, rubber, sugarcane, and cassava. Pepper contract farmers, for example, were shown to enjoy higher revenues than non-contracting farmers in the sector.

However, there have also been some challenges to the implementation of CF. For example, some farmers have complained that the contracts are too technical and difficult to understand, that there are too many disputes with buyers regarding the interpretation of contracts, or that they have been unable to access the necessary inputs and supporting services to meet the requirements of the contracts.

The promotion of CF in Cambodia is increasingly necessary given the implicit risks of inaction or failure. Without contract farming, farmers may be less likely to adopt improved agricultural practices, which could lead to lower yields and incomes. Farmers who are unable to sell their crops at a fair price may be more likely to fall into poverty. If farmers are unable to produce enough food, it could lead to food insecurity, especially for the most vulnerable groups. Furthermore, if farmers are not incentivised to adopt sustainable agricultural practices, it could lead to environmental degradation, such as soil erosion and water pollution.

✓ **Strengthen contract farming by including specific provisions in the draft upcoming law on Contract Farming.**

**2024
RECOMMENDATION**

As we understand that a law on CF is currently under consideration, we respectfully recommend the following to the Ministry of Agriculture, Forestry and Fisheries:

- That the law should specify the minimum requirements of an agricultural production agreement/contract, avoiding jargon and complicated legal terminology. The contract should be easy to understand by smallholder farmers. A template could be annexed;
- That production contracts be legally binding. However, recourse in the courts in case of conflicts is costly, time-consuming, and beyond the capacity of most smallholder farmers. Alternative conflict resolution mechanisms should be considered, such as arbitration at the district level;
- That the Contract-Based Agricultural Production Committee established under the Sub Decree on CF should be expanded to include stronger private sector representation, for example, the Cambodian Rice Federation, the Cambodian Cashew Association, and smallholder farmer organisations.
- That companies/buyers which wish to participate in CF should be registered with the relevant Ministries.
- That in cases where the spouse of the producer has a substantial contribution to the production under contract, the spouse needs to be fully aware of and understand the contents of the contract and should be a co-signatory.
- That tax incentives should be considered for an initial period to lower the “investment threshold” for smallholder farmers.

By ensuring that the above provisions are included in the draft law on contract farming, Cambodian farmers will benefit from a solid regulatory framework that reduces the chances of conflict between parties, encourages the adoption of sustainable farming practices, and combats poverty conditions in the countryside. Cambodian agriculture as a whole will benefit from a renewed emphasis on farm-to-fork principles in production, increasing the likelihood of export linkages to sustainably-minded markets such as the European Union.

DIGITAL AND TECHNOLOGY

DIGITAL AND TECHNOLOGY

2019 WHITE BOOK

2019	Recommendation	Initiated	Statute	Summary
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Development of the Digital Economy

33	Prioritise the Adoption of Data Protection and Privacy Laws	2019	New	Prioritise the adoption of data protection and privacy laws, following an effective public-private consultation process.
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34	Ensure Consumer Choice and Open Access	2019	New	Consider implementing mobile phone number portability and a broadband open access policy to encourage greater consumer choice and fairer competition.
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35	Address the ICT Skills Gap	2019	New	Promote greater engagement between training providers and the private sector to improve ICT courses and accreditations to address the skills gap.
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2024 WHITE BOOK

Progress Made

Result

Status

2024 Recommendation Number

The Royal Government of Cambodia (RGC) has committed itself to enhancing the regulatory framework to protect personal data and privacy. The recent e-commerce law contains data protection provisions, which however apply only for data exchanged in commercial electronic transactions. To date, however, there is no comprehensive data protection framework yet in Cambodia.

The Ministry of Post and Telecommunications (MPTC) announced in early 2021 that it intended to prepare a draft personal data protection law, in line with the RGC's vision of a digital society laid out in the Cambodia Digital Economy and Social Policy Framework 2021-2035.

EuroCham appreciates efforts by the Royal Government of Cambodia (RGC) in considering the question of data protection, and respectfully recommends that the RGC adopt comprehensive data protection and privacy laws, taking inspiration from the EU GDPR and the Council of Europe's Convention 108+.

Updated

23

As in many countries, much of the focus of Cambodia's telecommunication legislation has been on regulating the establishment of networks and licencing providers.

As the framework on this topic has not changed significantly, EuroCham retains its recommendation of implementing mobile phone number portability and a broadband open access policy to encourage greater consumer choice and fairer competition.

Retained

24

The Royal Government of Cambodia is clearly committed to increasing the standards of education throughout the Kingdom, demonstrated by the continued trend of education receiving the highest allocation in the National Budget, with almost USD 1 billion earmarked for 2023. This commitment aids the skill development of the Information and Communication Technology (ICT).

Recognising the efforts already made by the Ministry of Education, Youth and Sport and the Ministry of Post and Telecommunications to enhance education standards, EuroCham recommends that the Royal Government of Cambodia seek to promote greater engagement between training providers and the private sector to improve ICT training and accreditations standards.

Retained

25

2019 WHITE BOOK

Telecommunications

36 Ensuring Regulatory Stability to Support Investment in the Telecommunications Sector 2016 **Updated** Continue to engage in substantive consultations with the private sector prior to the adoption of the telecommunications relicensing process and explore opportunities to incentivise investment in telecommunication infrastructure.

37 Allocation of Spectrum 2016 **Updated** Request that future auctions are only utilised for the allocation of new spectrums and ensure that bidders are appropriately screened.

New 2024 Recommendation 5G Regulative Framework Cambodia is one of the countries with highest mobile penetration rates in the world, with 20.8 million mobile connections registered in 2022, or 124% of the population. The Royal Government of Cambodia intends to strengthen the country's digital connectivity and promote digital transformation, including the adoption and commercialisation of new-generation mobile technologies such as 5G.

Cloud Computing

New 2024 Recommendation Cloud Computing Cloud computing adoption is still in its infancy in Cambodia, despite the country's ongoing digitisation drive. Nevertheless, the situation is looking more promising now that major international cloud providers are entering the Cambodian market.

2024 WHITE BOOK

Lack of clarity regarding availability of investments in Cambodia's telecommunications sector risks dampening investor enthusiasm, right at a time when the sector is at a crossroads: new technologies are emerging (5G), and with that the prospect of an investor boom given the right conditions. Investor confidence in government policy is key to harness the potential of the sector.

Although EuroCham still believes improvements can be made to assure the stability of the telecommunication sector, the content of this recommendation has been taken on in the meantime across other recommendations in this book.

Resolved

26

Wireless spectrum is a scarce natural resource and only a narrow range of this spectrum is suitable to deliver reliable wireless signals; a system of allocation that does not ensure effective utilisation hinders the development of telecommunications services.

EuroCham maintains its position requesting that future spectrum auctions are only utilised for the allocation of new spectrum and ensure that bidders are appropriately screened.

Retained

27

In 2019, the country's main telecom regulator – the Telecommunication Regulator of Cambodia (TRC) – allowed private telecom providers to run 5G trials on the national telecom infrastructure, in preparation for the issuing of commercial licences.

Moreover, the Ministry of Post and Telecommunications (MPT) pledged to publish a 5G policy and roadmap in 2022, along with allocation of spectrum and approvals to permit commercial operations.

EuroCham respectfully recommends to prioritise the formulation and publishing of a 5G roadmap and policy, that set clear rules for the private sector's engagement in the spectrum allocation, commercialisation and management of 5G technology.

New

28

The RGC encourages the adoption of digital and cloud-based solutions, mostly through its vision laid out in the Digital Economy and Social Policy Framework 2021-2035.

In line with the digitalisation progress, EuroCham respectfully recommends the adoption of a cloud computing regulatory framework.

New

29

Adoption of Data Protection and Privacy Laws

UPDATED

ISSUE DESCRIPTION

Good data protection and privacy are essential for the economic development of society because they create a climate of trust and confidence in which businesses can thrive. When people know that their personal data is safe and secure, they are more likely to participate in the digital economy, which can lead to increased innovation, investment, and economic growth. In addition, good data protection and privacy can help to protect consumers from fraud and abuse. When people know that their personal data is safe, they are more likely to trust businesses and share their data. This can lead to better products and services for consumers.

European countries have been at the forefront of designing detailed legal frameworks and regulations that introduce and promote several aspects of data protection and privacy for citizens. Below are some of the provisions contained in the EU's General Data Protection Regulation (GDPR) and the Council of Europe's Convention 108+ on Personal Protection in Automated Systems. Both the GDPR and Convention 108+ are designed to protect the privacy of individuals and to ensure that their personal data is processed in a fair and transparent manner. The GDPR is a more comprehensive and stringent set of rules, while Convention 108+ is a more general framework. Both regulations cover the following aspects that could be included in a strong data protection and privacy regulation:

- Consent: Both the GDPR and Convention 108+ require that individuals give their consent before their personal data can be collected or processed;
- Purpose limitation: Personal data must be collected and processed for specific, explicit, and legitimate purposes;
- Data minimisation: Only the minimum amount of personal data necessary for the intended purpose should be collected and processed;
- Storage limitation: Personal data should not be stored for longer than is necessary for the intended purpose;
- Data security: Personal data must be protected against unauthorised access, use, disclosure, alteration, or destruction;
- Data subject rights: Individuals have the right to access their personal data, to have their personal data corrected or deleted, and to object to the processing of their personal data.

The Royal Government of Cambodia (RGC) has committed itself to enhancing the regulatory framework to protect personal data and privacy. A recently published e-commerce law contains data protection provisions, which however apply only for data exchanged in commercial electronic transactions. Data protection falls under the right to privacy, which is protected in broad terms under the Constitution of the Kingdom of Cambodia 2010, the Civil Code of Cambodia 2007, the Criminal Code of the Kingdom of Cambodia 2009, and other specific laws such as the Banking Law. To date, however, there is no comprehensive data protection framework yet in Cambodia.

The Ministry of Post and Telecommunications (MPTC) announced in early 2021 that it intended to prepare a draft personal data protection law, in line with the RGC's vision of a digital society laid out in the Cambodia Digital Economy and Social Policy Framework 2021-2035. However, such law has not yet been published.

New technologies are a significant contributor to the national development of Cambodia. However, without a robust legal framework governing the responsible use and storage of the data generated from new technology, including by third parties, the importance of data security can be overlooked and individuals, businesses or governments are potentially exposed to serious threats and instability.

IMPACT ON BUSINESS

The flow of data that enables digital economies to flourish is built on trust. If this trust is broken, confidence in the entity will be harmed and others will no longer trust that their information will be safe. This is a serious concern for businesses involved in the use and management of private data, as they will quickly become uncompetitive.

Furthermore, due to the growing concerns around how data is used, some countries are restricting the flow of data to countries with lax privacy and protection laws. Similarly, the laws governing the use of data are no longer bound by jurisdictions and are now being applied extraterritorially. For example, the European GDPR applies strict obligations on any business that processes the data of European citizens, regardless of a business's physical location.

Therefore, without an effective regulatory framework that maintains progress with comparable markets, there is a risk that the competitiveness of Cambodia's digital sector could diminish, which would increase the difficulty of attracting investment.

The absence of a personal data protection law in Cambodia also hinders the country's regional digital integration in ASEAN, as it stifles the development of cross-border data flows. Businesses are unsure of whether the data exchanged across borders can be secured from breaches.

In conclusion, the lack of a robust legal framework governing data protection in Cambodia poses a serious threat to the country's digital development.

2024
RECOMMENDATION

✓ **Prioritise the adoption of comprehensive data protection and privacy laws, taking inspiration from the EU GDPR and the Council of Europe's Convention 108+ .**

While we recognise that the pace of technology generally exceeds that of the legal framework that governs it, we respectfully recommend that the Ministry of Posts and Telecommunications prioritise the adoption of Cambodia's data protection and privacy laws to ensure the responsible use and management of data, taking into account international best practices.

It is important that such regulations be formulated to focus on the management of risks to an acceptable level and balance the economic and social benefits that digital innovations can bring with ensuring protection from the adverse impact of the misuse of data.

Adopting such regulations would also strengthen Cambodia's efforts to further integrate into the ASEAN Economic Community, as there is a particular focus to harmonise data protection legislation and commit to enhanced cooperation in the field of ICT, as demonstrated by the Master Plan on ASEAN Connectivity and the ASEAN Framework on Personal Data Protection.

By adopting a sound regulatory framework on privacy and data protection, Cambodian consumers and international businesses are more likely to have their data secured in the increasing number of digital transactions, in turn spurring the development of digital trade, e-commerce, and investment.

Consumer Choice and Open Access

RETAINED

ISSUE DESCRIPTION

As the digital economy continues to grow and access to telecommunications becomes a necessity, it is vital that consumers are given adequate protection to ensure they are free to choose the services that best match their individual needs. Likewise, as the types of service also expands, it is important that the Royal Government of Cambodia (RGC) takes steps to harness the growth of the sector through effective policies and regulations that seek to foster innovation and encourage fair competition between providers.

Presently in Cambodia, if a consumer is unhappy with the quality of service from their mobile provider and decide to switch to a new provider, they are required to give up their phone number and adopt a new one, this results in increased switching costs and hassle of informing others of the change to their contact details. Without the ability to transfer mobile numbers to different providers, some providers have been able to purchase licences for a wide range of phone numbers, including desirable and lucky combinations, at a low-cost following a number of carrier mergers, causing unfair competition against incumbent providers.

To overcome these issues, many countries have adopted mandatory mobile phone number portability regulations that allow consumers to retain their existing phone number when switching to a new provider, which has reduced costs while increasing competition and consumer satisfaction. Within ASEAN, Singapore, Malaysia and Thailand have already introduced mobile number portability for free and can be completed in less than three days, and providers in Vietnam began rolling out number portability from November 2018. Similarly, all ASEAN Member States have been encouraged to implement mobile number portability, following its inclusion in the Siem Reap Declaration of the ASEAN Telecommunications and Information Technology Ministers meeting held in December 2017.

Ensuring competition and consumer choice is equally important when it comes to the physical infrastructure for which communication flows through. As an internet connection has become an essential utility rather than a luxury, it is imperative that access to network infrastructure is provided on fair and reasonable terms as it plays a major role in shaping the field of competition. Although many individual users in Cambodia may be satisfied with mobile internet and may not even have a physical internet connection, businesses often have heavy bandwidth needs and demand higher speed connections than mobile internet can currently provide.

In Cambodia, when a new building is constructed, a telecommunication provider will make an agreement with the owner to connect the building to the broadband network and in return will be given full exclusivity to all consumers that reside within. This gives the provider a monopoly over the tenants and leaves the consumers with little recourse if they are unhappy with the quality of their service, and if this was to occur within an office building, it would severely inhibit commercial activities.

As there is little incentive for providers to grant access to their infrastructure to competitors, the sector requires the RGC to implement an effective broadband open access policy to allow the shared and fair use of network infrastructure. Implementing an open access policy would follow the example set by the RGC's Universal Service Obligation Fund, that seeks to encourage the private sector to expand network infrastructure to areas that are less economically convincing, though greatly benefit the citizens that reside in such areas.

IMPACT ON BUSINESS

As in many countries, much of the focus of Cambodia's telecommunication legislation has been on regulating the establishment of networks and licencing providers. However, as the sector continues to develop and more players enter the market, it is vital that policy follows suit to encourage fair competition and protect consumer choice. The increase in competition that stems from effective consumer orientated policies stimulates the private sector to innovate, improve service quality and price competitively. If businesses fail to do so, they ultimately risk losing their customers to the competitors that do, as customers become more empowered to make well-informed purchasing decisions.

The aims of implementing pro-competition policies like mobile number portability and open access for broadband infrastructure are to enhance consumers' perception of telecommunication services in Cambodia by raising awareness of alternatives and simplifying the switching process. This will encourage greater investment into Cambodia's ICT sector, and result in a stronger and more competitive market with improved network infrastructure.

**2024
RECOMMENDATION**

✓ **Implement mobile phone number portability and a broadband open access policy.**

We respectfully recommend that the Ministry of Post and Telecommunications take steps to implement mobile phone number portability and a broadband open access policy to encourage greater consumer choice and fairer competition within the telecommunication sector. For mobile phone number portability, we suggest harmonising regulations with those implemented by other ASEAN members, as encouraged by the Siem Reap Declaration of the 2017 ASEAN Telecommunications and Information Technology Ministers meeting.

Recognising that implementing an open access policy for network infrastructure would be a lengthier and more technical process, we suggest that the Ministry seek best practice and engage in public-private consultations to ensure that such policy would effectively balance the needs of consumers, operators and owners, and encourage fair use of infrastructure.

ICT Skills Gap

RETAINED

ISSUE DESCRIPTION

The Royal Government of Cambodia is clearly committed to increasing the standards of education throughout the Kingdom, demonstrated by the continued trend of education receiving the highest allocation in the National Budget, with almost USD 1 billion earmarked for 2023. While the private sector recognises and welcomes this improvement, employers across the board continue to report challenges in finding quality applicants for recruitment, due to the considerable skills gap that exists between the education delivered and the skills that industries require. For the rapidly developing Information and Communication Technology (ICT) sector, the skills gap issue is even more prevalent.

As a result of the growing demand for ICT services in Cambodia, a large number of training facilities have established themselves alongside existing universities to offer a range of ICT focused courses and qualifications, such as those from tech companies Huawei and Fortinet. Unfortunately, as the sector lacks a recognised qualification framework, the quality of courses delivered within Cambodia varies considerably, and much of the learning can be out-of-date and bears little relevance to the industry.

While many Cambodians are becoming increasingly tech-savvy; thanks to the high penetration of mobile devices, computer literacy continues to fall well behind, leaving many graduates unprepared for the job market and with qualifications that hold limited value both within Cambodia and internationally. This includes basic technical competences such as operating a computer, web searches, and using basic work software; however the utility of such competences are also tied more widely with the development of analytical, critical thinking and problem solving skills, where Cambodia is also lagging behind other countries.

Although Cambodian universities and the private sector have begun collaborating to bridge this gap, this has largely been focused on securing internships for students rather than involving ICT businesses in curriculum development. Consequently, as curricula rarely takes into consideration the needs of the industry, students are well below professional expectations, therefore businesses are required to effectively retrain many of the fresh graduates that they hire.

While most ICT businesses recognise that recent graduates will need on-the-job training due to their limited technical experience, many businesses are finding that they are forced to teach foundation level skills, such as basic arithmetic, which should normally have been completed during early education. Businesses are required to heavily invest time and resources into each graduate, which they often struggle to recoup due to high turnover, with staff choosing to leave after a relatively short period to obtain higher salaries elsewhere.

IMPACT ON BUSINESS

While the surging uptake of mobile devices by Cambodians presents a significant opportunity for ICT businesses to offer innovative technology focused solutions, the severe lack of home-grown ICT skills greatly reduces Cambodia’s ability to remain competitive within this ever-changing industry. To service this demand, businesses are forced to invest substantial resources into the training and development of recent graduates or spend considerably more to retain and recruit experienced local and international staff to fill the gap. This causes the cost of labour to increase and unbalanced with regional competitors, since there are only a limited number of experienced candidates available. These increased costs damage the Cambodian ICT sector’s ability to remain financially competitive, which is essential as many ICT projects are no longer geographically dependent.

This additional financial constraint further impacts the more fragile start-up ICT businesses, which are often seen as the lifeblood of any competitive ICT sector. Start-ups require staff that can work independently, with minimal training and for a low cost, as their contribution is rewarded through valuable professional experience. As a result of their limited resources during the early growth phase, start-ups do not have the capacity to support the level of training required for many Cambodian graduates. The lack of cost-effective talent, significantly limits the capability of startups to grow organically and could allow foreign entities to gain a foothold in the Cambodian market before local businesses can.

2024
RECOMMENDATION

✓ **Promote greater engagement between training providers and the private sector to improve ICT courses and accreditations to address the skills gap.**

Recognising the efforts already made by the Ministry of Education, Youth and Sport and the Ministry of Post and Telecommunications to enhance education standards, we recommend that Royal Government of Cambodia seek to promote greater engagement between training providers and the private sector to improve ICT training and accreditations standards. Doing so would closely align with the aims of the adopted Capacity Building and Research and Development Fund, which intends to encourage human resource development through private sector support.

While we acknowledge that the development of a recognised education framework for the ICT sector is a lengthy task, we suggest that training providers collaborate closely with the sector to develop their courses, as businesses are best positioned to understand the current and future demands of the industry. The private sector can provide support to training facilities to create a needs-led curriculum by reviewing course material, teaching methods and validating examinations. This could be done through first, the institution of a comprehensive gap analysis. Following this, more training facilities should seek to

offer technical certifications such as Cisco, Microsoft and Oracle, as these internationally recognised, professional programmes have been designed for a specific use and career progression in mind.

We anticipate that promoting closer coordination will follow the success that increased public-private engagement with the Ministry has shown, and pay dividends in the longer term by enhancing the productivity and competitive advantage of Cambodia's ICT workforce, in line with the Royal Government of Cambodia's policy agenda to diversify the economy.

Regulatory Stability in the Telecom Sector

RETAINED

ISSUE DESCRIPTION The Royal Government of Cambodia passed a Law on Telecommunications in December 2015 that included a requirement for all telecommunication businesses to reapply for their operating licences. The draft Prakas describing the application process and fee structures was released in early 2017. The Law has stipulated further increases in regulatory-related fees and levies, such as revised numbering fees, changes in revenue share and requirements to contribute to the Universal Service Obligation Fund and Capacity Building and Research and Development Fund, which is straining the competitiveness of the industry.

IMPACT ON BUSINESS Although mobile retail prices in Cambodia are one of the cheapest in the world, mobile data consumption is increasing exponentially, resulting in mobile operators having to significantly invest into network infrastructure and advanced technologies that have shorter lifecycles. Therefore, to attract continuous investment in telecommunications sector and in Cambodia more generally, it is important that the Royal Government of Cambodia provide investors impetus to continue to do so.

In the upcoming 5G era which is an important component of a digital economy as well as Industry 4.0, considerable investments are required in terms of equipment, spectrum and street-level infrastructure. In other markets, governments are re-evaluating sector-specific taxes while incentivising compliant and high performing operators to undertake infrastructure expansions. For example, Thailand's National Broadcasting and Telecommunications Commission is planning to provide operators low-interest loans from its Research and Development Fund, while also offering flexible conditions for the upcoming spectrum auctions to encourage and support such 5G-related investments.

Cambodia's telecommunication sector has been developing at a very promising rate but further moves to extract revenue from the sector may negatively impact stakeholders. The industry recognises its role in contributing to government revenue, however for greater sustainability, future reforms should in balance with the growth of the sector and the necessity for additional investments, particularly as retail pricing strategies are constrained by market demands.

✓ **Continue to engage in substantive consultation with the private sector prior to the adoption of the telecommunications relicensing process and explore opportunities to incentivise investment in telecommunication infrastructure.**

**2024
RECOMMENDATION**

We respectfully recommend that the Ministry of Posts and Telecommunications and the Telecommunications Regulator of Cambodia continue to engage in substantive consultation with the private sector prior to adoption of the relicensing process. Additionally, the Royal Government of Cambodia may explore opportunities to support and encourage greater levels of investment to expand and expedite telecommunication infrastructure through incentives and favourable contracting conditions.

Furthermore, we would encourage the Royal Government of Cambodia to adopt the principle of 'no worse off' during the development and finalisation of the incoming new Prakas - the new regime should honour terms agreed with existing investors and should not place excessive additional regulatory and cost burdens upon them. If taxes and regulatory costs were to be significantly increased, this would make telecommunications services less affordable to consumers and could have a negative impact upon the sustainability of the sector.

Allocation of Spectrum

RETAINED

ISSUE DESCRIPTION The Royal Government of Cambodia reserves the right to allocate and assign the use of defined wireless spectrum bands to telecommunication companies. At present there are many private sector entities holding spectrum in Cambodia, though some of these entities hold the spectrum exclusively while not actually providing any services. Wireless spectrum is a scarce natural resource and only a narrow range of this spectrum is suitable to deliver reliable wireless signals; a system of allocation that does not ensure effective utilisation hinders the development of telecommunications services.

The Cambodian Law on the Management of the Nationally Reserved Spectrum was enacted in 2016 to regulate the use of radio frequencies in Cambodia. The law established a framework for the management of the spectrum, including the auctioning, assignment, and licencing of frequencies, as well as the regulation of interference and the protection of public safety.

An auctioning system differs from a competitive tendering process as an auction allocates the spectrum based on the highest value offered by interested parties, whereas with a competitive tender, allocation is based on a submitted business plan that is then judged against specific criteria. Spectrum auctions are an allocation method that is common in other countries. However, such auctions must be subject to reasonable controls to avoid inflation of the price by speculative bidders who do not have the financial capabilities to pay the prices that they bid for or the competencies to roll out services using the spectrum.

IMPACT ON BUSINESS The telecommunications sector would benefit from the Royal Government of Cambodia ensuring that spectrum is in the hands of service providers who will make use of this resource as these service-providing companies contribute more to tax revenues, job creation and increasing connectivity. Conversely, the hoarding of spectrum assets without offering services represents an opportunity loss for the Royal Government of Cambodia in the full realisation of the digital economic potential, in terms of telecom traffic, e-commerce, video streaming and other areas.

✓ **Restrict future auctions to the allocation of new spectrums and ensure that bidders are appropriately screened.**

**2024
RECOMMENDATION**

Should the Royal Government of Cambodia follow through with its decision to introduce spectrum auctions, we would recommend that this mechanism only be utilised for the allocation of new spectrums such as for 700MHz, rather than for the renewal or reallocation of existing concessions, for which the existing competitive tendering process is sufficient. This together with the requirement that bidders go through a pre-bidding procedure before participating in the auction, will ensure that the prices of spectrums are not artificially driven up by bidders. Pre-bidding screening should require companies to demonstrate serious intent to offer services on the spectrum that they are bidding on, for example by offering roll out plans and demonstrations of financial capacity, before being granted permission to participate in the bidding process.

Furthermore, we recommend that the existing spectrum allocations of current licences should be maintained (unless not utilised at all), while minimal roll out obligations or similar controls should be considered to deter non-serious players. Additionally, more spectrums should be released for mobile services to support Cambodia's digital inclusion agenda.

5G Regulative Framework

NEW

ISSUE DESCRIPTION Due to factors such as its relatively young population, Cambodia is one of the countries with highest mobile penetration rates in the world, with 20.8 million mobile connections registered in 2022, or 124% of the population. There are five mobile telecom providers in the country.

The Royal Government of Cambodia intends to strengthen the country's digital connectivity and promote digital transformation, including the adoption and commercialisation of new-generation mobile technologies such as 5G. The main policy framework is the Cambodia Digital Economy and Society Policy Framework 2021–2035, which lays down the vision to “build a vibrant digital economy and society by laying the foundations for promoting digital adoption and transformation in all sectors of society – the state, citizens, and businesses – to promote new economic growth and improve social welfare in the new normal”.

The development and commercialisation of 5G seemed promising. In 2019, the country's main telecom regulator – the Telecommunication Regulator of Cambodia (TRC) – allowed private telecom providers to run 5G trials on the national telecom infrastructure, in preparation for the issuing of commercial licences. The TRC has also repeated various times, such as in 2022, that they planned to issue 5G commercial licences in the near future and asked companies to participate in further 5G service development. Moreover, the Ministry of Post and Telecommunications (MPTC) pledged to publish a 5G policy and roadmap in 2022, along with allocation of spectrum and approvals to permit commercial operations.

Despite these pledges, the situation on the ground has looked weary for 5G deployment and commercialisation in Cambodia. The initial trial phase in 2019 was not followed up by commercialisation. As a matter of fact, a reverse trend happened, with the RGC shutting down 17 trial licences citing breach of telecom regulations, which seemed to be due to perceived wastage and inefficiencies in having so many operators providing their own separate 5G trial.

The RGC has also stated that 5G deployment is costly and they do not have a large budget for its implementation, therefore they have expressed a preference for a new business model involving smaller operators banding together to use the existing mobile bandwidth. The TRC has also stated that they plan to allocate 400 MHz of spectrum in mid-band ranges for 5G deployment. However, in the absence of a final and clear policy framework for 5G, and due to perceived uncertain commitment on allowing operators to run commercial 5G operations, telecom providers cannot commit to 5G investments.

Without clear incentives to invest in 5G infrastructure, the country's telecom network risks being overloaded due to overconsumption. Cambodians already consume a high average amount of mobile internet data, calculated at 33 GB per user each month in 2022, with the global average being 12 GB.

This high use translates into stressing the country's existing 3 and 4G network infrastructure, and meaning operators risk being unable to guarantee the promised navigation speeds to consumers. With slower-than-expected navigation speeds, e-commerce and digital trade risk taking a hit, in turn jeopardising the RGC's vision for strengthened digital connectivity laid out in the Cambodia Digital Economy and Society Policy Framework 2021–203.

✓ **Prioritise the formulation and publishing of a 5G roadmap and policy, that set clear rules for the private sector's engagement in the spectrum allocation, commercialisation and management of 5G technology.**

**2024
RECOMMENDATION**

We therefore respectfully recommend that the MPTC prioritise the formulation and publishing of a 5G roadmap and policy, that sets clear rules for the private sector's engagement in the spectrum allocation, commercialisation and management of 5G technology.

With a clear policy on 5G, investors will be more incentivised to invest in the upgrading and commercial running of the country's 5G network, ensuring faster navigation speeds for private consumers and businesses, in turn encouraging the spread of e-commerce and larger trade flows. Larger digital trade flows are in line with the RGC's vision for digital integration within ASEAN.

Also, the involvement of private operators will encourage the development and spread of new technologies to enhance the nation's 5G offer.

Cloud Computing

NEW

ISSUE DESCRIPTION

Cloud computing adoption is still in its infancy in Cambodia, despite the country's ongoing digitisation drive. While a few businesses have started using cloud services, their maturity level is often weak, as they use a limited range of capabilities and fail to grasp the full potential of cloud computing. The existing cloud solutions that are most commonly used include Software-as-a-Service (SaaS) such as Gmail or Dropbox. However, the adoption of other forms of public cloud services such as Platform-as-a-Service (PaaS) and Infrastructure-as-a-Service (IaaS) is still very low.

Nevertheless, the situation is looking more promising now that major international cloud providers are entering the Cambodian market. The arrival of these providers is driven by the discovery of new cloud computing technologies and geopolitical competition between American and Chinese tech giants. A small set of businesses in Cambodia are adopting cloud solutions, setting the trend for more mainstream use of these technologies.

Alibaba Cloud officially launched in Cambodia in April 2022, and in August of the same year, the Royal Group, owner of internet provider Ezecom, signed a partnership with Amazon Web Services' partner eCloudvalley to bring global cloud expertise to Cambodia. The plan is to send a team of cloud computing experts to Cambodia to deliver training and create a locally-based team of experts in cloud migration, cloud training, data solutions, next-generation managed service providers, and automated cloud management platforms.

Despite the increasing adoption of cloud technology by the private sector, the future mainstreaming of these solutions faces two ongoing challenges.

Firstly, the absence of a comprehensive legal framework for data protection in Cambodia increases the uncertainty for investors on whether to commit to the market. Future regulations regarding cross-border data flows will play an important role in either accelerating or restraining cloud computing adoption.

Secondly, the overall novel state of the industry requires the championing of large stakeholders, such as governments, to push for wider adoption by the private sector. So far, however, the Royal Government of Cambodia's (RGC) levels of adoption of e-government practices have been mixed. While the RGC has implemented online initiatives such as the Cambodian National Single Window (CNSW) platform for online document submission, the country ranks in the bottom three in the United Nations e-government Development Index (EDGI) among ASEAN countries.

The RGC encourages the adoption of digital and cloud-based solutions, mostly through its vision laid out in the Digital Economy and Social Policy Framework 2021-2035. However, the RGC will have to take a stance on data localisation provisions, which regulate where

data exchanged electronically must be physically stored to legitimise a cross-border data transaction. Neighbouring countries have pushed towards restricting cross-border data flows through data localisation laws that require data to be stored in the home country or require prior consent from authorities before certain data can be exchanged cross-border. Such significant data protectionism practices can end up stifling the economy, with a detrimental effect on economic growth.

Cambodia risks missing out on the benefits of cloud computing if it fails to lead the way in its mainstream adoption, both in the private and e-government sectors. This could lead to lower levels of cross-border data flows and tech investment in the country, hampering the development of its national digital and digital trade integration agenda.

However, it is particularly in the e-government sector that Cambodia risks being left behind compared to its neighbours. Singapore, Thailand, and Malaysia are leading the way in this area. The Singaporean government is a world leader in the adoption of cloud-based e-government, with 60% of the government workload currently on the commercial cloud. The Thai government has played a major role in driving cloud adoption by signing an MoU with AWS and setting in place several safety cloud standards, such as its Certificate of Cloud Security Knowledge. Malaysia has created a specialised unit within its ministries, the Administrative Modernisation and Management Planning Unit (MAMPU), which is tasked with spearheading the move to cloud across departments.

In conclusion, Cambodia needs to prioritise the mainstream adoption of cloud computing in both the private and public sectors to avoid missing out on the benefits of this technology. The government needs to lead the way in e-government practices and create a comprehensive legal framework for data protection to encourage investment and cross-border data flows. By doing so, Cambodia will be able to achieve its national digital and digital trade integration agenda and stay competitive with its neighbours.

IMPACT ON BUSINESS



Adopt a cloud computing framework.

**2024
RECOMMENDATION**

In light of these developments, we encourage the RGC, in particular the MPTC, to promote the adoption of cloud computing on the following three levels:

- By prioritising the adoption a comprehensive data protection framework which takes a balanced and pragmatic approach on allowing cross-border data flows;

- By promoting the adoption of said pragmatic approach on cross-border data flows in future regional upcoming negotiations for ASEAN’s Digital Economic Framework Agreement;
- By leveraging regional e-government best practices to promote cloud-based e-government, including through initiatives such as nominating an ad hoc body responsible for cross-ministerial cloud migration, implementing and upholding cloud certification security standards, and signing partnership agreements with major international service providers on the transfer and promotion of local cloud computing know how.

Through the comprehensive adoption of cloud-based computing in the regulatory, trade policy and e-government spheres, we anticipate that the RGC can fulfil its potential to be a major driver of cloud computing and its mainstreaming in the private sector and the national economy, with expected higher levels of cross-border data flows, trade, investment, and innovation.

GREEN BUSINESS

GREEN BUSINESS

2019 WHITE BOOK

2019	Recommendation	Initiated	Statute	Summary
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Finalising the Environment and Natural Resources Code of Cambodia

38	Finalising the Environment and Natural Resources Code of Cambodia	2019	New	Prioritise the finalisation of the Environment and Natural Resources Code.
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39	Support the Competitiveness of Solar	2016	Updated	Ensure that the incentives for solar energy use contained in Draft 11 of the Environment and Natural Resources Code of Cambodia are retained in the final version.
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40	Limited Competition Amongst Environmental Impact Assessment Consulting Firms	2017	Retained	Ensure that the nationality requirement for Environmental Impact Assessment consultancies is not included in the final Environment and Natural Resources Code of Cambodia
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Transition to a Green Economy

41	Establish an Independent Green Building Council	2016	Updated	Consider supporting the establishment of an independent Cambodian Green Building Council to enable its membership into the World Green Building Council.
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2024 WHITE BOOK

Progress Made

Result

Status

2024 Recommendation Number

As of mid-2023, we understand that the Code is currently in its final phases of drafting after having undergone multiple revision phases. Throughout this extensive development, the MoE has actively engaged with stakeholders through a civil society working group and several national consultation workshops with non-governmental organisations, local communities, development partners, and the private sector to gather direct input and feedback.

We respectfully recommend, therefore, that not only the MoE prioritise the finalisation of the Environment and Natural Resources Code of Cambodia, but also that it consider whether investor concerns have been addressed in the areas of transparency, public participation, EIA consulting and auditing requirements, and publicly-available online information.

Updated

30

On the 25 of April 2023, the Ministry of Mines and Energy published the Sub Decree No.159 on the Launching of the Principles for Permitting the Use of Rooftop Solar Power in Cambodia. This regulation changes the landscape of solar energy use in Cambodia.

EuroCham is looking forward to work on close cooperation with the Royal Government on the newly-adopted Sub Decree to maximise the potential of solar energy, and considers this issue as solved.

Resolved

This point is still being debated in the drafting of the upcoming Environment and Natural Resources Code of Cambodia.

EuroCham retains its recommendation to ensure that the nationality requirement for Environmental Impact Assessment consultancies is not included in the final Environment and Natural Resources Code of Cambodia

Retained

31

The Cambodia Green Business Council was established at the end of 2019 and joined the World Green Building Council. The Council has started work, notably on 25 criteria to encompass green spaces or biodiversity in new construction schemes.

As the Green Building Council has now been established, EuroCham Cambodia considers this issue solved thanks to the efforts by the Royal Government of Cambodia.

Resolved

2019 WHITE BOOK

42	Environmental Labelling	2016	Updated	Prioritise the establishment of a national environmental labelling programme in Cambodia.
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New 2024 Recommendation	Energy Efficiency Labels
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Since 2010, Cambodia's demand for electricity has grown at an average of around 20% per year, leading to significant investment in electricity generation. Energy efficiency is a key pillar of the Royal Government of Cambodia's (RGC) energy plan, as it has enormous potential to slow down the rapidly growing power demand and play a vital role in ensuring the country's low-carbon development path.

New 2024 Recommendation	Introduce EPR Scheme
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Cambodia has a growing waste problem, with more than four million tons of garbage produced per year in 2022, according to the country's Ministry of Environment (MoE). This amount is estimated to be growing by 10 to 12 % every year. Cambodia has still not put in place a comprehensive recycling and/or circular economy system.

2024 WHITE BOOK

The Ministry of Mines and Energy is currently working on the drafting of the Sub Decree on Energy Efficiency Standards and Labelling for Electrical Appliances and Equipment. Plus, the Ministry of Environment has released its Sustainable Consumption and Production Roadmap, inaugurated in 2022, aiming to establish an Extended Producer Responsibility Scheme.

In order to support the RGC, EuroCham has decided to develop two new recommendations on environmental labelling, one covering Energy Efficiency and another on Extended Producer Responsibility.

Split

The Ministry of Mines and Energy (MME) is drafting a Sub Decree on Energy Efficiency Standards and Labelling for Electrical Appliances and Equipment. This is in line with the Energy Efficiency and Conservation Master Plan, launched in 2020, and the new National Energy Efficiency Policy (NEEP), launched in early 2023. The NEEP sets an ambitious national target for the reduction of energy consumption of at least 19% by 2030 in relation to a scenario without energy efficiency. Energy efficiency initiatives can touch on many areas, including consumption in buildings or from household appliances.

EuroCham respectfully recommends the MME to follow up on its drafting of the Sub Decree implementing an energy efficiency labelling scheme.

New

32

In 2022, the Ministry of Environment launched the Sustainable Consumption and Production Roadmap, which includes an action to establish EPR schemes by the end of 2023.

We therefore respectfully recommend that the MoE accelerate the provisions meant to introduce an EPR scheme, following the study and adoption of best international practices.

New

33

2019 WHITE BOOK

43	Financing for the Green Economy	2017	Updated	Consider expanding the priorities of the new SME Bank to include investments in low-carbon developments by small and medium enterprises.
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44	Promote Sustainable Waste Management	2017	New	Develop fiscal and non-fiscal instruments to recognise, encourage and incentivise private sector initiatives to reduce, separate and recycle their waste.
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2024 WHITE BOOK

Investments in renewable energy generation have been growing in Cambodia. The Royal Government of Cambodia has established the SME Bank to enhance access to funding for local SMEs and has created the Credit Guarantee Corporation of Cambodia (CGCC), which offers guarantee schemes for loans involving Cambodian SMEs as beneficiaries, helping absorb the risk. Since their creation, they have guaranteed a total of USD 106.5 million in loans.

With the establishment of the CGCC, the Royal Government of Cambodia has supported the investment in low-carbon developments by small and medium enterprises. EuroCham encourages the strengthening of provision of green loans and collaterals to Cambodian SMEs.

Updated

34

The Royal Government of Cambodia (RGC) is promoting environmentally-friendly policies, including in the area of municipal waste. It has published the Urban Solid Waste Management Policy 2020-2030, as part of its Rectangular Strategy, which aims to strengthen conventional and sustainable waste collection systems.

EuroCham appreciates the Royal Government of Cambodia's efforts in this area and further encourages it to develop fiscal and non-fiscal instruments to recognise, encourage and incentivise private sector initiatives to reduce, separate and recycle their waste.

Updated

35

Environment and Natural Resources Code of Cambodia

UPDATED

ISSUE DESCRIPTION

Sustainable management of natural resources is essential for Cambodia's economic growth and social development. The country's rich natural resources are a key source of income and livelihood for many people, but their exploitation must be balanced with environmental protection to ensure their long-term sustainability.

For some time, the Royal Government of Cambodia has recognised the strong need to overhaul Cambodia's environmental legislative framework as the prevailing law governing environmental protections and the use of natural resources has not been updated since its promulgation in 1996. As a result, the Ministry of Environment (MoE) has been thoroughly committed to drafting the new Environment and Natural Resources Code of Cambodia since 2015, with the draft Code having undergone multiple revision phases.

Throughout this extensive development, the MoE has actively engaged with stakeholders through a civil society working group and several national consultation workshops with non-governmental organisations, local communities, development partners, and the private sector to gather direct input and feedback.

The Royal Government of Cambodia's intentions for the new Code are that it forms the complete legal foundation for all matters related to, but not limited to, the environment and natural resources. The Code is expected to cover a range of areas including: public participation and information access; Environmental Impact Assessments; collaborative management of natural resources; pollution and waste management; biodiversity protection; cultural heritage protection; and provisions for dispute resolution procedures. Furthermore, it was announced in November 2018 that the draft Code would be amended once again to include specific provisions to supersede existing laws on forestry, fisheries, and protected areas, which will require further public consultations and collaboration between the Ministries of Interior, Agriculture, Forestry and Fisheries, and Environment.

As of mid-2023, we understand that the Code is currently in its final phases of drafting. Therefore, we commend the MoE for having almost completed such a monumental task. At this point, investors – including the representatives of EuroCham's Green Business Committee – would like to be reassured that the planned provisions in the Code – or the provisions in future implementing Sub Decrees - address some of their ongoing concerns with the current legislation. These concerns were highlighted in the previous edition of the White Book and include a desire for greater transparency and public participation in environmental projects, clearer and fairer qualifications for Environmental Impact Assessment (EIA) consultants and auditors, clearer procedures for public consultations, clear usability of online databases meant to store information about projects for the public domain, and clarifying eventual confidentiality clauses restricting access to such public information.

As the Environment and Natural Resources Code is a critical piece of legislation and is expected to encompass all areas relating to the natural environment in Cambodia, uncertainty resulting from the inclusion or exclusion of specific provisions - some of which have been listed above - is likely to impact investment decisions.

A lack of clarity over what the RGC expects and requires from the private sector prevents businesses from knowing what actions should be taken to achieve full compliance. This creates additional legal and regulatory risks for current and prospective investors that must be incorporated into their calculations when considering Cambodia as an investment destination compared to other countries.

✓ **Consult with the private sector to finalise the Environment and Natural Resources Code of Cambodia.**

**2024
RECOMMENDATION**

We respectfully recommend that the MoE accelerate the finalisation of the Environment and Natural Resources Code of Cambodia, and consider whether investor concerns have been addressed in the areas of transparency, public participation, EIA consulting and auditing requirements, and publicly available online information.

Recommendations that have been made in previous editions of the White Book related to areas that we anticipate will be covered by the updated Environment and Natural Resources Code of Cambodia. If the provisions of the Code were to address the investors' concerns listed above, it would significantly boost investor interest in environmental projects in the country. This, in turn, would drive up FDI and contribute to the greater sustainability of Cambodia's development.

Competition Amongst Environmental Impact Assessment Consulting Firms

RETAINED

ISSUE DESCRIPTION Past drafts of the Environment and Natural Resources Code of Cambodia stipulated that any new development project must conduct an Environmental Impact Assessment (EIA) through an accredited company which must be of Khmer nationality. While EuroCham is aware of some limited exemptions to this, whereby a foreign company has partnered with a Cambodian company to obtain a licence to deliver EIA consulting services, this is not widespread and the majority of foreign firms remain excluded. According to Cambodia's World Trade Organisation (WTO) schedule of commitments, Cambodia allows foreign environment consulting services companies to offer EIA consulting services both cross-border and through local establishment (CPC 9409). The schedule has no additional restrictions or regulation requirements for offering environmental services in Cambodia. Furthermore, the "nationality clause" would serve to limit competition between EIA consulting firms by restricting market access. Limited competition would allow for inflated prices and a lack of incentive to provide a quality service.

IMPACT ON BUSINESS On the basis of Cambodia's schedule of commitments to the WTO, articles that restrict environmental consulting services to firms of Khmer nationality only, if approved to a law, would raise serious doubts about their compatibility with Cambodia's international commitments. This could ultimately damage Cambodia's credibility as an international trading partner and could discourage trade and investment. Furthermore, this issue can create additional costs and administrative burden for investors, and negatively impact Cambodia's competitiveness and attractiveness as an investment destination. Many of our members require EIAs from international consultants for their own internal governance procedures. For these companies, the legally-required EIAs by accredited consulting companies in Cambodia represent additional costs and little additional value.

✓ **Ensure that the nationality requirement for Environmental Impact Assessment consultancies is not included in the final Environment and Natural Resources Code of Cambodia.**

**2024
RECOMMENDATION**

We respectfully recommend that the Royal Government does not include the nationality requirement for Environmental Impact Assessment consultancies in the final version of the Environment and Natural Resources Code of Cambodia, as was done in previous drafts (Draft 6 on 20 November 2016 and Draft 7 on 31 December 2016). Additionally, we suggest that the consideration of EIA consulting accreditation applications be based only upon the competencies of the applying company, as this would encourage applications from a greater number of consultancies and ensure fair competition among service providers.

Removing the nationality clause would have a positive impact on the consulting market, as companies will be forced to improve the quality of services and price their services more competitively or risk losing their customers to competing companies that do.

Energy Efficiency Labels

NEW

ISSUE DESCRIPTION

Since 2010, Cambodia's demand for electricity has grown at an average of around 20% per year, leading to significant investment in electricity generation. Energy efficiency is a key pillar of the Royal Government of Cambodia's (RGC) energy plan, as it has enormous potential to slow down the rapidly growing power demand and play a vital role in ensuring the country's low-carbon development path. This is particularly important in light of recent concerns about international energy security, highlighted by fossil fuel price hikes after the Russian invasion of Ukraine.

Although not a direct victim of the energy crisis, Cambodia has recognised the need to be energy secure to decrease its vulnerability to external shocks. The debt crises in neighbouring countries, for instance, could exacerbate vulnerability by disrupting supply chains and affecting energy import prices. Cambodia is cognizant of the need to be less dependent on energy imports and less affected by volatile fossil fuel prices, for which investment in renewable energy and energy efficiency would mitigate the effects.

Cambodia's Ministry of Mines and Energy (MME) put together the Energy Efficiency and Conservation Master Plan in 2020, followed by the new National Energy Efficiency Policy (NEEP) in early 2023. As the country's first long-term plan for its power sector, NEEP is the first dedicated policy on energy efficiency and establishes the enabling framework for future developments in this area. The NEEP sets an ambitious national target for the reduction of energy consumption of at least 19% by 2030 in relation to a scenario without energy efficiency. Energy efficiency initiatives can reach many areas, including buildings or household appliances.

Regarding household appliances, measures put in place by the MME include the drafting of the Sub Decree on Energy Efficiency Standards and Labelling for Electrical Appliances and Equipment, which sets the parameters for the implementation of an energy efficiency evaluation index, a test standard, Minimum Energy Performance Standards (MEPS) for household appliances, and the creation and harmonisation of a national energy label with ASEAN standards.

Energy efficiency labels provide accurate and comparable information on the energy consumption of electrical appliances, like computers, air conditioners, or fridges, helping consumers identify more energy-efficient products at the time of purchase. By buying more efficient equipment, consumers can save money on their energy bills while reducing greenhouse gas emissions. At the same time, it encourages manufacturers to drive innovation by using more energy-saving technologies. Manufacturers are keen to see their energy-labelled products in the highest available category when compared to competitors. Step by step, electrical appliances are becoming more and more efficient.

Without the effective implementation of energy efficiency labels, consumers are left in the dark about a critical element of the energy consumption of appliances they plan to buy. This can potentially lead to higher electricity consumption, as consumers are unable to choose the best options on the market.

High electricity use is a significant risk in a country that has only recently experienced a substantial rise in spending power by its middle classes and still suffers from relatively high energy prices. The dangers of high electricity consumption from household appliances, in the absence of comparable standards, risk dampening the adoption of a modern, consumer lifestyle by more and more Cambodians. This danger also adds uncertainty to the RGC’s stated target of 30% energy reduction.

✓

Implement an energy efficiency labelling scheme.

**2024
RECOMMENDATION**

We therefore respectfully recommend that the MME follows up on its drafting of the Sub Decree and prioritises the implementation of energy efficiency labels for at least three key appliance categories, along with testing and certification procedures. The categories are lighting, refrigerators, and air conditioners, which were selected since they are the three major electricity-consuming devices in a typical urban middle-class household in Cambodia.

Energy labelling and minimum efficiency standards for household devices are among the most promising policy instruments. Introducing energy labelling for these three appliance categories in Cambodia ensures consumers can start enjoying the benefits of comparing household appliances based on their stated energy efficiency, potentially meaning each family could save up to 3,000 kilowatt-hours of electricity and 545 US dollars in energy costs every year.

EPR Scheme

NEW

ISSUE DESCRIPTION

Cambodia has a growing waste problem, with more than four million tons of garbage produced per year in 2022, according to the country's Ministry of Environment (MoE). This amount is estimated to be growing by 10 to 12 % every year. When it comes to plastic bottles specifically, the amount of waste generated is also estimated to be rising dramatically every year, driven by a rising middle class and ensuing consumerist lifestyles, together with the recurring lack of recycling and circular economy options. Cambodia has still not put in place a comprehensive recycling and/or circular economy system.

This means that most, if not all, of the plastic bottles consumed in Cambodia do not have formal recycling options. The only capillary recycling option offered at the moment in Cambodia, particularly in the capital Phnom Penh, is thanks to informal waste collectors who drift around city streets night and day collecting items from household waste and selling them on to larger waste collectors.

Notably, Cambodia's private sector, the largest contributor of plastic bottle waste as the seller of beverages, is not present enough in providing recycling and/or circular economy solutions, despite encouraging recent progress on testing solutions such as manuals for hotels and water dispensers to reduce the use of plastic bottles. Particularly when considering best practices offered in other developing countries, the private sector needs to be more involved in providing environmentally-friendly solutions to alleviate the creation of plastic bottle waste in Cambodia's countryside, streets, waterways, and streets. One such solution, already tested and implemented in many countries worldwide, is an Extended Producer Responsibility (EPR) scheme.

An EPR scheme is an environmental policy that makes producers responsible for the entire life cycle of the products that they introduce to the market, from their design until end-of-life (including waste collection and recycling). Under the scheme, liable companies must mitigate the environmental impacts of their products throughout the entire product life cycle, thus providing a valid circular economic alternative to the single use of bottles. This responsibility provides an incentive to reduce waste at the source and promote product design for the environment.

Cambodia does not currently have an EPR scheme, although the MoE's Sustainable Consumption and Production Roadmap, inaugurated in 2022, included an action to establish EPR schemes by the end of the year.

The lack of an Extended Producer Responsibility (EPR) scheme in Cambodia has a detrimental impact on the environment, particularly on the increasing problem of plastic waste. Without an EPR scheme, the responsibility for managing plastic waste falls mainly on informal waste collectors and the Royal Government, leading to a lack of efficient and effective recycling and waste management systems. The absence of an EPR scheme also means that there are no incentives for producers to reduce plastic waste at the source, leading to the continued production and consumption of single-use plastic. This situation exacerbates the already existing environmental problems in Cambodia, such as pollution of waterways and streets, and threatens the health and well-being of citizens.

IMPACT ON BUSINESS

✓ **Introduce an EPR scheme in Cambodia.**

**2024
RECOMMENDATION**

We therefore respectfully recommend that the MoE accelerate the provisions meant to introduce an EPR scheme, following the study and adoption of best international practices. The introduction and implementation of such a scheme will encourage companies selling products in plastic bottles to consider the end-of-life impacts of their products and put measures to reduce their environmental impact.

Ultimately, this provision will help reduce plastic waste, increase recollection, and improve the environment in Cambodia.

Financing for the Green Economy

UPDATED

ISSUE DESCRIPTION

Electricity is essential to Cambodia's economic growth, but the high cost of electricity has been identified as a leading obstacle to improving the country's competitiveness, particularly in moving up the manufacturing value chain to more energy-intensive processes. The Royal Government of Cambodia (RGC) has made admirable efforts to address this issue, including a 2019 subsidy package worth USD 50 million to reduce electricity tariffs. However, further investment in power generating infrastructure and efficiency improvements is required to meet its growth aspirations.

Moreover, Cambodia is highly vulnerable to the threat of climate change, with most sectors of the economy unprepared to effectively manage the impact of the increasing number of natural disasters occurring every year. However, encouragingly, investments in renewable energy generation have been growing in Cambodia. For example, the construction of a 100-megawatt (MW) solar power plant in Kandal – the largest solar power plant in Kandal – and the RGC installing solar panels on various government buildings.

However, Cambodia's electricity supply network remains fragmented, with the national grid reaching only 71.5% of households. Although the RGC has committed to expanding grid access and has made great steps to connect all 24 provinces, these plans are made significantly more challenging as around 80% of the population live in rural areas.

This situation presents a clear opportunity for small and medium enterprises (SMEs) to lead the drive towards a low-carbon economy in both renewable energy and efficiency improvements. For example, in rural areas that are unconnected to the national grid, privately-run rural electricity enterprises (REEs) provide basic and relatively expensive diesel-generated electricity via mini-grids. This decentralised model could play a pivotal role in transitioning rural areas to renewable energy by replacing these existing diesel generators with solar systems managed by SMEs.

Despite these opportunities, many SMEs in Cambodia face obstacles in their attempts to implement or scale up low-carbon developments, with the primary barrier being limited access to finance, particularly in agriculture. Credit to agriculture and agribusinesses together accounted for only around 9% of formal finance in Cambodia in 2022, with more than half of the country's farmers not having any access to financing options. Access to credit remains the major bottleneck for Cambodian farmers and agribusinesses.

To address these challenges, the RGC has established the SME Bank to enhance access to funding for local SMEs and created the Credit Guarantee Corporation of Cambodia (CGCC), which offers guarantee schemes for loans involving Cambodian SMEs as beneficiaries, helping absorb the risk. Since their creation, they have guaranteed a total of USD 106.5 million in loans. However, it is unclear to what extent their portfolio involves green credit compared to more traditional activities such as post-COVID-19 economic recovery.

Cambodia consistently ranks among the top ten countries most vulnerable to the effects of climate change, largely due to the Kingdom's low capacity to adapt to the changing environment. The impact of climate change is already having serious implications for Cambodia's agriculture sector and rural communities, as they struggle to mitigate the impact of natural disasters every year. Accordingly, adaptation measures are desperately needed to enhance Cambodia's resilience to the adverse impacts of climate change.

However, improving energy efficiency and reducing the environmental impact of SMEs are unlikely to be primary concerns of many SMEs, as they are often unaware of the importance or benefits that investments in green technology can bring to their operations. The lack of affordable loan options for agricultural SMEs to invest in green technologies or nature-based solutions is impeding small- and medium-sized farmers from enhancing their productivity, expanding their business, and reducing their ability to adapt to climate change impacts. As financing from private sector institutions is limited or unavailable, action must be taken by the RGC to stimulate and incentivise investment in low-carbon developments; otherwise, SMEs will be excluded from leading the growth of the green economy.



Strengthen the provision of green loans and collaterals to Cambodian SMEs.

**2024
RECOMMENDATION**

We therefore suggest that key stakeholders such as the SME Bank and the CGCC strengthen their provision of financing options to SMEs, particularly in the agricultural sector.

Increasing financing options for agricultural SMEs in Cambodia can have several positive effects. Firstly, it can enable them to invest in green technologies and nature-based solutions, improving their energy efficiency and reducing their environmental impact. This can lead to enhanced productivity, expanded business operations, and greater resilience to the adverse impacts of climate change. Secondly, increased access to finance can help these SMEs to better manage risk and improve their cash flow management. Finally, it can contribute to the growth of the low-carbon economy in Cambodia, which can create new job opportunities and drive sustainable economic development.

Sustainable Waste Management

UPDATED

ISSUE DESCRIPTION

Cambodia has a substantial waste problem, particularly municipal solid waste (MSW). MSW combines waste from households, markets, restaurants, shops, hotels, offices, street sweepings, and others. An estimated 4 million tons of MSW were generated in Phnom Penh alone in 2022. Countrywide generation of MSW is expected to increase by 36% by 2050. The rise in municipal waste is due to rapid urbanisation in Cambodia and higher levels of spending power due to a rising middle class and consumer lifestyle in Cambodia's cities. The composition of waste is also changing, with non-degradable components increasing their share compared to organic.

Facing this growing problem, Cambodia's waste management infrastructure is somewhat limited. There are few waste collection services, treatment plants, recycling or containment options. There is an absence of management systems in landfill sites. This is particularly concerning in Phnom Penh's main landfill site, Dangkao, where solid, organic and other types of waste are mixed in together and thrown in the environment without a proper management plan to mitigate deleterious effects on the environment, whether by soil, water or air contamination. These issues require a sustainable waste management solution.

Sustainable waste management aims to keep materials useful for as long as possible and minimise the amount of waste that is disposed of in landfills, a key issue in Cambodia, or through incineration.

For its part, the Royal Government of Cambodia (RGC) is promoting environmentally-friendly policies, including in the area of municipal waste. It has published the Urban Solid Waste Management Policy 2020-2030, as part of its Rectangular Strategy, which aims to strengthen conventional and sustainable waste collection systems.

Also, the Climate Change Strategic Plan has a dedicated Sustainable Development Goal - target 3.3 – to increase the regular collection of urban solid waste by 11%, ensuring 500,000 more people can enjoy improved access to waste management services. Indirectly, the country's National Council for Sustainable Development (NCSD) supports the development of sustainable waste management by attempting to alleviate the strain on the country's landfills, through the publication of a Roadmap for Sustainable Consumption and Production, which lays out ways to reduce the proliferation of plastic and other non-degradable waste.

On a final level, Cambodian cities – particularly the medium-sized centres outside of Phnom Penh – Battambang, Kep, Kampot – have signed up autonomously to the Sustainable City Strategic Plan. These city administrations have experimented – with quite encouraging results – on alternative solutions to improve sustainable waste management; including

delegating authority on waste collection to Sangkat (sub-municipal) leaders, establishing a tracking system for the separation of organic and plastic waste from households, promoting the use of compost among farmers, raising awareness about recycling and improving waste management governance, and piloting initiatives at markets, which are notoriously some of the largest contributors of waste in urban environments.

The negative consequences of not promoting sustainable waste management practices go beyond the impact on businesses and can extend to the economy as a whole in Cambodia. Firstly, environmental pollution resulting from poor waste management can lead to public health issues, increasing healthcare costs and decreasing productivity. The impact of poor waste management on public health can also lead to decreased school attendance, particularly among children, impacting their education and future employment prospects.

Secondly, it can harm the tourism industry, which is a significant contributor to the country's economy, as visitors may be deterred by the negative environmental impact. This can lead to job losses and a decrease in foreign exchange earnings. A decline in tourism can also hurt the hospitality sector and related industries, impacting the livelihoods of those who depend on these sectors for their income.

Thirdly, it can lead to a loss of valuable resources, which can impact the country's economic growth potential. Poor waste management practices can prevent the recovery of materials that can be recycled or reused, leading to a loss of resources and increased production costs. This can decrease the competitiveness of businesses in Cambodia, making it more difficult for them to compete with other countries in the region.

Finally, it can hinder the country's ability to achieve its sustainable development goals and meet its international environmental commitments.

IMPACT ON BUSINESS

✓ **Develop fiscal and non-fiscal instruments to recognise, encourage and incentivise private sector initiatives to reduce, separate and recycle their waste.**

**2024
RECOMMENDATION**

As part of the ongoing efforts to modernise Cambodia's municipal waste management sector, we respectfully recommend that the Royal Government of Cambodia consider developing measures to recognise, encourage, and incentivise waste reduction, separation, and recycling. These measures could include:

- Considering formally endorsing a flexible, delegated institutional approach to sustainable waste management in cities, encouraging the adoption of tried practices such as delegating authority on waste collection to Sangkat (sub-municipal) leaders, establishing tracking systems for the separation of organic and plastic waste from households, promoting the use of compost among farmers, raising awareness about recycling, improving waste management governance, and piloting initiatives at markets;
- Developing and strengthening operating guidelines for the country’s landfills, particularly for sanitation landfill;
- Encouraging the private sector to implement internal solid waste management practices and policies that would ease collection, develop partnerships with recycling companies, reduce waste, and transition from the use of single-use plastic (plastic bags, excessive use packaging, single-use bottles, crockery, and straws);
- Encouraging the adoption of an EPR Scheme (separate recommendation);
- Providing opportunities for businesses to report their improved waste management practices on a voluntary basis, to gain access to tax incentives and recognition awards;
- Incentivising and promoting recyclable and natural materials for packaging, and increasing market access for recyclable packaging suppliers through tax and Customs duty incentives;
- Promoting and incentivising the establishment of recycling facilities in Cambodia’s major cities.
- Continuing to discourage the use of plastic bags in supermarkets and introducing stricter regulations around the use and irresponsible disposal of plastic. On this note, we welcome the adoption of a Single-Use-Plastic Regulation in Cambodia, to reduce the waste of single-use plastic bags in commercial establishments;
- Mobilising resources to launch an education and awareness campaign to inform residents of the benefits of waste separation and their responsibilities as waste generators.

Promoting more sustainable waste management practices in Cambodia can have several benefits. It can improve public health and reduce the incidence of diseases caused by poor waste management. It can protect the environment by reducing pollution and conserving natural resources. It can also support sustainable economic growth by creating new job opportunities in the waste management and recycling sectors. Moreover, it can enhance the country’s reputation and attractiveness as a tourist destination. Finally, it can contribute to the achievement of the country’s sustainable development goals. Overall, promoting sustainable waste management practices can lead to a cleaner, healthier, and more sustainable future for Cambodia.

GARMENT

GARMENT

2019 WHITE BOOK

2019	Recommendation	Initiated	Status	Summary
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Sustainable Production

New 2024 Recommendation	Tax Incentives for Factories to Recycle Garment Waste
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The lack of a recycling industry for textiles in Cambodia has become a serious concern, as the country's textile sector has grown rapidly in the last 20 years. Cambodia is a major producer of finished garments, and the industry has been a significant contributor to the country's economic growth. However, the industry's rapid expansion, combined with China's waste import ban since 2018, has led to a surge in textile waste.

New 2024 Recommendation	Private Solar Rooftop Policy for Factories
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Cambodia's current state of energy transition is in its early stages, with a heavy reliance on fossil fuels and limited use of renewable energy sources. In 2022, an estimated more than 40% of Cambodia's electricity generation came from coal-fired power plants, with hydropower accounting for the majority of the remaining share. Solar and wind power are still in the early stages of development, with only a small percentage of the country's electricity coming from these sources.

Health and Safety

New 2024 Recommendation	Reduce Sexual Harassment in the Workplace
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Sexual harassment is common in the Cambodian workplace, with an estimated 40-60% of women and 10% of men affected.

2024 WHITE BOOK

Progress Made	Result	Status	2024 Recommendation Number
<p>Although a clear regulation to support the establishment of industrial recycling facilities for both environmental and economic benefits has been expressed by multiple private and public stakeholders and the Royal Government of Cambodia as a priority to improve the country's waste management, factories see tax implications as the primary barrier to formally selling their waste to official recycling facilities.</p>	<p>Allow additional measures for textile factories to offset their allowance of generable textile waste.</p>	<p>New</p>	<p>36</p>
<p>In the long term, the success of Cambodia's export diversification strategy relies on the greening of its supply chains. A successful, progressive solar panel policy would play a big role in such a scenario, by encouraging the use of renewables and a more balanced energy mix.</p>	<p>Introduce new measures for Cambodia's solar rooftop regime.</p>	<p>New</p>	<p>37</p>
<p>Sexual harassment in the workplace has a significant impact on Cambodia's economy, social fabric, and overall development. Addressing sexual harassment in the workplace is essential for promoting a safe and equitable work environment for all employees, regardless of gender. It requires a comprehensive approach that includes legal and policy frameworks, awareness-raising campaigns, and training for both employers and employees.</p>	<p>Promote sexual harassment reduction measures in the workplace.</p>	<p>New</p>	<p>38</p>

2019 WHITE BOOK

New 2024
Recommendation Collective Transport
for Garment Workers

Cambodia's exporting garment and footwear factories employ over 750,000 workers, the majority of whom are women. Unfortunately, thousands of these workers face significant risks to their health and safety as they commute to and from factories each day.

Data Sharing

New 2024
Recommendation Promote Sustainable
Data Sharing Practices

To maintain positive performance rates in the garment sector, it is crucial that policymakers, sector stakeholders and the wider public have access to reliable, publicly shared data on key aspects, such as trends, export-import values, sustainable best practices, labour productivity, working conditions.

2024 WHITE BOOK

The lack of comprehensive policy measures to ensure road safety for Cambodian garment factory workers can have several negative impacts, including higher risk of injury or death, legal liabilities, and persisting gender inequalities.

Establish a licencing regime to improve the road safety standards of collective transport vehicles for garment workers.

New

39

Poor data transparency in the garment sector of Cambodia could have a negative impact on the sustainable growth of the industry, as it could undermine the trust of customers and investors in the sector's practices.

Promote more sustainable data sharing practices in the industry.

New

40

Tax Incentives for Factories to Recycle Garment Waste

NEW

ISSUE DESCRIPTION

The lack of a recycling industry for textiles in Cambodia has become a serious concern, as the country's textile sector has grown rapidly in the last 20 years. Cambodia is a major producer of finished garments, and the industry has been a significant contributor to the country's economic growth. However, the industry's rapid expansion, combined with China's waste import ban since 2018, has led to a surge in textile waste.

According to Cambodia's Ministry of Environment (MoE), up to 60% of the country's industrial waste collected in 2016 were residues from textiles, footwear, accessories. Since then, the situation has substantially remained the same.

Cambodia's textile waste management infrastructure is limited both geographically (located mostly around Phnom Penh, whereas Sihanoukville or Koh Kong seem to be left uncovered) and in terms of capacity (as reprocessing into other goods such as hammocks and rugs can only absorb a minuscule part of said waste). There are very few licenced recycling facilities in the country: 3 or 4 according to the MoE, and none of them are officially registered for textile residues.

Furthermore, the lack of awareness among manufacturers about the importance and the potential value of textile recycling is a significant barrier to the growth of the recycling industry in Cambodia. Many people are still unaware of the environmental impact of textile waste and the benefits that recycling could bring.

The lack of government support and incentives for recycling also hinders the development of the recycling industry. Significant tax implications prevent most factories from formalising their garment waste sales and reporting in accordance with national tax requirements. Many factories describe an unrealistic expectation from government departments that factories should use no more raw materials in production than the total amount meant for exports, thus requiring an almost net zero waste amount, which although desirable is entirely impractical. This expectation discourages factories from reporting their waste sales accurately.

Legally, the sale of waste is permitted, providing the submission of documentation to the General Department of Customs and Excise – under Prakas No.105 - confirms that textiles imported under duty tax exemptions are used to make a taxable product for sale in Cambodia.

In 2021, GIZ’s FABRIC project estimated that the garment industry produces between 130,000 and 160,000 tons of textile waste per year, adding yet more pressure on the country’s landfills, burdened by excessive municipal waste. Discouraged from selling their waste, factories resort to other methods to get rid of it: using licenced contractors, selling informally, throwing it in landfills, or incinerating it in boilers. Some factories even sell it to brick kilns where the product is illegally burned, generating toxic residues in the air. These practices all pose a serious environmental – and sometimes health - threat to the country.

Although a clear regulation to support the establishment of industrial recycling facilities for both environmental and economic benefits has been expressed by multiple private and public stakeholders and the Royal Government of Cambodia as a priority to improve the country’s waste management, factories see tax implications as the primary barrier to formally selling their waste to official recycling facilities.

✓ **Allow additional measures for textile factories to offset their allowance of generable textile waste.**

**2024
RECOMMENDATION**

Therefore, we respectfully recommend the adoption of a regulation allowing garment factories to use evidence of sold amounts of garment waste through official channels (authorised collectors or recycling facilities) to offset their maximum allowance of generable textile waste as per government requirements, whilst concurrently avoiding the tax liabilities in Prakas No.105.

By doing so, factories would be encouraged to sell larger amounts of their textile waste to authorised collectors, thus increasing the amounts of material inputted in the waste management value chain, either through circular or recycling processes.

This in turn would encourage the development of a local waste management industry, and reduce the amount of garment waste thrown into the environment, with added health benefits for the local population due to fewer amounts of said waste being incinerated illegally in kilns.

Private Solar Rooftop Policy for Factories

NEW

ISSUE DESCRIPTION

Cambodia's current state of energy transition is in its early stages, with a heavy reliance on fossil fuels and limited use of renewable energy sources. In 2022, an estimated more than 40% of Cambodia's electricity generation came from coal-fired power plants, with hydropower accounting for the majority of the remaining share. Solar and wind power are still in the early stages of development, with only a small percentage of the country's electricity coming from these sources.

According to the World Economic Forum's recently-published Energy Transition Index, which measures countries' efforts in transitioning to more sustainable energy sources, Cambodia ranks 85th, behind other ASEAN countries such as Vietnam (43rd) and Indonesia (55th).

Moreover, Cambodia's energy demand is expected to triple in the coming years, with or without an energy efficiency plan in place. Appropriate incentives for renewable energy and more favourable legislation—including lower tax rates—for industrial solar panels could easily meet this growing demand for electricity in the country. A growth in the country's renewable energy share can significantly reduce power generation costs for EdC, while also reducing energy costs for consumers, private individuals, and factories alike.

Finally, the EU – the largest export market for Cambodia's garment sector, accounting for around 40% of exports – is implementing new, tougher due diligence requirements to ensure its supply chains comply with sustainability requirements. These requirements include, for instance, that outsourced factories in countries like Cambodia are relying on certain minimum levels of electricity produced through renewable energy sources. In Cambodia's current state of low adoption of renewable energy, these new due diligence requirements risk making it more difficult for Cambodian garment factories to comply with EU standards, which could lead to losing access to the EU market.

IMPACT ON BUSINESS

Previous regulations on solar panel users were problematic for factories and the private sector in general due to an extremely high "capacity charge" calculation that heavily penalised users of solar energy and deprived them of the possibility to access special tariffs at night (so-called "time of use").

Recently, the "Principles for permitting the use of rooftop solar power in Cambodia" were issued by the Ministry of Mines and Energy with some welcome changes (such as removing the 50% Cap and quota system). However, the way of calculating a compensation tariff is complicated, and the implementation and monitoring of compensation tariffs would not be ideal. This compensation tariff method could leave little space for most companies to invest in green energy while saving over the grid tariff, potentially stalling most of the private solar projects in the country. The "time of use" is still not allowed for rooftop solar system users, somewhat confusingly.

As envisaged by Cambodia’s national Garment Footwear and Textile strategy, it is essential for factories to reduce costs and energy consumption to remain competitive, whereas automation and robotics might play an increasingly bigger role. Major brands sourcing from Cambodia require significant portions of green energy in their supply chains. These requirements are fulfilled in countries like Vietnam or China where the use of solar photovoltaic is encouraged.

Cambodia’s economic graduation to a middle-income status country ultimately relies on the diversification of its industries and sectors, moving away from labour-intensive activities such as garment manufacturing. At the same time, most non-labour-intensive industries are inevitably energy-intensive and machine-driven, such as electronics, automotive, or heavy industry. All these industries need cheaper electricity to thrive, and investment in these sectors in Cambodia will depend on the availability of such type of energy. In the long term, the success of Cambodia’s export diversification strategy relies on the greening of its supply chains. A successful, progressive solar panel policy would play a big role in such a scenario.



Introduce new measures for Cambodia’s solar rooftop regime.

**2024
RECOMMENDATION**

We respectfully recommend that the Ministry of Mines and Energy consider the following:

- Compensation tariffs should be calculated in a simpler, more consistent, and predictable manner. For instance, the rate for solar energy users should be calculated as a percentage of the current grid tariff. A more progressive rate would allow the private sector to make greater use of solar energy installations, encouraging the Cambodian energy transition and helping to meet the growing energy demand;
- All solar energy users should have inclusive access to “time of use” tariffs;
- A more favourable tax regime should be introduced for specific and localised areas allowing Power Purchase Agreements (PPAs) with local SEZs and/or large-scale private investments.

This favourable environment would help attract more investments in Cambodia’s garment and wider manufacturing sector. The bills of industrial consumers would become lighter, and in addition, Cambodia could improve its reputation by becoming a “green manufacturing” destination.

A reformed solar policy would create a considerable number of new jobs. New jobs and market opportunities as importers, wholesalers, retailers, shops, mechanics, technicians, installers, and maintenance personnel would bring significant benefits to the entire economy.

Sexual Harassment in the Workplace

NEW

ISSUE DESCRIPTION

Sexual harassment is common in the Cambodian workplace, with an estimated 40-60% of women and 10% of men affected, according to a recent report by the International Labour Organisation. Although Cambodia’s Labour Law prohibits sexual harassment at work, the absence of a clear definition in the Penal Code creates difficulties in responding to cases consistently, as well as the lack of legal instruments and referral guidelines for women and girls who have experienced abuse.

Internal reporting procedures and training sessions for both workers and employers often need to be enhanced and consolidated across various business sectors. In addition, there is a need for gender equality and women’s empowerment to increase the number of women in decision-making positions.

Addressing sexual harassment in the workplace is crucial for creating a safe and equitable work environment for all employees. It requires a comprehensive approach that includes legal and policy frameworks, awareness-raising campaigns, and training for both employers and employees. By taking steps to prevent and respond to sexual harassment, Cambodia can promote a more inclusive and just workplace for all.

IMPACT ON BUSINESS

Sexual harassment in the workplace has a significant impact on Cambodia’s economy, social fabric, and overall development. The prevalence of sexual harassment in workplaces leads to reduced productivity and a loss of talent, as well as emotional and physical harm inflicted on victims. It can also reinforce gender inequality and perpetuate harmful stereotypes, which can have a long-term impact on society. The lack of clear legal instruments and referral guidelines also means that many victims of abuse are unable to access justice or receive appropriate support.

Sexual harassment in the workplace can result in significant losses for businesses due to absenteeism, decreased productivity, and high turnover rates. Victims of harassment may take time off from work or leave their jobs altogether due to the emotional toll of the abuse, resulting in lost profits for the company. Additionally, employees who witness or are aware of sexual harassment may also feel uncomfortable or unsafe in the workplace, leading to a decrease in overall productivity and job satisfaction.

Addressing sexual harassment in the workplace is essential for promoting a safe and equitable work environment for all employees, regardless of gender. It requires a comprehensive approach that includes legal and policy frameworks, awareness-raising campaigns, and training for both employers and employees. By taking steps to prevent and respond to sexual harassment, Cambodia can promote a more inclusive and just workplace for all.



Promote sexual harassment reduction measures in the workplace.

**2024
RECOMMENDATION**

We therefore respectfully recommend to the relevant Cambodian authorities, particularly the Ministry of Labour and Vocational Training:

- To promote greater awareness and training on the issue of sexual harassment in the workplace, including training for managers and employees at all levels, and disseminating information on the rights of workers to live and work free from harassment;
- To foster more collaboration and shared responsibility among all stakeholders, including the state, the private sector, civil society, and workers themselves. This includes developing collective collaboration to create an enabling environment for workers, empowering women entrepreneurs, and creating a mandatory framework for preventing and addressing sexual harassment in larger companies;
- To enhance reporting and accountability mechanisms. This includes establishing clear reporting and accountability mechanisms for addressing sexual harassment in the workplace, including building a structure or mechanism for reporting, taking action and being consistent with leadership support, and developing legal instruments and referral guidelines for survivors of abuse.

Stronger policy prevention measures against sexual harassment in the workplace in Cambodia can result in several benefits, such as promoting a safe and equitable work environment for all employees, reducing absenteeism and turnover rates, and improving overall productivity and job satisfaction. It can also help to reinforce gender equality and combat harmful stereotypes, leading to positive long-term impacts on society and the economy. By providing clear legal instruments and referral guidelines, victims of abuse can access justice and receive appropriate support, contributing to a more just and inclusive workplace culture.

Collective Transport for Garment Workers

NEW

ISSUE DESCRIPTION Cambodia’s exporting garment and footwear factories employ over 750,000 workers, the majority of whom are women. Unfortunately, thousands of these workers face significant risks to their health and safety as they commute to and from factories each day.

According to the National Social Security Fund (NSSF), there are 4,520 collective transport vehicles providing transportation to more than 200,000 garment and footwear factory workers every day. However, most vehicles currently being used are not authorised to transport passengers, and they are usually old, poorly maintained, and overloaded trucks. Collective transport services are typically informally organised directly between workers and vehicle drivers. These workers are often traveling long distances, standing on the flat bed of trucks, and exposed to the elements. Unsafe road practices, dangerous road environments, and weak enforcement of road traffic laws compound the risk to commuting factory workers’ health and safety. In 2022, according to the NSSF’s reported claims, 156 workers were killed while commuting to and from factories while recording more than 5,158 road accidents, with 1,624 seriously injured and 4,271 slightly injured.

While the Royal Government of Cambodia has taken measures to increase general road safety, such as upgrading the road network and addressing the issues of speeding, helmet use, and other driver behaviours, more needs to be done specifically for factory workers. This need is highlighted by the failures of single initiatives. Factory owners, for example, usually contribute to transportation costs for commuting workers but are rarely involved in organising it, as it happens outside of the factory. Drivers of collective vehicles mostly claim their poor financial conditions to justify their inability to buy new, safer vehicles. Regarding workers themselves, while they almost unanimously would like to improve their transport conditions, they are not willing to spend more money on proper bus tickets (costs are higher as each bus would accommodate fewer passengers). Due to manpower constraints, provincial and traffic police officers cannot enforce road safety everywhere and are forced to allow this unsafe practice to continue. Also, some roads, particularly those surrounding suburban factories, remain badly maintained, which is an added hazard to drivers.

Addressing the issue of transportation for garment factory workers requires a multi-stakeholder approach. It will require the involvement of factory owners, drivers, workers, the government, and other stakeholders to develop and implement effective strategies that promote safe and affordable transportation services. By working together, it is possible to improve the health and safety of commuting factory workers in Cambodia.

IMPACT ON BUSINESS The lack of comprehensive policy measures to ensure road safety for Cambodian garment factory workers can have several negative impacts. Workers who are forced to commute in unsafe vehicles and conditions face a high risk of injury or death, which can result in significant economic and social costs. Workplace absenteeism and turnover rates may

increase due to injuries or deaths, resulting in reduced productivity and increased costs for garment factories. Moreover, families of workers who are injured or killed in road accidents may face significant financial and emotional burdens, leading to increased poverty and social inequality.

Furthermore, the lack of road safety measures can perpetuate gender inequality and other forms of discrimination, as the majority of garment factory workers are women. Women, who often have caregiving responsibilities, may be particularly vulnerable to the negative impacts of road accidents. The lack of safe transportation options may also limit career opportunities for women, as they may be less likely to take jobs in factories that are located far from their homes or require a long commute.

✓ **Establish a licencing regime to improve the road safety standards of collective transport vehicles for garment workers.**

**2024
RECOMMENDATION**

We therefore respectfully recommend that the Royal Government of Cambodia, through relevant authorities, consider establishing an ad-hoc licencing regime aimed at improving the road safety standards of collective transport vehicles. The regime would include provisions such as:

- An official licence specifically to drive collective transport vehicles;
- Certification processes, including physical and psychological tests;
- Trainings on safe practices (capacity building);
- A database of safe vehicles (with regular inspections and upgrades).

This regime would serve as a public resource for vulnerable and high-need communities, such as Cambodia's garment factory workers who rely on collective transport, to have a network of safe drivers and vehicles to choose as their mode of transport to commute to-and-from work. Through this system, workers would be able to identify safe commuting options. Alternatively, drivers certified through this regime would also gain the competitive advantage of legal recognition and promotion as a safe commuting option for workers.

The licencing regime can be adopted as a model for factories looking to gain a competitive advantage by offering a safer job, including a safe method of commuting to work, and perception as a proactive employer in occupational health and safety. By encouraging greater occupational health and safety, and empowering disadvantaged communities, this provision would ultimately help improve the sustainability of the garment sector in Cambodia.

Sustainable Data Sharing Practices

NEW

ISSUE DESCRIPTION

Garments accounted for 11% of GDP and contributed around 50% of Cambodia’s real GDP growth in 2021. Though not operating at full capacity, these high figures demonstrate that the sector has managed to weather the COVID-19 pandemic relatively well compared to other sectors.

The development strategy for the Garment Footwear and Travel Goods Sector from 2022-2027 indicates that the Royal Government of Cambodia (RGC) continues to see the sector as playing a vital role in the country’s overall development and export strategy for the foreseeable future. Yet, in order to maintain positive performance rates, it is crucial that policymakers, sector stakeholders and the wider public have access to reliable, publicly shared data on key aspects, such as trends, export-import values, sustainable best practices, labour productivity, working conditions and so on.

While some data is publicly available, there are concerns about the accuracy and completeness of the information that is reported. The RGC and Non-governmental organisations (NGOs) have been collecting data on the garment sector, particularly in relation to labour productivity, labour conditions and workers’ rights. However, there have been concerns about the accuracy, incompleteness and transparency of some of this data.

IMPACT ON BUSINESS

Poor data transparency in the garment sector of Cambodia could have a negative impact on the sustainable growth of the industry, as it could undermine the trust of customers and investors in the sector’s practices. Without clear and consistent data on the sector’s sustainability progress, there is a risk that buyers and investors will look elsewhere for suppliers who can provide more reliable and transparent information. This could lead to a loss of market share for Cambodian garment companies and a reduction in their competitiveness.

Furthermore, without reliable data on the industry’s sustainability practices, it could be difficult for the government and other stakeholders to monitor and enforce labour and environmental standards effectively. This could result in a negative impact on workers’ rights and the environment, undermining the long-term sustainability of the industry.

Therefore, it is crucial for the garment sector in Cambodia to prioritise data transparency and sustainability practices to maintain its competitive advantage and position as a major economic growth pillar in the country.



Promote better data sharing practices in the industry.

**2024
RECOMMENDATION**

We therefore respectfully put forward recommendations for the Royal Government of Cambodia to promote data sharing practices in Cambodia's garment sector:

- Enhance Data Collection and Reporting: establish a centralised and comprehensive system for collecting, analysing, and reporting data related to the garment sector. This system should capture key information such as:
 - export-import values;
 - sustainability indicators such as employment and labour condition information, including but not limited to: fair wages and benefits, occupational health and safety, working hours and work-life balance, gender equality, freedom of association, support for education and skill development, responsible sourcing practices, effectiveness of grievance mechanisms;
 - environmental impact information, including but not limited to: energy consumption and greenhouse gas emissions, water usage, waste management, resource efficiency and biodiversity conservation.
- Invest in training and capacity-building initiatives for garment sector stakeholders. This includes targeted programmes addressed to factory owners, managers, and workers on sustainable manufacturing practices, data collection methods, and reporting standards. Building awareness and skills in sustainability will empower stakeholders to implement and monitor sustainable practices effectively;
- Encourage collaboration and information-sharing among companies in the sector, to promote best practices and facilitate the exchange of information on sustainability initiatives;
- Provide incentives and recognition for companies that demonstrate leadership in sustainability and transparency, such as awards or certification programmes;
- Encourage dialogue and engagement with stakeholders, including customers, investors, and civil society organisations, to better understand their expectations and priorities around sustainability and transparency in the sector.

HEALTHCARE

HEALTHCARE

2019 WHITE BOOK

2019	Recommendation	Initiated	Status	Summary
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Access to Biological Products

45	Widen the List of Approved Biological Products for Import	2019	New	Request that the Ministry of Health widen the acceptance of biological products to include those approved by the European Medicines Agency.
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Over-the-Counter Products

46	Transfer of Prescription Medicine to Over-the-Counter	2019	New	Align the eligibility criteria and processes involved to reclassify a prescription pharmaceutical product as an Over-the-Counter product in Cambodia with ASEAN practices.
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Restricting Unregistered Products

47	Enhance the Safety of Imported Pharmaceuticals	2016	Updated	Take measures to protect consumers from the adverse effects of unregistered pharmaceutical products.
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2024 WHITE BOOK

Progress Made	Result	Status	2024 Recommendation Number
<p>EuroCham is aware that the MoH is drafting a new Pharmaceutical Law. Through these and other legislative initiatives, we are hoping to engage with the Ministry in the future on more favourable registration requirements for biological products imported from the European Union.</p>	<p>This recommendation is therefore retained by EuroCham.</p>	<p>Retained</p>	<p>41</p>
<p>EuroCham is aware that the MoH is drafting a new Pharmaceutical Law. Through this initiatives, we are hoping to engage with the Ministry in the future on more aligned eligibility criteria and processes for the reclassification of prescription medical products.</p>	<p>This recommendation is therefore retained by EuroCham.</p>	<p>Retained</p>	<p>42</p>
<p>The registration process has become increasingly digital, with the launch of the Cambodia Pharmaceutical Online Registration System (CamPORS) in 2019, which is meant to be a digital one-stop window to register the import and use of pharmaceutical products in the country. However, unregistered products can still originate from the authorised manufacturer and meet some of the product specifications, but they nonetheless pose health risks when transported by an unofficial entity into Cambodia.</p>	<p>Unregistered pharmaceutical products represent a serious health risk to the Cambodian population as there are no means of assuring the quality of such products.</p>	<p>Updated</p>	<p>43</p>

2019 WHITE BOOK

Registrations and Renewals

48	Enhance Online Pharmaceutical Registration Platform	2017	Updated	Consult with the private sector to enhance the usability of CamPORS for product registrations.
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49	Family Registration for Medical Devices	2019	New	Consider issuing regulations that would allow for the collective registration of multiple medical devices under a family or category registration.
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50	Categorisation of Medical Equipment for Registration Purposes	2017	Updated	Align medical equipment registration categories and guidelines with those defined by the ASEAN Medical Device Directive.
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51	Approval Process for Medical Marketing	2019	New	Request clarification of the guidelines that healthcare companies must follow to obtain approval from the Ministry of Health for their marketing activities.
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2024 WHITE BOOK

In 2019, the Ministry of Health (MoH) inaugurated the new online platform, the Cambodia Pharmaceutical Online Registration System (CamPORS), through Prakas No.2387. EuroCham had previously called for the adoption of such an electronic registration system, and welcomed this new development.

At the moment, with users reporting difficulties with the usability of the platform, it is uncertain whether CamPORS has won over the private sector as a viable alternative to paper-based procedures.

Updated

44

In 2015, Cambodia signed the ASEAN Medical Device Directive (AMDD) which only allows registrations on an individual basis but does not permit products to be grouped and registered under a category.

EuroCham would welcome efforts to reform current regulations to allow the class registration of multiple medical devices.

Retained

45

The main piece of Cambodian legislation governing the registration of medical devices in Cambodia, Prakas No.1258, included provisions that were meant to be harmonised with the ASEAN-level ASEAN Medical Device Directive (AMDD). The AMDD, signed by Cambodia in 2015, is now effective in the country.

This issue is therefore now considered resolved.

Resolved

Cambodia's rise in economic development and consumer spending is favouring the growth of the national market for pharmaceuticals. This trend, combined with a greater awareness among consumers about good marketing practices, illustrates the need for a stronger official guidelines concerning the marketing of medical products in Cambodia.

This issue is still relevant for EuroCham's Healthcare Committee, and we are hoping to discuss developments with the Ministry of Health.

Updated

46

2019 WHITE BOOK

52	Urgent Import Licenses	2016	Updated	Reinstate a channel for companies to obtain urgent import licences for medical products awaiting renewal or registration by adopting a formal application process with clear guidelines outlining eligibility.
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53	Scheduling of Registration and Renewal Committee Sessions	2017	Updated	Hold registration and renewal committee sessions at least once per month.
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2024 WHITE BOOK

The Covid-19 pandemic and subsequent efforts by the Royal Government of Cambodia to accelerate registration procedures for medical import licences, has highlighted the need to faststream registration processes for imported medical products. The benefits of doing so affect the wider economic and healthcare development of the country.

We therefore consider this issue to still be relevant, in the context of a post-Covid-19 healthcare system.

Updated

47

The Registration and Renewal Committee has modified its provisions and it now meets up to six times per year.

EuroCham welcomes this development and, in the context of a thriving trade in healthcare products, would encourage the Royal Government to further intensify the meetings of this Committee to once a month.

Updated

48

List of Approved Biological Products for Import

RETAINED

ISSUE DESCRIPTION Cambodia has experienced considerable success in improving healthcare standards and access across the country. A critical component of the success of Cambodia's healthcare strategy has been an effective immunisation programme, undertaken with the support of the World Health Organisation (WHO), to prevent the spread of vaccine-preventable diseases such as polio, measles, rubella and others.

Due to heightened safety concerns and the complexity of manufacturing and testing, the importation of vaccines and other biological medicinal products into Cambodia is stricter than other healthcare products. These concerns have led the Ministry of Health to recently implement tighter restrictions on the medical companies that deal with biological products. The Ministry has stipulated that they will only grant import licences for products that appear on the WHO Prequalified Vaccines List, which is significantly reducing the availability and range of biological products in Cambodia.

The WHO compiles the Prequalified Vaccines List as a service to the United Nations (UN) agencies that purchase vaccines to determine the acceptability of vaccines from different sources, and reflects the products that are required by their respective tenders and that have been submitted for evaluation¹³. The WHO states that it does not intend for this to be an exhaustive list of products used in the treatment of diseases, and that if a product has not been included, it does not mean it would not comply with their standards if submitted for evaluation¹³. Similarly, if a product is included on the List, it does not imply approval of the product or manufacturing site by the WHO, as this responsibility lays with the national authorities of vaccine exporting countries and there is no guarantee that the products will continue to meet WHO standards.

Importantly, the WHO Prequalified List also relies on the scientific assessment and inspections conducted by the European Medicines Agency (EMA) as a basis for prequalified listing. Therefore, if a product required by a UN agency has already been evaluated by either of these authorities, the WHO does not require their own evaluation to take place before listing as the WHO recognises that EMA have the capabilities and capacity to confirm a product's safety and effectiveness.

IMPACT ON BUSINESS While we recognise that the Ministry has implemented this additional constraint to ensure that the biological products available are safe and effective as defined by the WHO, due to the limitations of the List and its varied demands, the need for all products to be listed before they can be imported severely restricts patient access to treatments. As the inclusion of new treatments is entirely dependent on the needs of the UN agencies that rely on the WHO List, it will be inconsistent with the specific and changing healthcare needs of Cambodia, and can quickly become outdated due to the fast pace of scientific developments.

Consequently, if a new treatment is released to market, there is an expectation that it will be some time before it will be seen on the List due to the heavy administrative processes involved, which may prevent Cambodian citizens from accessing innovative, life-saving treatments.

Restricting the availability of new treatments to those on the WHO List also negatively impacts the cost of biological products in Cambodia by limiting competition. Alternative treatments that are also proven to be safe and effective are unable to compete for market share, allowing distributors to maintain their high prices for the products that are on the List. Similarly, as the WHO List specifies the required dosage, only versions of the product that match the exact dosage will be approved for import, which reduces the ability for hospitals and clinics to receive competitive prices and achieve economies of scale by purchasing in bulk.

✓ **Widen the acceptance of biological products to include those approved by the European Medicines Agency.**

**2024
RECOMMENDATION**

We suggest that the Ministry of Health widen the acceptance of biological products approved for import to include products that have already been approved by the EMA. As the WHO itself is not a regulatory entity and already bases listing approvals on the evaluations of the EMA, the Ministry will retain the high level of regulatory oversight required to ensure that only safe and effective products enter Cambodia, while increasing patient access to innovative treatments and allowing hospitals to take advantage of cost-saving strategies.

Transfer of Prescription Medicine to Over-the-Counter

RETAINED

ISSUE DESCRIPTION

Self-medication with the use of over-the-counter medicines is the most common form of medical care across the world. Over-the-Counter (OTC) medicines allow consumers to benefit from a wide range of convenient treatment options at a reduced cost by avoiding consultations with healthcare professionals. As a result, there is a growing trend, particularly in developed markets to increase patient access to new treatments by making more pharmaceutical products available over-the-counter, rather than requiring patients obtain a prescription.

This reclassification of prescription medicines to OTC is not a new occurrence, with many now common treatments like paracetamol, ibuprofen and antihistamines all once requiring a prescription. Reclassification occurs when healthcare authorities and pharmaceutical companies are confident that the potential risk of wider access is lower than the benefit to patients and after there has been an established track record of safe diagnosis, treatment and management without the need for a doctor's supervision.

In Cambodia, uncertainty surrounds the processes and regulations involved to transfer a prescription medicine to an OTC medicine. Therefore, the wider healthcare industry and Cambodian citizens will stand to benefit from a formalised process with clear and consistent criteria for healthcare companies to follow to transfer prescription products to OTC. On this aspect, ASEAN's Common Technical Requirements (ACTR) is a guiding document for policy makers to ensure that the efficacy, safety, and quality of the medicine is maintained while also increasing access to it. The guidelines outline a comprehensive evaluation process that considers the potential impact on public health, healthcare professionals, and patients, as well as the regulatory requirements and processes for the transfer.

IMPACT ON BUSINESS

In the absence of a defined procedure for healthcare companies to safely convert prescription medicines to OTC, patients are forced to spend more time and money on consultations with healthcare professionals, rather than utilise cheaper OTC treatments for certain conditions at their own convenience. Similarly, if patients are unable to treat the symptoms of their minor ailments, this will rapidly increase the strain on Cambodia's healthcare system and takes away essential medical services and expertise from patients with more serious conditions that are inappropriate for self-care.

If the range of OTC treatments does not evolve with the Kingdom's changing healthcare needs, the illicit use of prescription medicines is likely to increase, as patients have little choice but to continue using these products when they become ill. The risks associated with prescription medicines significantly increases when used illicitly, as patients are often unaware of the potential contraindications or harmful side effects their use can carry.

In comparison, patients perceive OTC medicines to be less risky while just as effective for certain conditions, due to the safer dosages and more comprehensive labelling and packaging, which provides detailed usage instructions on what symptoms can be treated and the potential side effects.

✓ **Align the eligibility criteria and processes involved to reclassify a prescription pharmaceutical product as an Over-the-Counter product in Cambodia with ASEAN practices.**

**2024
RECOMMENDATION**

EuroCham respectfully recommends that the Ministry of Health clearly define the criteria and processes for healthcare companies to follow to reclassify a prescription pharmaceutical product for use as an OTC product in Cambodia. Documents such as the ACTR could be taken as inspiration to define such procedures in Cambodia. By doing so, the Ministry will enable Cambodian citizens to safely take greater individual responsibility in the management of their own healthcare, bringing the economic and public health benefits of increased self-treatment. However, it is important that there are rigorous controls in place to ensure that only treatments that are appropriate for self-medication are reclassified.

Recognising that the criteria for reclassification will be dependent on the Ministry of Health's requirements, we recommend that this process be evidence-based and rely on impartial data provided by the healthcare sector to demonstrate their products' suitability, for which the Ministry of Health will need to continuously review on the basis of safety and efficacy.

Safety of Imported Pharmaceuticals

UPDATED

ISSUE DESCRIPTION

Cambodia has strict processes in place for the registration of pharmaceutical products, which mandate detailed technical specifications of both the product and its packaging to ensure safety, effectiveness, and quality. Only products that match the specifications registered with the Ministry of Health (MoH) can be imported into Cambodia. However, some pharmaceutical distributors circumvent these requirements by importing products falsely under the registration number of an authorised distributor or products that have avoided registration and testing entirely. As these products have not received import permission from the Ministry, they should be illegal for sale in Cambodia.

The registration process has become increasingly digital, with the launch of the Cambodia Pharmaceutical Online Registration System (CamPORS) in 2019, which is meant to be a digital one-stop window to register the import and use of pharmaceutical products in the country. However, unregistered products can still originate from the authorised manufacturer and meet some of the product specifications, but they nonetheless pose health risks when transported by an unofficial entity into Cambodia. Manufacturers take climatic conditions into account when designing their packaging and regularly modify their packaging for specific countries for added protection. Cambodia has a tropical climate and many of its pharmacies are not climate-controlled, requiring packaging to be adapted to prevent pharmaceutical products from spoiling in the heat.

In order to ensure that products are transported and stored under the right conditions, manufacturers require their distributors to undergo stringent audits and selection processes. Distributors that deliver products without being appointed by the manufacturer will not have undergone such controls and cannot ensure the products are safe once they reach patients. Another fundamental aspect of pharmaceutical safety is pharmacovigilance, in which a manufacturer is notified in case of an “adverse event” occurring within the market. Adverse events are negative experiences relating to the use of a pharmaceutical by a patient and are reported to manufacturers by distributors to take proactive precautions to ensure patient safety.

However, unregistered product distributors are not appointed by a manufacturer and will not report such events, increasing the likelihood that harmful pharmaceuticals will remain in distribution. EuroCham’s Healthcare Committee supports affordable treatments but emphasises that unregistered products are not a viable solution as they enter the market at cheaper prices by circumventing testing conducted by the National Health Products Quality Control Centre and the manufacturers’ pharmacovigilance processes.

While Cambodia’s existing regulations do not allow distributors the right to exclusive distribution of pharmaceuticals, to our knowledge, these regulations also do not allow the entry of products that are a variation of a registered pharmaceutical product. Companies distributing pharmaceuticals are required to apply for a variation when a registered product

has been modified to ensure that its registration details are accurate and the modified variety is safe. Weak detection of unregistered products entering the market creates vulnerabilities in the distribution chain, increasing the likelihood of counterfeit and sub-standard products entering the market. Trust is reduced as there are no controls in place to certify that the active compounds match what the seller claims.

EuroCham's primary concern on this issue is patient safety rather than the impact on revenue. Unregistered pharmaceutical products represent a serious health risk to the Cambodian population as there are no means of assuring the quality of such products. The average consumer cannot be expected to have the technical knowledge to determine whether a pharmaceutical product is spoiled or not due to inappropriate transportation or packaging, therefore responsibility must fall upon regulators to provide quality assurance through effective management of all imports.

In cases where an unregistered product is legitimate, the product manufacturer will have already registered the sale in another country and therefore does not incur any financial loss as a result of unauthorised importing. However, in the longer term, a higher presence of unregistered products in the market is likely to discourage investment by multinational pharmaceutical companies in the domestic economy. If the Cambodian subsidiary is unable to record a suitable financial performance due to lax import controls, they are unlikely to be granted a budget for activities such as education and training for patients and healthcare professionals.

IMPACT ON BUSINESS

✓ **Protect consumers from the adverse effects of unregistered pharmaceutical products.**

**2024
RECOMMENDATION**

Our recommendations are aimed at protecting the safety of consumers of pharmaceutical products in Cambodia from the potential adverse consequences of either counterfeit or unauthorised imports. We respectfully recommend that:

- The Ministry of Health (MoH) upgrade its mandatory packaging and labelling requirements for imported and distributed pharmaceutical products into Cambodia to include a 2D scannable barcode, similar to the provisions contained in the 2019 EU Directive and in accordance with international best practices in the health industry. The MoH should also consider introducing a future requirement for anti-tamper devices to be included in the packaging;

- The MoH consider the adoption and implementation of a full national electronic track and trace system, linking all points in the supply chain of imported pharmaceuticals (General Department of Customs and Excise, Cambodia Pharmaceutical Online Registration System, MoH/Department of Drugs and Food, pharmacies and hospitals, distributors), in accordance with best international practices (e.g. the Turkish system). The MoH should put in place provisions to regulate (including a grace period) the future mandatory electronic reporting and verification of pharmaceutical products along all points of the supply chain, from registration on the Cambodia Pharmaceutical Online Registration System to distribution to patients in pharmacies and hospitals.
- The MoH consider electronically linking pharmacies, hospitals, and distributors of pharmaceutical products to the Cambodia Pharmaceutical Online Registration System to pilot more effective ways to recall or decommission products.
- The General Department of Customs and Excise strengthen its inspections of cold chain storage facilities of pharmaceuticals entering the country to ensure compliance with the specifications registered on the Cambodia Pharmaceutical Online Registration System.
- The Royal Government of Cambodia incentivise the country's private sector to take a more active part in enhancing the safety of pharmaceutical products by considering the introduction of mandatory liquidated damage clauses to make pharmaceutical distributors legally liable in case pharmaceutical manufacturers can prove in court that products circulating on the Cambodian market are of significant sub-standard quality compared to their specifications on the Cambodia Pharmaceutical Online Registration System. The renewal of pharmaceutical distributor licences should be contingent upon a clean record.

Through these measures, consumers can be more assured that the pharmaceutical products they are purchasing are safe, effective, and of high quality. This can reduce the risk of adverse health effects resulting from the use of substandard or counterfeit pharmaceuticals, ultimately improving public health outcomes. Additionally, such measures can increase confidence in the Cambodian pharmaceutical market, making it a more attractive destination for investment by multinational pharmaceutical companies and promoting economic growth.

Online Pharmaceutical Registration Platform

UPDATED

In 2019, the Ministry of Health (MoH) inaugurated the new online platform, the Cambodia Pharmaceutical Online Registration System (CamPORS), through Prakas No.2387. CamPORS is a digital one-stop window to register the import and use of pharmaceutical products in the country, and to accelerate registration procedures for new pharmaceuticals and medical devices. Previously, registration applications had to be submitted in paper form to the Department of Drug and Food offices within the MoH.

ISSUE DESCRIPTION

EuroCham had previously called for the adoption of such an electronic registration system, and welcomed this new development.

According to the new procedures of the platform, businesses must first apply for the right to register and use the CamPORS online system. Once they have been granted access, they can apply (with the required supporting documents) for registration of pharmaceutical and other related (e.g. medical devices and cosmetics) products. Following a successful registration, the MoH will then issue pharmaceutical product registration certificates to individual companies.

Despite the expectation that the introduction of CamPORS would speed up registration times for pharmaceutical and related products, and thus provide a boost to the healthcare industry in Cambodia, it seems in reality that the platform has not lived up to its full potential.

Specifically, our Healthcare committee has collected evidence from private sector users that the platform is difficult to navigate, particularly when uploading documents. Moreover, there have been reports of private sector users seeing their registration status on CamPORS contradicted by MoH officials, which calls into question whether the MoH and private sector users are able to coordinate their operations on the platform.

A key requirement of an online system such as CamPORS is to enhance the usability and functionality of document submission and registration. An online platform needs to demonstrate clear benefits in terms of time reduction and facilitation of procedures compared to previous paper-based systems, in order to prove its worth to the public.

At the moment, with users reporting difficulties with the usability of the platform, it is uncertain whether CamPORS has won over the private sector as a viable alternative to paper-based procedures. Users are still reporting relatively long periods of time to register pharmaceutical products, although it is uncertain to what extent this depends on the technical state of the platform itself or whether it depends more on its coordination with MoH activities. In any case, long registration times risk dampening the growth of Cambodia's pharmaceutical market.

IMPACT ON BUSINESS

2024
RECOMMENDATION

✓ **Consult with the private sector to enhance the usability of CamPORS for product registrations.**

To ensure that the digital opportunity of CamPORS is fully realised, EuroCham’s Healthcare committee stands ready to consult with MoH technicians and other members of the private sector to report on technical issues on the platform and suggest ways to improve it.

We therefore respectfully ask for a consultation meeting with MoH to discuss ways forward on the usability of the CamPORS platform.

With the recommendations coming from this consultation, we assure the MoH that it will have valuable information to push through much-needed enhancements to the CamPORS portal. We anticipate that most of these changes will take little time to implement, at low cost, and with great benefit to all users.

Family Registration for Medical Devices

RETAINED

As detailed previously, the procedures surrounding the registration of medical products could be re-examined to reduce the administrative blockages that are currently afflicting the healthcare sector in Cambodia. This issue is particularly apparent for medical device distributors, who are required to register different variations and components of the same product as separate registrations. This substantially increases the cost of bringing new devices to market and the resources required to submit applications.

ISSUE DESCRIPTION

For example, when a distributor registers a single use device such as an implant, which must be available in multiple sizes to suit an individual's requirements, while still serving the same function, the Ministry of Health sometimes requires each variation be registered as a separate product. This is a significant concern for distributors of lifesaving devices such as cardiovascular implants, as these specialised low volume products are required in a range of sizes, though the cost of registration can severely impact their availability. Similarly, reagents, which are substances that are used in combination with other systems to cause a chemical reaction, are needed in hundreds of variations for specific functions, though they are still required to be registered separately from the equipment they are used with.

Presently, there appears to be inconsistency in the administrative procedures for registering reagents. The Department of Drugs and Food has stated that the registration of multiple reagents is permitted when registered simultaneously with the equipment they are used with. However, our members report that in practice, this is still not always possible and they must continue to register each reagent separately and pay multiple registration fees.

As a regional example, to cater to the diverse categories of medical devices available in Singapore, distributors are able to group certain devices under one product registration application to simplify administrative processes. To collectively register devices under a group, products must have a common intended purpose, be of the same risk classification and the variations be within a defined scope. These pre-existing guidelines on family registration could be appropriate for use in Cambodia.

Replicating Singapore's system for group registrations for medical devices by permitting distributors to register their product variations under a family or category would help to alleviate the administrative blockages that exists within the Cambodian healthcare sector. The resources required by both the Ministry of Health and the private sector to process product registration would decrease considerably, with no impact on safety as products must still be compliant and registered accordingly.

IMPACT ON BUSINESS

The continuation of unpredictable practices regarding the registration requirements of medical equipment contributes to unfair competition, as one registration application can cost around USD 100, thus the cost of registering hundreds of variations of reagents separately, rather than collectively is extremely expensive for distributors. The increasing cost and length of compliance hinders innovation and choice as it discourages suppliers from bringing state-of-the-art equipment to Cambodia. The impact of this is overwhelmingly felt by patients and the quality of care they receive, as patients will be unable to benefit from advanced and lifesaving treatments, while healthcare professionals will struggle to keep up with the rapid technological developments of the industry.

2024
RECOMMENDATION

✓ **Allow the collective registration of multiple medical devices under a family or category registration.**

We respectfully recommend that the MoH consider issuing regulations that would allow for the collective registration of multiple medical devices under a family or category registration.

To lessen the administrative burden placed on the Ministry of Health and medical device distributors, we respectfully recommend that the Ministry consider issuing regulations that would allow for the collective registration of multiple devices under a family or category registration, when the application is made simultaneously.

Additionally, to offset the potentially reduced revenue as initially there should be less new product registrations, the Ministry could charge an increased fee for the registration of equipment that requires multiple variations or associated components.

Approval Process for Medical Marketing

RETAINED

The marketing of healthcare products in Cambodia is tightly regulated by the Ministry of Health to ensure that the claims, content and appearance of such activities are legitimate and any potential risks to patient safety are minimised. These regulations require healthcare companies to seek prior approval from the Ministry for any materials and events that they wish to utilise to advertise their products before they can be released to the public, healthcare professionals and industry stakeholders.

ISSUE DESCRIPTION

While this is standard practice in many countries, our members perceive there to be an increased level of uncertainty surrounding the approval process in Cambodia, due to recent changes in practices by the Ministry, which have not yet been formally officialised, despite in some cases already being enforced. Our members report that for branded promotional materials that are often given to medical professionals such as laboratory logbooks, which previously did not undergo such scrutiny, companies are now required to seek approval. Likewise, for other materials such as gimmicks, it is extremely difficult for manufacturers to procure an actual single sample because of manufacturing constraints, and this may, in practice, prevent companies from seeking approval for their marketing materials.

The uncertainty caused by a divergence from past processes also extends to the approval process required for companies to organise or attend medical marketing events and meetings with healthcare professionals. Previously, company representatives were permitted to attend joint meetings with medical associations, if the association itself had received approval, though in some cases the Ministry now requires both the association and individual companies attending to obtain separate approval. Similarly, the approval granted for medical events was previously valid for a period of one month, giving companies the flexibility to reasonably change plans, however the Ministry now requires the event to occur on the exact date for which approval has been requested. This has led to a situation where companies are unable to invite healthcare professionals that are useful in providing a valuable medical message, as by the time the approval is obtained, it is too late to book these sought-after professionals for a specific date.

The difficulties surrounding this approval process are compounded for events held outside Phnom Penh, particularly in Battambang, Siem Reap, and Kampong Cham, as companies must seek approval from the Ministry as well as from the provincial Health Departments, creating an unnecessary, additional administrative burden. We would like to thank the Ministry for their efforts already taken to prevent the duplication of approvals by local authorities, however, our members report that this issue persists.

Healthcare companies support the need for a suitable regulatory framework for the industry to ensure that companies do not act inappropriately or make false claims in their marketing materials that could potentially harm the public. Accordingly, the healthcare sector requires such regulations to be unambiguous, consistent, and accompanied by formal guidelines that enable companies to establish what marketing is acceptable and what is unacceptable before submission to the Ministry of Health.

IMPACT ON BUSINESS

Like all other private industries, healthcare companies utilise effective marketing strategies to differentiate their product offering and maintain their position in the market against their competitors. This fosters a competitive healthcare sector that encourages greater investment from multinational companies, bringing improved healthcare quality standards. Marketing events and materials are also used by pharmaceutical companies to disseminate important evidence-based medical information to healthcare professionals about their products, as well as non-promotional medical information such as scientific updates on international guidelines and new clinical evidence. The objective of this is to support healthcare professionals to choose the best treatment for their patients, according to the availability of products on the market.

However, a lack of clear guidelines on what marketing is permitted and when companies are required to seek approval creates an ambiguous regulatory environment, making it more difficult for companies to do business in Cambodia and negatively impacts prospective investor sentiment. Cumbersome regulatory processes that reduce competitiveness ultimately affect patients' access to advanced, life-saving treatments, as healthcare companies are unlikely to bring such treatments to a new market if they cannot be assured of a return on their investment.

**2024
RECOMMENDATION**

✓ **Clarify the guidelines that healthcare companies must follow to obtain approval from the Ministry of Health for their marketing activities.**

We respectfully recommend that the Ministry of Health clarify the guidelines that healthcare companies must follow to ensure their marketing activities are in compliance with the Ministry's requirements. Such guidelines should detail when companies are required to seek approval for certain activities and when it is unnecessary, length of materials (number of pages), estimated processing timeframe as well as what accompanying materials and documentation is required for submission to receive approval. We would also encourage the Ministry to revert to the previous ten-day validity for granted approval, as this provided companies with reasonable flexibility to host and attend marketing events.

Regarding marketing gimmicks, we request that the Ministry consider following the current practice of only requiring an artwork for submission, as this artwork effectively displays all of the necessary elements and messages required by the Ministry for review.

As products are still allowed to be marketed even though their registration licence has expired, we would call for the Ministry to also allow the registration of promotional events to continue, despite an expired licence, as this licence is only required to import products and not market them.

To ensure the effective implementation of the marketing approval process, we would also recommend that the Ministry reiterate steps to disseminate its requirements throughout all provincial Health Departments to ensure the regulations are consistently applied across the Kingdom and that approval is not duplicated.

Urgent Import Licences

UPDATED

ISSUE DESCRIPTION

Medical and pharmaceutical products actively going through the renewals process are not automatically entitled to receive import licences. Under normal circumstances, a product registration certificate is required in order to obtain an import licence from the Ministry of Health, which they will process within six months. EuroCham members report that this timeline is fair and generally accurate when all of the required documentation has been submitted, though in situations where there is an issue with their application, they perceive a lack of clear communication with the Ministry, which is severely affecting the approval process.

As companies are unable to effectively track their applications, they are unaware of issues that may arise with their submissions and it often takes some time before they are contacted by the Ministry to rectify any concerns. This causes significant delays to the import procedure as the Ministry cannot process the application until the documentation is in order. Once the company has been notified and reconciled any issues, the 6-month renewal processing timeframe restarts, adding considerable delay to the process, and companies are prevented from importing their product during this period.

The Ministry was previously very helpful in finding a solution to this issue, having agreed to consider granting requests for urgent import licences on a case-by-case basis when approached. While we appreciate these efforts, the Ministry stated that they will no longer consider granting such requests, posing a serious risk to all companies within the healthcare sector. Thus, the sector requires a suitable channel for companies to apply for an urgent import licence for medical products, if there have been delays to the process outside their control, and such a mechanism would indeed benefit from a more formalised process.

IMPACT ON BUSINESS

Delays in product registrations and renewals can prevent important and, in some cases, life-saving medicines and equipment from entering the country. This lowers the quality and safety of healthcare available to Cambodian citizens and residents for two reasons: first, it prevents products from benefiting from the most recent and advanced research and development from reaching Cambodia. Secondly, it creates demand for unregistered and counterfeit products, as uncompliant pharmacies will seek out these products to maintain their inventory as they avoid the registration process entirely. Regulatory hinderances such as this also create significant operational burdens for healthcare companies which could reduce their level of investment and diminish the appeal of the sector.

✓ **Reinstate a channel for companies to obtain urgent import licences for medical products awaiting renewal or registration by adopting a formal application process with clear guidelines outlining eligibility.**

**2024
RECOMMENDATION**

Allowing medical and pharmaceutical companies in Cambodia to have a channel to obtain urgent import licenses for their products can have several positive impacts. Firstly, it can enhance the availability of essential medicines and medical supplies, particularly during emergencies such as natural disasters or pandemics. Secondly, it can improve the efficiency of the supply chain by reducing delays and bureaucratic hurdles. Thirdly, it can encourage more investment in the healthcare sector by creating a more favourable business environment. Lastly, it can lead to better health outcomes for the population, as timely access to medicines and medical supplies is crucial for the successful treatment of illnesses and diseases.

Scheduling of Registration and Renewal Committee Sessions

RETAINED

ISSUE DESCRIPTION

The decisions on medical product registrations and renewals take place during the Ministry of Health’s committee sessions. This committee receives all relevant documentation required from the applicant beforehand to be reviewed before making a decision on whether to approve a product’s application. As these meetings are a necessity for the approval process of all medical products in Cambodia, they are of the utmost importance for the functioning of the healthcare sector. While the Department has confirmed that the committee intends to meet five to six times per year, the compliant private sector believes that if the committee could meet with more frequency, Cambodia’s healthcare system could respond to the needs of patients more effectively as product applications would be processed more efficiently.

IMPACT ON BUSINESS

Prolonged product registration and renewal processes make it more difficult for healthcare companies to do business in Cambodia and negatively impacts prospective investors’ perceptions of the market. More importantly, delays in product registration and renewal can prevent vital, life-saving medicines and equipment from entering the country. If the Ministry’s registration and renewal committee was able to commit to meeting more frequently than 6 times per year, it would enable healthcare companies to better coordinate their applications and help reduce the reoccurring product registration and renewal delays.

**2024
RECOMMENDATION**



Hold registration and renewal committee sessions at least once per month.

While EuroCham recognises the difficulties involved in the coordination of multiple committee members, we would encourage the Ministry of Health to hold registration and renewal committee sessions more frequently than six times per year. We suggest meeting at least once per month, for a total of 12 meetings per year. While we expect that this decision would be dependent on the schedules of committee members, we feel that it would be most beneficial if the sessions could be held at least once per month to provide the greatest opportunity to process applications.

We also believe that if the schedule was set and published for the year ahead, committee members could accommodate their schedules according to these meetings, as they are of the upmost importance to patients in Cambodia. Through doing so, the Ministry would support the industry to bring more innovative and life-saving treatments to Cambodia more efficiently, thus improving the overall healthcare system and quality.

FAST MOVING CONSUMER GOODS

FAST MOVING CONSUMER GOODS

2019 WHITE BOOK

2019	Recommendation	Initiated	Status	Summary
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Consumer Protection and Commerce

New 2024 Recommendation	Enhance Consumer Protection
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Consumer protection in Cambodia faces several challenges, including the prevalence of counterfeit and substandard products, inadequate product labelling and packaging, and weak enforcement.

2024 WHITE BOOK

Progress Made

Result

Status

2024 Recommendation Number

These issues can lead to health and safety risks for consumers, particularly in the pharmaceutical and food industries. Additionally, consumers often lack awareness of their rights and access to effective means of redress in the event of harm caused by faulty products.

Consult with the private sector to increase consumer protection in Cambodia.

New

49

Consumer Protection

NEW

ISSUE DESCRIPTION As Cambodia's economy becomes more consumer-driven, legislation is required to protect and promote the interests of consumers, enabling them to make informed purchasing decisions and ensure a fair and competitive market for businesses. Consumer protection in Cambodia faces several challenges, including the prevalence of counterfeit and substandard products, inadequate product labelling and packaging, and weak enforcement. These issues can lead to health and safety risks for consumers, particularly in the pharmaceutical and food industries. Additionally, consumers often lack awareness of their rights and access to effective means of redress in the event of harm caused by faulty products.

The ASEAN (Association of Southeast Asian Nations) Strategic Action Plan for Consumer Protection 2016-2025 (ASAPCCP) aims to strengthen consumer protection by promoting the development and enforcement of laws and regulations, improving product safety standards, increasing consumer awareness and education, and enhancing access to effective dispute resolution mechanisms. It also emphasises the importance of cross-border cooperation and information sharing among member states to address issues such as counterfeit and substandard products. By implementing the ASAPCP, Cambodia and other ASEAN member countries can improve consumer protection and promote a safer and more reliable marketplace for all.

IMPACT ON BUSINESS The ongoing challenges regarding consumer protection in Cambodia can have significant risks for both the business environment and society as a whole. Firstly, it can lead to the proliferation of counterfeit and substandard products, which can pose serious health and safety risks to consumers. This can damage consumer trust and confidence in the marketplace, leading to reduced demand for products and services, and negatively impacting business growth.

Secondly, it can result in a lack of legal recourse for consumers in the event of harm caused by faulty products, leading to negative social and economic consequences.

Thirdly, it can deter foreign investment by companies that prioritise consumer protection and ethical business practices, limiting economic growth and job opportunities.



Consult with the private sector to increase consumer protection in Cambodia.

**2024
RECOMMENDATION**

Promoting consumer protection is essential for ensuring a healthy and sustainable business environment in Cambodia, as well as safeguarding the welfare and rights of consumers and society as a whole.

The formation of EuroCham's Fast Moving Consumer Goods (FMCG) committee has the main objective of achieving clarification, consultation, and collaboration with relevant government ministries, to ensure fair implementation and enforcement of existing regulations and the promotion of the ASAPCP in Cambodia. The committee seeks to address the following three main pillars, with a possibility of dividing the pillars into subgroups:

- More clarification of consumer-end information. As information for end-consumers is important to ensure informed purchasing decisions, the committee seeks to clarify labelling and advertising requirements and to push for harmonisation of the QR code on packaging. Currently, many ministries are interested in the topic with different requirements, which is creating confusion;
- Enforcement and prevention of illicit trading. As route-to-market and cross-border trade develops, illicit trading is increasing in Cambodia, ignoring the exclusive distribution licence issued to official importers and distributors. This issue impacts the official tax receivable of the country and threatens the presence of compliant businesses that fully comply with the tax structure of the industry. Furthermore, the official importer and distributor is unable to be responsible for the quality of the illicit trade products to end consumers. As such, the committee aims to address the issue with the CCF and CCCC on the questions of food and beverage products, and collaborate with government ministries to enforce official and compliant importation and distribution in Cambodia;
- Minimum purchasing age for alcohol and tobacco products. Cambodia remains as one of the last few countries in the world without a legal purchasing age for alcoholic products. At the same time, enforcement of underage consumption of tobacco products is also not strongly implemented. The committee is very concerned with the current situation as it does not protect the well-being of minors and projects a negative image of the country. The committee would like to consult with different government ministries on implementing strict age guidelines and collaboration on enforcement policies within the Kingdom of Cambodia.

As responsible corporate citizens, we respectfully recommend the Royal Government of Cambodia (RGC) to collaborate with EuroCham's FMCG Committee to address and implement policies for the above-mentioned concerns. Through strong enforcements, we believe that the RGC will ensure a fair and competitive business environment, while ensuring the best interests of end-consumers.

REAL ESTATE AND CONSTRUCTION

REAL ESTATE AND CONSTRUCTION

2019 WHITE BOOK

2019	Recommendation	Initiated	Status	Summary
Cadastral and Real Estate Development				
54	Civil Liability Insurance	2019	New	Consider requiring that all consultants involved in construction projects in Cambodia hold compulsory civil liability insurance.
55	Standardised Measurements	2016	Retained	Prescribe a set of universal standards of measurement for the real estate industry.
56	Financial Controls During Project Development	2019	Updated	Consider increasing the financial controls set for residential development projects in line with other ASEAN Member States, to provide adequate protection to consumers in the event of a project collapsing.
Land Management and Urban Planning				
57	Coordinating Public and Private Investment in Coastal Development	2018	Retained	Prioritise the adoption of the new legal framework for development and management of coastal areas and consider permitting a 'model project' to showcase to prospective investors that coastal development under international standards is a viable possibility in Cambodia.
New 2024 Recommendation	Develop Zoning Plans			MLMUPC is working on the new urban planning - the village level on zoning which should be nationalised.

2024 WHITE BOOK

Progress Made	Result	Status	2024 Recommendation Number
<p>The RGC through the Construction Law already required to have such Civil Liability insurance for all professionals of the construction sector.</p>	<p>Consider requiring all consultants involved in construction projects in Cambodia to hold compulsory civil liability insurance.</p>	<p>Resolved</p>	
<p>EuroCham drafted a Prakas to propose standardised measurements, and the Ministry of Land Management and Urban Planning is now reviewing it.</p>	<p>This recommendation is retained, pending feedback from the MLMUPC.</p>	<p>Retained</p>	<p>50</p>
<p>The Prakas No.965 on the Management of Residential Development Business issued on August 2016, has been replaced by the Prakas No.089 that brings details to the financial control for project development.</p>	<p>This recommendation has been updated to reflect a demand for higher standards.</p>	<p>Updated</p>	<p>51</p>
<p>The Royal Government issued Circular No.1 on the Development of Coastal Areas to instruct the relevant institutions to implement the principle of the management, consumption, maintenance, protection and development of coastal areas in the Kingdom.</p>	<p>With the Circular No.1 and projects such as the Sihanoukville Land Use Master Plan, the Royal Government of Cambodia has tackled this issue.</p>	<p>Resolved</p>	
<p>Sub Decree No.42 brought some clarification on zoning regulations but some details still need to be defined.</p>	<p>In this new recommendation, EuroCham requests that the Royal Government of Cambodia develop a clear zoning plan at the national level.</p>	<p>New</p>	<p>52</p>

2019 WHITE BOOK

Modernising Residential Property Regulations

58	Harmonise Regulations for Residential Buildings	2019	New	Request clarification into the process to convert residential buildings constructed before Sub Decree No.126, into private units within a co-owned building, and outline how property owners can obtain their new respective co-ownership titles.
59	Regulations to Enable Private Ownership of Parking Spaces	2019	New	Adopt regulations that authorise developers to treat parking spaces within condominiums as private units, and allow for the issuance of private ownership certificates for parking spaces.
60	Property Management Standards	2019	New	Consider adopting a regulatory framework to govern the property management industry in Cambodia, and consult with the private sector to develop a set of standard operating procedures.
New 2024 Recommendation	Charge Collection in Co-Owned Buildings			Create a mechanism preventing the non-payment of charges in co-owned buildings.
New 2024 Recommendation	Board of Regulators in Co-Owned Properties			Create an applicable Legal Status of “Management board” or “Executive Committee” in co-owned buildings.
New 2024 Recommendation	Timeframe of Establishment of a Board of Regulators in Co-Owned Buildings			Settle a timeframe within which a “Management Board” or an “Executive Committee” should be established.

2024 WHITE BOOK

<p>The Royal Government of Cambodia released a regulation that defined co-ownership criteria for new buildings, but there is no similar regulation for pre-existing buildings.</p>	<p>EuroCham requests to clarify the process of converting those residential buildings constructed before 2010 and prior to the release of Sub Decree No.126, into private units and to outline how property owners can obtain their new respective co-ownership titles.</p>	Resolved	53
<p>The Royal Government of Cambodia have expressed their caution on following through with this recommendation. Indeed there is a risk that owners convert their parking spaces into construction projects since they possess hard land titles.</p>	<p>Without a regulation to enable private ownership, there is no value for developers notably because it is impossible to rent parking spaces. Therefore EuroCham has retained this recommendations while taking into account the concern of the Royal Government of Cambodia.</p>	Retained	54
<p>Sub Decree No.126 provides guidance on the management of co-owned buildings but it could be improved with more specific provisions.</p>	<p>Property mangement standards should cover three specific aspects: the charge collection in co-owned buildings, having a board of regulators in co-owned properties and a timeframe to establish such board.</p>	Split	
<p>Sub Decree No.126 contained provisions for internal regulations in co-owned buildings: co-owners have to pay building management charges.</p>	<p>We respectfully request the Royal Government of Cambodia to create a mechanism to prevent the non-payment of charges in co-owned buildings.</p>	New	55
<p>Sub Decree No.126 on the Management and Use of Co-Owned Buildings requires to establish an executive committee to oversee property matters.</p>	<p>We respectfully encourage the Royal Government of Cambodia to assign legal status to executive committees in co-owned building, to encourage their proliferation.</p>	New	56
<p>The Royal Government of Cambodia adopted the Sub Decree No.126 on the Management and Use of Co-Owned Buildings to govern Cambodia's property management industry. It is specified to establish a Board of regulators within co-owned properties.</p>	<p>As a continuation of the Sub Decree No.126, we respectfully suggest that the Royal Government of Cambodia set a timeframe within which this Board of regulators should be established.</p>	New	57

2019 WHITE BOOK

61	Property Transfer Process	2019	New	Prioritise the digitalisation of the transfer process of immovable property by launching an online platform.
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Construction

62	Ensure a Practical Set of Building Standards	2016	Updated	Consult with the private sector to ensure a practical set of building standards.
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63	Short-Term Measures to Address Fire Safety	2016	Updated	Prior to the realisation of the Building Code, consult with the private sector to define an intermediary set of fire safety criteria which will form the basis for the inspection and approval process required by Prakas No.87.
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64	Ensuring Occupational Safety and Health on Construction Sites	2017	Updated	Require all construction companies operating in Cambodia to have their designated Safety Officers undergo mandatory occupational safety and health training before starting a new project.
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65	Construction Material Quality Assurance Testing	2019	New	Consider implementing regulations that require structural building materials manufactured in Cambodia to undergo independent quality assurance testing prior to sales.
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New 2024 Recommendation	Hazardous Materials – Asbestos			Consider adopting a regulatory framework to prohibit the use of asbestos in the construction sector in Cambodia and to manage the use and maintenance of ACM already used in various constructions. Also, consider the development of a plan for related Ministries and social partners to respond to the exposure risks for worker, owners and occupiers of premises, including asbestos.
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2024 WHITE BOOK

With the launch of the Cambodia Construction application, the Royal Government of Cambodia is embracing digitalisation wherein permits and construction licenses can be downloaded and accessible with a QR Code.

EuroCham welcomes the digitilisation process undertaken by the Royal Government of Cambodia by retaining this recommendation of having an online platform for the process of immovable property.

Retained

58

The MLMUPC is currently working on setting building standards as part of the Construction Law.

This recommendation is retained, pending the adoption of the Prakas that will set clear building standards.

Retained

59

The Ministry of Interior released Prakas No.2644 on the Establishment and Management of Mandatory Fire Prevention Firefighting Taskforce and Volunteer Fire Prevention and Firefighting Taskforce. Furthermore, the Mol officially endorsed Cambodia's Fire Safety Code on July 4 2022 via Prakas No.4087.

With the entry into force of the Fire Safety Code, the RGC responded to the need of having short-term fire preventing measures, by having a detailed regulation on fire safety.

Resolved

Through the Project Advisory Board on enhancing occupational safety and health in the construction sector, the Royal Government of Cambodia organised several trainings through the WISON and WILCON programmes.

The Royal Government of Cambodia has taken up on this issue, and is resolving the challenge of ensuring Occupational Safety and Health on Construction Sites.

Resolved

The testing of building components is now covered by the Construction Law.

With the adoption of the Construction Law, ratified in November 2019, the Royal Government of Cambodia has addressed this issue. Consequently this recommendation has been removed.

Resolved

In order to prevent the danger of the use of asbestos, the Royal Government in Cambodia has taken several measures. The Ministry of Labour and Vocational Training published in 2019 the first Cambodia National Asbestos Profile (CNAP), which was updated in 2021 and 2022. This working group consists of representatives of 12 Ministries.

EuroCham welcomes the action of the Royal Government in raising awareness on the danger of asbestos in construction materials and encourages the Royal Government to continue on the path of prohibiting the use of asbestos.

New

60

Standardised Measurements

RETAINED

ISSUE DESCRIPTION

At present there is no standardised way of describing building measurements in Cambodia, or confirmation of which measurement type should apply to each property use type. This has led to a situation in which real estate professionals may use differing techniques, obscuring the definition of what constitutes a measured area. For example, some real estate actors utilise Gross Area when describing an area of property, but in some instances, this may include areas such as lift shafts, stairwell voids and open-sided balconies, whereas another party may use the same wording ‘Gross Area’ but not include the items listed. Differences in definition makes comparing two property assets time consuming and confusing, creating issues for all parties, in particular valuers, agents, occupiers and investors. Research shows that a property’s floor area can deviate by as much as 24% depending upon the method of measurement used; and even a small variation can have a significant impact on the valuation of a property.

In many countries, a regulatory body sets out a series of measurement definitions and stipulates the appropriate way for each property type to be described. Property measurement standards are increasingly becoming standardised at a global level in order to allow agents, investors, and developers to quickly and easily understand the basis upon which an asset has been measured and to compare it accurately with assets in another country.

IMPACT ON BUSINESS

A lack of standardised measurement techniques creates inefficiency in the market and, in the worst case, leaves the sector open to abuse. It is ultimately consumers who lose out from this uncertainty and increases the likelihood of buyers and tenants losing confidence as a result of a bad experience. This may create difficulties for the real estate market and Cambodia’s investment environment as a whole. With cross-border real estate investment increasing, having a standardised measurement approach which is widely recognised will reduce barriers to entry and increase confidence.

✓ **Prescribe a set of universal standards of measurement for the real estate industry.**

**2024
RECOMMENDATION**

We recommend prescribing a set of universal standards of measurement for the real estate industry.

Such a measure will help to foster a standardised approach across the Kingdom, improving transparency and allowing real estate professionals to more readily instill confidence in their advice and the real estate market. Therefore, we respectfully recommend that the Royal Government of Cambodia standardise the methodology for measuring property by defining which components of a property should be included and which should be subtracted from the total size to reduce the existing uncertainty.

Whilst it will be arduous for the Royal Government of Cambodia to decide which set of measurement definitions is most appropriate, it is advisable to consider adopting the approach set out by the International Property Measurement Standards Coalition (IPMSC). IPMSC has emerged as a favoured path for globalised measurement standardisation and has been adopted by an international group of over 70 professional and not-for profit organisations, including the Asia Pacific Real Estate Association, the China Institute of Real Estate Appraisers and Agents, and the Royal Institute of Chartered Surveyors. The members of IPMSC work together to develop and embed a single property measurement standard, with the aim of driving consistency and confidence in global real estate.

Financial Controls During Project Development

UPDATED

ISSUE DESCRIPTION In order to minimise financial risks within the real estate and construction sector, many countries have minimum capital requirements that must be met before a construction permit can be issued for a project. The developer must be able to demonstrate that it holds capital equivalent to a certain percentage of the value of the project.

Prakas No.89 on the Management of Real Estate Development Business, issued 20 January 2020, has sought to address this concern by setting that if a residential or co-owned building developer intends to sell units to raise funds as construction progresses, it must have a cash deposit on an account opened at the National Bank of Cambodia (or any local commercial bank) or a bank guarantee of 2% of the total construction costs. The residential or co-owned building developer shall also obtain a letter issued by any banking or micro-financial institution in Cambodia confirming that the capital and source of capital of the developer is at least 20% of the total construction costs if the developer intends to sell units to raise funds as construction progresses. In the case of land development projects, the cash deposit or the bank guarantee shall correspond to 5% of the total construction costs. Also, this Prakas No.89 provides that the security deposit on a residential or co-owned building development business may only be withdrawn once the residential or co-owned building development project is at least 70% completed.

While this decision was certainly welcomed, our members consider this requirement to be insufficient to act as an adequate safety net for consumers and the overall market if a project was to collapse.

As a regional comparison, developers in Malaysia are restricted in accessing buyers' funds, as developers can only accept an initial 10% deposit before construction begins and thereafter payment is made in instalments according to the stage of works completed, ranging from 5% - 15% of the purchase price. These funds are deposited into a Housing Development Account regulated by Malaysia's Ministry of Housing, and are only accessible when progress is certified by the architect responsible for the project, ensuring appropriate access to funds while also protecting consumers if a project were to fail. Such provisions do increase the cost of embarking on a project but prevent developers from beginning projects that are financially dependent upon pre-sales funds, these projects are often at higher risk of running out of money prior to completion.

IMPACT ON BUSINESS Developers undertaking projects without sufficient starting capital represent a major risk to the Cambodian real estate market and by extension, the entire national economy. If one project were to financially collapse prior to completion, this would likely affect confidence in the market and have a knock-on effect whereby pre-sales for other projects would decline or withdraw. If this were to occur, it could trigger a 'domino effect' on the Cambodian real estate sector and lead to a market crash.

Accordingly, it is within the interests of the Royal Government of Cambodia and all stakeholders to introduce stronger financial controls to regulate residential development projects to provide suitable protection and ensure the sustainable growth of the Cambodian economy.



Increase financial controls for residential development projects.

**2024
RECOMMENDATION**

We respectfully recommend that the Royal Government of Cambodia consider increasing the financial controls set for residential development projects in line with ASEAN Member States, to provide adequate protection to consumers in the event of a project collapsing.

Recognising that the Royal Government of Cambodia is already aware of the risks that surround developers who undertake projects with insufficient capital in Cambodia, EuroCham wishes to recommend that the minimum capital requirement be increased to bring it in line with Cambodia's ASEAN neighbours. Increasing the minimum capital required to develop a residential project to a value that appropriately balances consumer protection via additional regulatory oversight, with the desire for investment-friendly government policy that encourages further development.

We respectfully recommend engaging in consultation with the private sector in order to gather relevant data and information so as to set the most appropriate thresholds. Cambodia certainly can continue to encourage the flow of investment and improve its ease of doing business while simultaneously increasing regulatory controls to ensure the sustainability of the market.

Zoning Plans

NEW

ISSUE DESCRIPTION

Currently, the Ministry of Land Management Urban Planning and Construction has been working diligently on extensive infrastructure planning on a local and national level. Although the Ministry of Land Management Urban Planning and Construction has been working on zoning plans, they are yet to come to conclusion. Furthermore, with all of the new infrastructure being constructed, it is often a grey area when it comes to zoning as the private sector is unable to pre-determine what can and cannot be built as there is no clear zoning plan in place known to the private sector, apart from what is noted in Sub Decree No.42. Unfortunately, this has led in the past to the vacuum of policy being filled by rumor of new infrastructure locations, giving rise to land values being often subjective to the impact of speculation based on these rumors.

Not being able to establish the actual facts of zoning of relevant areas makes it difficult for developers to work in harmony in developing the complimentary infrastructure for different types of residential, commercial, and manufacturing zones. Simply put, providers of light industry infrastructure might be tempted by the thought of coexisting with affordable housing zones, but might end up with malinvestment should the area end up being established as an entertainment zone.

Zoning is a planning control tool for regulating the built environment and creating functional real estate markets. It does so by dividing land that comprises the statutory area of a local authority into sections, permitting particular land uses on specific sites to shape the layout of towns and cities and enable various types of development. Zoning has a relatively short history as a tool for land-use planning. It determines the location, size, and use of buildings and decides the density of city areas.

The purpose of zoning is to allow local and national authorities to regulate and control land and property markets to ensure complementary uses and sustainable urban development. Zoning can also provide the opportunity to stimulate or slow down development in specific areas. On a macroeconomic level, where construction and real estate are core components of the economy, it is often used to throttle economic activity between boom-and-bust scenarios and prevent harsh downturns after periods of inflationary expansion. Real estate and construction sectors are heavyweights within the overall economic mix of Cambodia, so zoning could play a part in not only regulating the economy as a whole, with district and provincial targeting being able to bridge the wealth gap between metropolitan and rural populations.

The planning and zoning process functions differently around the world and is controlled by different levels of authority. Most commonly on an international level, a local authority such as the Phum or a Sangkat controls zoning, however on an international level zoning is sometimes governed by a combination of the two approaches. Beyond these immediate

controls, additional regulations that affect zoning are often used, such as planning scheme overlays or impact assessments. It is also not unusual for different thresholds of regulation (and therefore vary the costs of) between metropolitan and rural areas, thus tending to restrict the population density growth of dense metropolitan areas, favoring creations of new communities in more sparsely populated places, leading to less pressure on the communal infrastructure, such as roads and public spaces.

Zoning is of interest to the Royal Government of Cambodia (RGC) as, in addition to the three main categories (residential, commercial, manufacturing), zoning includes complementary rules that address specific types of development, as well as the design and quality of public spaces. Some initiatives allow for the modification of underlying regulations when developing large sites, whereas others fine-tune those same regulations to address lower-density areas or the particular challenges and opportunities of development projects on the waterfront.

Urban regeneration projects are usually developed on large parcels of land that span several zoning districts and overlays. In order to allow for a better site planning exercise and relationship between buildings and open spaces, the local government may ease the baseline zoning regulation to allow for a more consistent site planning across all lots and blocks. In addition, to stimulate private sector interest in development, the government can allow for the transfer and merger of development rights. Alternatively, it can fine-tune other regulations to allow for higher density development in exchange for some form of a public good, such as mass transit options, privately financed public spaces or inclusionary housing. In this case, the zoning regulation is amended to allow for more density in exchange for privately financed public space or affordable housing units within a housing complex.

It is recommended that the RGC study the best practices, lessons learned in similar regional contexts and adopt systems developed to regulate the growth of real estate development activity – on the basis that the role of planners is just as important for the creation of liveable cities as it is to protect the overall value of property through the avoidance of oversupply scenarios.

IMPACT ON BUSINESS



Adopt clear zoning plans.

**2024
RECOMMENDATION**

We respectfully recommend that the Royal Government of Cambodia adopt a zoning system to give precise permissions, prohibitions within the real estate and construction sector.

If clear zoning is implemented on a local and national level, then it will assist in reducing blind speculation on land values and development activity, create zones for individual business types/industry types, reduce congestion/pollution, allow for well planned communities, create additional public areas, and assist in boosting affordable housing.

Furthermore, it will create a stable and transparent environment for EuroCham to then be able to recommend investment to its members. EuroCham would welcome the opportunity to assist the Royal Government of Cambodia in developing the regulations and controls related to the zoning on local and national levels.

Regulations for Residential Buildings

RETAINED

The promulgation of Sub Decree No.126 on the Management of and Use of Co-owned Buildings in 2009 established the legal framework for the ownership, rights and obligations of private units within a co-owned building. This legislation was a defining moment for the Cambodian real estate market as it introduced a new residential ownership class and facilitated the arrival of foreign investment, following the adoption of the Law on Providing Foreigners with Ownership Rights in Private Units of Co-Owned Buildings in 2010.

ISSUE DESCRIPTION

While these laws were certainly welcomed and have had an overwhelmingly positive impact on the sector, our members perceive there to be uncertainty in respect to the interpretation of Sub Decree No.126 for residential properties such as apartments, that were constructed prior to 2010.

Apartment buildings have been a mainstay of Phnom Penh’s residential property market well before 2010, and have historically played an important role in providing its residents with a cost-effective housing solution to manage population growth. As such, Phnom Penh has an abundance of properties that suitably match the description of a co-owned building as defined by Sub Decree No.126: “a building or construction in which several co-owners are living. A co-owned building has parts that are the exclusive ownership of each co-owner, called ‘private units’ and other parts are commonly used by co-owners called ‘common areas’”. However, many of these buildings were constructed even before the adoption of the current land title system, leaving these properties in a legal grey area, as their ownership is held under a Soft Title, which is recognised only at the local government level.

Although Sub Decree No.126 is flexible and does contain transition provisions under Chapter 5 to convert a building that was constructed before the enactment of the Sub-Decree into a co-owned building, to date, our members are unaware of any existing buildings that have successfully done so.

A combination of limited historic maintenance, preservation and the regulatory uncertainty surrounding the private ownership of apartments, has caused a significant number of residential buildings in Phnom Penh to fall into disrepair, and now require serious renovations to enable them to remain inhabitable. However, as these properties are not recognised as private units within a co-owned building, they lack the internal regulations that condominiums require to govern the rights and obligations of property owners. Without such agreements in place, the shared management and maintenance of common areas such as access ways, structures and utilities are ignored, and there is no requirement for property owners to finance such maintenance.

IMPACT ON BUSINESS

As private ownership of these apartments remains uncertain and unrecognised nationally, many investors perceive these properties to be too high risk as they may be unable to recoup their investment or because the adjacent properties and common areas are unlikely to be maintained. Consequently, due to the sheer number of older apartments throughout Phnom Penh that require substantial maintenance and significant levels of investment, there is a high potential that many of these architecturally iconic buildings will deteriorate until they become a serious danger to the city's residents.

2024
RECOMMENDATION



Request the harmonisation of residential property regulations.

We respectfully request clarification into the process to convert residential buildings that were constructed before Sub Decree No.126, into private units within a co-owned building, and outline how property owners can obtain their new respective co-ownership titles. Although we recognise that Sub Decree No.126 on the Management of and Use of Co-owned Building does contain Transition Provisions under Chapter 5, we are unaware of any existing residential buildings that have been successfully recognised and registered as a co-owned building with private units held by a co-ownership title. Therefore, we respectfully recommend that the Royal Government of Cambodia clarify the process for property owners to convert their properties into private units in a co-owned building, and outline how they can obtain their new respective co-ownership or strata title.

Furthermore, this would harmonise the process for existing residential buildings with Article 6 of Sub Decree No.126 which states that, “the procedure for registering the private units of a co-owned building shall be simple, easy, transparent and respecting the principles of decentralisation, deconcentration, and good governance.”

Private Ownership of Parking Spaces

RETAINED

Sub Decree No.126 on the Management and Use of Co-Owned Buildings passed in August 2009 and the Law on Providing Foreigners with Ownership Rights in Private Units of Co-Owned Buildings in May 2010 were heralded as significant progress for Cambodia’s real estate sector as they established the legal framework for co-owned buildings and opened the property market to foreign investors. These regulations were a catalyst for the tremendous growth of condominium developments across Phnom Penh, providing a diverse market for both local and foreign property purchasers.

Sub Decree No.126 defines the components of a co-owned building that are of the exclusive private ownership of each co-owner as well as components that are subject to common use. These shared-use areas are for the benefit of all co-owners to enjoy and are under common management and ownership. Part 2, Clause 3 of the Sub Decree designates the areas under common ownership and includes ground areas, courtyards, access ways, structural components and a number of other shared components. Notably, car parking spaces have also been included as a common area, meaning developers are unable to allocate a private parking space to property owners.

This is highly unusual, as typically in condominium developments around the world, when a buyer purchases a private unit, an allocated parking space is included in the sale for their exclusive use. This ensures that tenants can always park their vehicles within the grounds of their condominiums, otherwise the parking amenities could be at capacity, leaving co-owners disadvantaged within their own property. While EuroCham is aware of a number of developers that already offer private parking spaces for rent or sale due to the increasing demand from property purchases, at present Sub Decree No.126 does not provide a mechanism to allow this practice to be recognised legally, leaving property owners open to potential consequences.

The current common use system for car parking in condominiums leaves scope for abuse by other co-owners who could take advantage of the good faith of this commonality, which may increase the dissatisfaction of other co-owners and could lead to a hostile environment for all tenants. If developers continue to be unable to offer private parking spaces as part of condominium sales this may harm Cambodia’s emerging property market by discouraging potential buyers from following through with their purchase. This issue is particularly apparent for Phnom Penh where residents are already struggling with the increased traffic congestion, which is expected to worsen as Phnom Penh’s population and affluence continues to grow.

Creating a mechanism to allow for private ownership of parking spaces could also create a new tradable market for parking spaces, as tenants that do not utilise their space may sell or rent the unoccupied space to others. This is becoming a growing and increasingly valuable market in many countries where city centre parking is scarce and can be an effective means to help alleviate traffic congestion.

ISSUE DESCRIPTION

IMPACT ON BUSINESS

2024
RECOMMENDATION



Enable private ownership of property parking spaces.

By amending Sub Decree No.126 to allow developers to treat parking spaces within co-owned buildings as private units, the Royal Government of Cambodia will help align Cambodia's condominium market with the majority of other markets around the world and in doing so, increase the satisfaction of new property purchasers. Adopting new regulations for car parking spaces will allow developers to issue private ownership certificates and uniformly distribute parking spaces among all tenants, for which they can use as they please.

EuroCham will be happy to assist the Ministry of Land Management, Urban Planning and Construction in the adoption of new regulations to enable the establishment of a system to issue certificates for private parking spaces, as outlined by our proposed Memorandum of Understanding with the Ministry.

Charge Collection in Co-Owned Buildings

NEW

Since Cambodia’s real estate market was partly opened to foreign investment following the promulgation of the Law on Providing Foreigners with Ownership Rights in Private Units of Co-Owned Buildings (Law on Foreign Ownership) in 2010, condominium developments have skyrocketed across Cambodia, particularly in Phnom Penh. Condominiums provide an attractive investment opportunity for foreign buyers due to their relatively low price and centralised location, enabling their owners to contribute to and benefit from Cambodia’s rapid economic progress.

ISSUE DESCRIPTION

Due to the overall size of condominium developments and the shared nature of their facilities and amenities, condominiums require a significant level of maintenance and management to ensure their condition does not deteriorate. Such properties often require professional management of the co-owned areas and components so that they retain their aesthetics, safety, and function by ensuring maintenance is completed, staff are managed, and fees are collected. These fees can include service charges or maintenance fees which provide for the costs of cleaning, security, and services. In most markets, owners are also required to contribute to a sinking fund for long-term structural upkeep. Sub Decree No.126 on the Management and Use of Co-Owned Buildings issued in 2009, paved the way for the Law on Foreign Ownership by providing initial guidance on the management of shared buildings.

Although it is enshrined in co-owned buildings Internal Regulations (IR) and outlined in Sub Decree No.126 on the Management and Use of Co-Owned Buildings (specifically Article 8, 13 and 14), co-owners frequently neglect, dispute, or refuse to pay building management charges.

Upon neglect, disputes, or refusal to pay building management charges, there are no legal or regulatory mechanisms to govern how building managers act in response.

When building management of co-owned buildings cannot collect management charges from co-owners, the building management budget is reduced, meaning costs must be saved. Firefighting and safety systems, elevators, firefighting pumps, and alarms are often selected as areas to save costs because they are less visible to co-owners. However, this compromises the safety of co-owned buildings.

IMPACT ON BUSINESS

In the medium to long term, as building management budgets become constrained by non-payment of building management charges, the overall quality and safety of the building declines and co-owned property depreciates in value. This leads to an overall lack of confidence in co-ownership buildings and properties and buyers’ interests are not adequately protected. This in turn negatively impacts the construction and real estate sectors.

Non-payment of building management charges is widespread. Local and overseas buyers consider such payment as optional citing any number of reasons to avoid payment. There is no legal recourse, system, or regulatory mechanism for building management in the cases of non-payment, leading to risks in developing a healthy, fair, and safe co-owned building sector in Cambodia.

**2024
RECOMMENDATION**

✓ **Create a mechanism to collect charges in co-owned buildings.**

We respectfully request the Royal Government of Cambodia to create a mechanism to prevent the non-payment of charges in co-owned buildings. This could be achieved by setting up:

- a.) Legally-enforceable mechanisms in the event of repeated non-payment of building management charges.

A sliding scale of enforceable mechanisms that protects co-owners and co-owned buildings from repeated non-payment of building management charges. These could include as examples:

- Step 1: 2 Months Non-Payment – Building Management Legally Turn-Off Water and Electricity
- Step 2: 4 Months Non-Payment – Building Management Legally Lock the Co-Owned Unit
- Step 3: 6 Months Non-Payment – Interest on All Overdue Building Management Charged at 0.05% Per Day
- Step 4: 12 Months Non-Payment – Building Management Apply to Take Legal Possession of the Co-Owned Unit

- b.) Building Management Charge Collection Authorisation Check List

To protect co-owners, a “checklist of standards” is achieved at the co-owned building before co-owners may be charged building management charges.

Upon completion of an assessment of a checklist by a competent relevant authority, co-owners have been protected from unduly being charged service charges where conditions are not appropriate. However once signed off, building management charges become due and are supported by legal enforcement mechanisms.

EuroCham would welcome the opportunity to support the Royal Government of Cambodia in developing such a mechanism, as proposed in our Memorandum of Understanding with the Ministry of Land Management, Urban Planning and Construction.

Board of Regulators in Co-Owned Properties

NEW

Sub Decree No.126 on the Management and Use of Co-Owned Buildings issued in 2009 requires co-owned building to implement internal regulations and establish an executive committee to oversee property matters. However, there is a legal quagmire when it comes to the legal status of the ‘Management Board’ or ‘Executive Committee’. They are a non-profit organisation and building management funds are used to for the maintenance and upkeep of the co-owned building. There is no dividend or profit.

ISSUE DESCRIPTION

However, Prakas No.636 on the Business Management of Evaluation Service Provision and Immovable Property Service requires a property management company to apply for a Property Management Licence.

Currently, this “Management Board” or “Executive Committee” has no applicable legal status. They are rejected as non-profit organisations. They are not a “for-profit property management company”. If they apply to become a “property management company” they are faced with profit tax and regulatory and licencing costs. They are also subjected to many of the same requirements as a “for-profit” company, although they are not.

The lack of an applicable legal status for “Management Boards” / “Executive Committees” creates a grey market. “Management Boards” or “Executive Committees” often choose to face the legal consequences of not registering instead of being faced with profit taxes and regulatory and licence costs.

IMPACT ON BUSINESS

The principal risk is these “Management Boards” or “Executive Committees” may at times be responsible for large sums of money required for co-owned building maintenance and upkeep. Without an applicable legal status to regulate these bodies, risk from theft from building management funds heightens which could negatively impact the co-owned building real-estate and construction sectors and heighten a perception of risk in investing in co-owned properties in Cambodia.

2024
RECOMMENDATION

✓ **Create an applicable legal status for boards of regulators in co-owned buildings.**

We recommend that the Royal Government of Cambodia create an applicable legal, licence and tax status for “Management Boards” or “Executive Committees” that reflects their status as not-for-profit organisations and not “for profit” property management agencies/ companies. This would increase the registration of such “Management Boards” or “Executive Committees”, strengthen the regulatory environment, provide greater confidence and reduce risk.

Timeframe of Establishment of a Board of Regulators in Co-Owned Buildings

NEW

Due to the growing numbers of condominiums in Cambodia, the Royal Government of Cambodia had to adopt regulations to govern Cambodia’s property management industry. One of them is the Sub Decree No.126 on the Management and Use of Co-Owned Building.

ISSUE DESCRIPTION

As stated in the Sub Decree, a “Management Board” or an “Executive Committee” for the co-owned building management should be established. However, no specific details or guidance are provided as to when these categories should be established.

Without specific guidance on the timeframe of implementation, discretion on when to enact this falls upon the developer.

IMPACT ON BUSINESS

A co-owned building developer may wish to have minimal or no responsibility in relation to ongoing co-owned building management and consequently establish a “Management Board” or an “Executive Committee” upon launching or opening the co-owned building. Establishing a “Management Board” or an “Executive Committee” comprised of co-owners who are not property management professionals at this early stage could pose a high risk to establishing technical and property management services at a co-owned building.

Conversely, a developer may not wish to relinquish property management responsibilities to a “Management Board” or an “Executive Committee” for many years due to the ability to charge a fee for such property management services.

✓ **Establish a timeframe for the creation of boards of regulators in co-owned buildings.**

**2024
RECOMMENDATION**

We recommend that the Royal Government of Cambodia establish a timeframe within which a “Management Board” or an “Executive Committee” should be established. This timeframe could be within 2 years. Furthermore, prior to the establishment and handover to a “Management Board” / “Executive Committee”, only a registered and regulated property management company may provide building management services.

Property Transfer Process

RETAINED

ISSUE DESCRIPTION

As a result of Cambodia's turbulent past, the legislation and regulations that govern private ownership of immovable property have been complex and challenging to interpret since private ownership was first recognised in 1992 through the Land Law. Following the subsequent update to the Land Law in 2001, property owners can register their property to be recognised by the Royal Government of Cambodia (RGC) at the national level by securing an ownership certificate, commonly referred to as a Hard Title. Hard Titles are issued by the Cadastral Office within the Ministry of Land Management, Urban Planning and Construction and are the most secure form of property ownership as it is the only document required to prove ownership. This differs to a Soft Title, where ownership is recognised only at the local administrative level and can be contested by a third party, though as many properties have yet to be transferred into Hard Title, this remains the most common form of ownership in Cambodia.

As Soft Title ownership is not fully recognised by law, it is significantly simpler to process a property transfer to a new owner as this has less administrative involvement, fewer expenses and the risks and obligations associated with a property are transferred entirely to the new owner. In comparison, to transfer property owned with a Hard Title, the parties involved in the purchase are required to draw up a contract detailing the terms and conditions of the sale, prove their identities, pay taxes and engage with the Cadastral Office to facilitate the transfer.

While this conveyancing procedure is typical in most countries, there has been little guidance published by the RGC to support owners and purchasers to understand what is involved in the transfer process, expected processing time or required fees. Therefore, this uncertainty forces many people to use an agent to act as an intermediary to facilitate the transfer process with the Cadastral Office. These agents are unlicensed and their use unnecessarily increases the cost of property transfers and processing times, while adding considerable risk as agents can fraudulently take their fee without facilitating the transfer, with little recourse as there is no record or receipts documenting their service. As a result, if an agent has fulfilled their service, property transfers can take up to two to three months to be processed by the Cadastral Office, significantly increasing the time required to purchase legally recognised property in Cambodia.

EuroCham acknowledges that that some parties may wish to engage an agent to simplify their involvement and that administrative processes at the national level can take considerable time, particularly as transfers involve not only the Cadastral Office but also the Ministry of Interior and the General Department of Taxation at different stages of the process. Although property ownership is a right bestowed to all Cambodian citizens, without official guidance from the RGC detailing how to transfer property, owners and purchasers remain uninformed and beholden to unlicensed agents to facilitate their transfers. In the case of an agent taking payment and not fulfilling their service, this causes avoidable distress and dissatisfaction for those involved, and has the potential to impact investor sentiment if left unchecked.

The lack of guidance specifying processing times and associated fees, limits the ability of investors and developers to effectively plan, finance or execute construction projects accurately as they require a high level of certainty and understanding of the perceived risks impacting their investments. Similarly, as the official fees are not published, the Royal Government of Cambodia loses an opportunity to efficiently collect revenue as the costs of property transfers are collected by the agent who then adds their fees, increasing the total cost of the service.

✓ **Prioritise the digitalisation of the transfer process of immovable property by launching an online platform.**

**2024
RECOMMENDATION**

To best ensure that the process to transfer immovable property is formal, consistent and transparent, we respectfully recommend that the Royal Government of Cambodia take steps to prioritise the digitalisation of this process by launching an online platform. This would allow the parties involved in a transfer to access all of the necessary information online, and submit and track their applications with the Cadastral Office electronically, enabling it to truly act as a “One-Stop-Shop” for property transfers.

By launching an online property transfer platform, the Royal Government of Cambodia would bring much needed clarity to an essential administrative process that impacts all Cambodian citizens and real estate investments as property purchasers will be able to budget and plan accordingly. Furthermore, the electronic collection of fees and taxes will be streamlined and will limit any opportunity for potential abuse, while also removing the need for an agent to facilitate the process entirely.

We envisage that this would complement the Ministry of Land Management, Urban Planning and Construction’s existing modernisation programme, which has seen the launching of the Cambodia Construction app and updated land titles with QR codes. This would be in line with the similar efforts undertaken by Ministries of Labour and Vocational Training, Commerce and that of Economy and Finance, which have greatly improved their administrative efficiency and reduced resourcing demands by digitalising their services.

While recognising that this is a significant project that will require considerable resources to implement, the benefits of doing so will be felt positively throughout the Cambodian economy and will encourage greater investment in the real estate market.

Building Standards

UPDATED

ISSUE DESCRIPTION The Ministry of Land Management, Urban Planning and Construction is currently rafting a Construction Law which will incorporate a Building Code, setting safety and quality standards for construction projects, with the support of international expertise. This Building Code would provide more rigorous and effective regulation over safety standards within the Cambodian construction sector, as there are currently relatively limited provisions in place. At present, while the developers of large construction projects often voluntarily adhere to an international set of standards, it is not uncommon for developers and or contractors to cut corners in pursuit of higher profit margins on smaller projects. As a result of poor construction standards, there have been a number of worker fatalities over recent years.

EuroCham welcomes this initiative and hopes to continue to facilitate dialogue between the Royal Government of Cambodia (RGC) and the private sector, through our Real Estate and Construction Committee to ensure that the new standards will be robust yet also practical so as not to deter investment.

There is a need to further consider how to effectively adopt the Code upon its completion. Monitoring compliance will require a body of trained staff who can independently check and verify the implementation of building standards on construction projects. In practice, it can be challenging for governments to develop the capacity to implement such checks, and authorities in some other countries opt to authorise independent certification bodies from the private sector to carry out this task.

IMPACT ON BUSINESS The RGC clearly recognises the importance of introducing an effective Building Code to minimise safety risks, protect people in Cambodia, and encourage investor confidence. The highest authorities within the RGC have also publicly commented on the risks that lax building standards can pose to the real estate sector’s growth and sustainability.

In terms of the content of the standards, due consideration needs to be given to how standards compare to those in other countries — to create a set of standards unfamiliar to investors would create additional adaption and certification costs which could potentially discourage foreign investment. Conversely, a robust yet practical set of building standards would increase investor confidence without creating too many burdensome costs.



Consult with the private sector to ensure a practical set of building standards.

**2024
RECOMMENDATION**

Effective implementation is key to ensuring the success of the Building Code and enhancing safety standards and investors' perceptions of fair competition within the Cambodia real estate market. Therefore we respectfully recommend that the Royal Government of Cambodia:

- Base the Building Code upon an existing set of international standards that is familiar to current and prospective investors. From this base, adaptations can be made to better suit the specificities of the Cambodian context. For example, whereas a European standard of roof strength needs to be able to withstand heavy snowfall, this would be unnecessary in Cambodia. However, there may be other hazards to consider that are not accounted for in the base set of foreign standards. The end product of this process will be a 'Cambodian standard' but we recommend that this standard is congruent with existing international standards;
- Consult with the private sector to determine what would be the most effective method of implementation of the new building code. The authorisation of an independent certification body from the private sector may be one option to consider;
- Consider including a requirement within the Building Code for all development projects to prominently display a signpost that lists the construction companies working on the project. This serves to increase transparency and enables appropriate regulatory bodies to ensure only licenced and certified companies are operating on a construction project.

Hazardous Materials - Asbestos

NEW

ISSUE DESCRIPTION Asbestos is a naturally occurring mineral composed of flexible fibers that are resistant to heat, electricity and corrosion. It was widely used in the world due to its properties as a strong fiber, used in manufacturing of many products to add strength, resistance to heat, resistance to chemical breakdown and also to limit electrical conduction. It was mainly used in the construction and textile industry.

Since the 1980s, the amount of asbestos has decreased considering the health impacts on humans who are exposed to asbestos. According to the World Health Organisation, asbestos inhalation has a serious impact on health causing, among other diseases, lung cancer, mesothelioma, ovarian cancer, laryngeal cancer, pleural effusions, pleural plaques and respiratory diseases. It is estimated that more than 230,000 people die annually from asbestos related diseases.

Considering the above risks for humans, 67 countries had banned by 2021, all types of asbestos: Algeria, Argentina, Australia, Austria, Bahrain, Belgium, Brazil, Brunei, Bulgaria, Canada, Chile, Colombia, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Gabon, Germany, Gibraltar, Greece, Honduras, Hungary, Iceland, Iraq, Ireland, Israel, Italy, Japan, Jordan, South Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mauritius, Monaco, Netherlands, New Zealand, Norway, Oman, Poland, Portugal, Qatar, Romania, Saudi Arabia, Serbia, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Taiwan, Turkey, United Kingdom, Uruguay.

Asia is now the last region in the world to use significant quantities of asbestos. In Cambodia, the import and use of asbestos is not currently banned. Therefore, asbestos is present through foreign imports and it is mainly used in the construction sector.

IMPACT ON BUSINESS Based on the analysis of 117 samples carried out in 2018, asbestos was present in 53% of the materials tested, including cement roof sheets, rope, brake pads, gaskets and insulation.

A survey was conducted with various companies in the construction sectors in 2022. Among 112 participants, 60 % mentioned that they still use some asbestos containing materials (“ACM”), 29% mentioned that their companies did not use ACM and 11% did not respond. Of those that were using ACM, the most common reported ACM were roof sheet and ceilings, wall sheet and floor tiles.

We have no data on the number of people in Cambodia who have diseases further to asbestos inhalation. However, in order to prevent future diseases and deaths in Cambodia, linked to asbestos inhalation, it is recommended to ban the import and use of asbestos in Cambodia and to adopt specific regulations relating to the maintenance and removal of ACM already present in constructions already built.

A first step came in 2019 when the Ministry of Labour and Vocational Training published the first Cambodian National Asbestos Profile (“CNAP”). This CNAP will aid policymakers, workers and consumers to take action to prevent the environmental, health and economic costs of the continued use of products containing asbestos and to inform companies on the alternative to use of ACM. This CNAP was updated in 2021 and 2022.

The Consumer Protection Competition and Fraud Repression Directorate-General (CCF), which is an organisation under the Ministry of Commerce. The CCF includes an asbestos testing laboratory which provides a solution in Cambodia for testing materials and identifying if they include ACM.

Also, a working group called the Cambodia National Asbestos Profile Working Group was created (“Working Group”). This Working Group is composed of 12 Ministries, employers and trade unions with the support of the International Labour Organisation. EuroCham is pleased to be a part of this Working Group through our Real Estate and Construction Committee as a representative from the private sector.

Eurocham supports the various efforts of the Royal Government of Cambodia to raise awareness to the public about the risks of exposure to asbestos. In this respect, Eurocham has organised a webinar together with Union Aid Abroad, Apheda and CCF. Eurocham has also participated in various conferences to help inform the public of the dangers associated with asbestos.

It is our hope that through these activities, EuroCham can support ongoing efforts to increase the importance to prevent the use of ACM in the construction sector in Cambodia, and ultimately reduce the number of diseases and deaths linked to the asbestos inhalation.



Adopt legislation to prohibit the use of asbestos in the construction sector.

**2024
RECOMMENDATION**

We respectfully recommend adopting a regulatory framework to prohibit the use of asbestos in the construction sector in Cambodia and to manage the use and maintenance of ACM already used in various constructions. Also, consider the development of a plan for related Ministries and social partner to respond to the exposure risks for worker, owners and occupiers of premises including asbestos.

After the first step relating to the publication of the CNAP more than two years ago, Cambodia has not yet been able to draft the regulations on the management of asbestos use.

Eurocham would welcome the opportunity to support the Royal Government of Cambodia in developing the regulatory framework to ban the import and use of ACM and to develop a plan for related Ministries and social partner to respond to the exposure risks for worker, owners and occupiers of premises including asbestos.

We believe that developing such regulations would be an important step for the country and will help to reduce in the future the number of diseases and deaths linked to asbestos inhalation.

Therefore, we also respectfully recommend that the Royal Government of Cambodia consider implementing regulations relating to (i) the prohibition of the import and use of ACM in Cambodia and (ii) the management of the use and maintenance of ACM already used in various constructions. Finally, the Royal Government of Cambodia could consider the development of a plan for related Ministries and social partners to respond to the exposure risks for worker, owners and occupiers of premises including asbestos.

TOURISM AND HOSPITALITY

TOURISM AND HOSPITALITY

2019 WHITE BOOK

2019	Recommendation	Initiated	Status	Summary
National Heritage				
New 2024 Recommendation	Conservation of Heritage Buildings			The loss of heritage buildings can lead to a decline in tourism, one of Cambodia's key industries. Tourists are often drawn to historical sites and cultural landmarks, and the deterioration or destruction of these buildings can deter visitors and reduce tourism revenue.
Investment Policy				
New 2024 Recommendation	New Tourism Investment Sites			The ongoing significance of structural challenges in the sectors include the external factors such as high energy prices and geopolitical instabilities and especially the average tourist stay in Cambodia.
Human Resources				
New 2024 Recommendation	Working Group on Minimum Wage			Although the Ministry of Tourism has a history of supporting the industry financially, there is currently no comprehensive support system in place in case of future shocks. The limitations of the industry are still there, as they are connected to the intrinsic nature of the industry itself: high turnover, low wages, and vulnerability to external factors. A minimum wage would potentially provide much-needed financial stability.

2024 WHITE BOOK

Progress Made	Result	Status	2024 Recommendation Number
<p>The Royal Government of Cambodia has acknowledged the need to prevent the demolition and altering of heritage building. However, the Law on Protection of Cultural Heritage 1996 has no clear definition of what constitutes cultural property and no publicly available list of protected properties.</p>	<p>We respectfully recommend the RGC to establish a public body for the conservation of Cambodia's heritage buildings.</p>	<p>New</p>	<p>61</p>
<p>Two key policies of the RGG to promote the tourist sector have been the institution of a Tourism Master Plan in selected geographical areas and Qualified Investment Projects (QIPs), a set of criteria and benefits for investors in projects in a range of economic sectors, including tourism.</p>	<p>We respectfully request the RGC to set investment sites for special economic tourism zones, with a comprehensive package of financial and regulatory benefits for investors.</p>	<p>New</p>	<p>62</p>
<p>The Ministry of Tourism has provided a support package to workers in the tourism and hospitality sector including 20% of the workers' minimum wages and enrolling them in professional training in 2023. However, there is no comprehensive support system in place in case of future shocks and the intrinsic nature of the industry includes high staff turnovers, low wages and vulnerability to external factors.</p>	<p>We respectfully recommend the Ministry of Tourism, or other authorities, to establish a working group to set a minimum wage for workers in the tourism and hospitality sectors.</p>	<p>New</p>	<p>63</p>

2019 WHITE BOOK

New 2024 Recommendation Clarification of Service Charges

Employers are given the choice of whether to collect and distribute such service charge, meaning it is not mandatory in Cambodia. The Labour Law does not stipulate specifically on the percentage and the implementation of service charge. This lack of clear legal guidance for collecting and distributing the service charge has led to some companies abusing the system.

2024 WHITE BOOK

Articles 134, 135 and 136 of the Labour Law are supposed to clarify the provisions around service charges for service workers in Cambodia. However, in past years two issues have emerged due to potential grey areas in interpreting the legislation, meaning further clarification is needed.

In this recommendation, we respectfully request the RGC to provide a clarification on the implementation of service charge collection.

New

64

Conservation of Heritage Buildings

NEW

ISSUE DESCRIPTION From the ancient temples of Angkor to French colonial-era mansions, Chinese shop houses and the New Khmer Architecture movement during the Golden Age of Cambodia, spearheaded by renowned Cambodian architect, Vann Molyvann, Cambodia is blessed with iconic heritage and culturally significant buildings across the Kingdom.

However, with the rapid development of Cambodia since the 1990s many of these heritage buildings have been demolished, or are at risk of demolition, to make way for new construction projects.

Urban heritage and its conservation have become an integral part of urban planning processes; it is widely understood to contribute to a community's well-being as well as boosting tourism and other economic activities whilst preserving cultural identity.

The Royal Government of Cambodia has acknowledged the need to prevent the demolition and altering of heritage buildings and on 12 October 2021 Samdach Techo Prime Minister Hun Sen issued a circular to prevent the demolition and altering of heritage buildings, the changing or damaging of religious structures, public and private buildings, villages and ancient houses.

In this circular, Prime Minister Hun Sen stated that in order for conservation work on the city's heritage sites and religious buildings, public and private buildings, villages and ancient houses to be in accordance with the Law on Protection of Cultural Heritage, the government prohibits the alteration of exterior features or damaging the beauty of urban heritage sites.

The circular stipulated that heritage buildings that will be restored, redesigned, or demolished must be reviewed by the Ministry of Culture and Fine Arts and other relevant ministries. Whilst the Law on Protection of Cultural Heritage 1996 sets out the overarching framework for the registering and protection of cultural property, there is no clear definition of what constitutes cultural property and no publicly available list of protected properties.

IMPACT ON BUSINESS Cambodia's heritage buildings are an important cultural and historical asset; failure to properly conserve them would have negative effects on both the economy and society.

The loss of heritage buildings can lead to a decline in tourism, one of Cambodia's key industries. Tourists are often drawn to historical sites and cultural landmarks, and the deterioration or destruction of these buildings can deter visitors and reduce tourism revenue.

Moreover, the loss of heritage buildings can also result in the loss of traditional skills and knowledge, as many of these buildings are constructed using traditional techniques and materials.

Also, the destruction of heritage buildings can erode the cultural identity and sense of history of local communities.

Finally, the failure to properly conserve heritage buildings can lead to safety risks, as these buildings may become structurally unsound over time, posing a danger to both occupants and passersby.



Establish a public body for the conservation of Cambodia's heritage buildings.

**2024
RECOMMENDATION**

We therefore respectfully recommend establishing a public body of the Royal Government of Cambodia. Such a body would define, administer and maintain a register of heritage or listed buildings in Cambodia, to be provided to the Ministry of Culture and Fine Arts and other relevant ministries.

The historical environment is intrinsically linked to economic activity, with a large number of activities occurring within it, dependent on it or attracted to it. The historic environment contributes to both the national and local economies and can play a vital role in the economic development of Cambodia's key cities such as Phnom Penh, Siem Reap, Kampot, Kep, Sihanoukville, Battambang, Kratie and Kampong Cham. A prime example of this is the conservation of shop houses in Singapore's China Town within the Central Business District, which has become a major tourist attraction and source of national pride and cultural identity for many Singaporeans.

In addition to the long-established heritage conservation values (cultural, aesthetic, educational, environmental, social and historical), numerous studies around the world have established the economic value of heritage conservation. Studies over the last decade have identified five major measurables of the economic impact of heritage conservation: 1) job creation and increased household income; 2) city centre revitalisation; 3) heritage tourism; 4) property values and demand for real estate; 5) small business incubation. It is therefore recommended that the Royal Government of Cambodia takes further action to ensure the conservation and preservation of the Kingdom's heritage sites and buildings.

New Tourism Investment Sites

NEW

ISSUE DESCRIPTION Tourism is traditionally an important contributor to Cambodia's economy and international standing. Travelers are attracted by the country's iconic Angkor Wat complex and other world heritage sites, as well as its diverse natural landscapes, including jungle, mountains, and coastline. An often-overlooked icon in the eyes of international tourists is the Mekong River. In many foreigners' minds, more than any other river, the Mekong inspires feelings of nostalgia, romance, exotic landscapes, adventurous explorations, and mystery.

COVID-19 hit Cambodian tourism hard, similarly to other countries. 2022 saw signs of recovery, with more international arrivals in Cambodia than the year before. However, despite these increases, tourism has not yet recovered to pre-COVID-19 levels. According to a 2022 Ministry of Tourism report, in revenue terms, tourism receipts amounted to USD 1.4 billion in 2022, a dramatic increase compared to the meager USD 184 million in 2021, but still a 71.2% decrease from 2019's peak amount of USD 4.9 billion. The share of tourism in national GDP has also gone down, from 12.7% in 2018 to 1.8% in 2021 (understandably, given the wide travel restrictions at the time), and bouncing back – albeit very slightly – to 3.6% in 2022.

Another statistic points to there still being an ongoing, structural challenge in the tourism industry, and that is, how to convince the average traveler to Cambodia to stay longer in the country. The average tourist stay in 2022 in Cambodia was two nights and three days, which is quite low and definitely insufficient to discover the country's full potential range of attractions.

If we look more specifically at international tourist flows into Siem Reap airport, gateway to Angkor Wat, we notice the same pattern of declining arrivals. Although it is often cited that declines in arrivals are due to the COVID-19 pandemic, this trend already started in 2019, before the pandemic hit. 2019 figures compared to 2018 show a 14% decrease in total arrivals, from 1.9 million visitors in 2018 to 1.6 million in 2019. Particularly significant was the decrease in August arrivals – traditionally a high-season month – being 24% down from 2018 to 2019. More recently, monthly visitors in January, February, and March 2023 were down 79%, 78%, and 77% from their corresponding months in 2018. Even taking into account the ongoing COVID-19 recovery factor, these decreases are considerable, and more noticeable compared to neighbouring countries like Thailand or Vietnam, where post-COVID-19 tourist numbers have recovered more rapidly.

Declining tourist numbers, both before and after the pandemic, could be explained simply by being a coincidence or a result solely of external factors, such as higher energy prices and geopolitical instabilities. However, corroborated by the ongoing significance of structural challenges in the sector such as short average tourist stays, as well as a contrasting picture of

more rapid tourism recovery levels in Thailand and Vietnam, it could point to there being an underlying need for Cambodia's tourism industry to renew and diversify itself.

The two key policy tools of the Royal Government of Cambodia (RGC) to promote the tourist sector have been the institution of Tourism Master Plans in selected geographical areas (such as Sihanoukville) and Qualified Investment Projects (QIPs), a set of criteria and benefits for investors in projects in a range of economic sectors, including tourism.

As much as these tools represent a step in the right direction, they arguably still fall short of untapping the full regulatory potential that can be unleashed to reinvigorate Cambodia's tourism sector. This is particularly the case for QIPs in the tourism sector. Evidence suggests that investors would much appreciate if the RGC were more involved in proactively setting aside certain geographical areas for qualified investments, meaning certain tax and administrative benefits would be granted automatically for projects in these areas. This way the RGC would be setting the pace for directing investments in the country, rather than relying on the availability and interest of prospectors.

Cambodia's tourism arrivals are likely to continue increasing from their low COVID-19 levels. However, this does not mean that structural challenges will not remain in the industry. Cambodia needs to diversify its tourism offer away from traditional packages revolving around Angkor Wat and a few other traditional sites. This over-reliance on a few sites could be a partial explanation for the ongoing low average tourist stays in the country. To do so, authorities need to enhance the appeal of other areas with high tourism potential, such as its coastline, mountain areas, and the Mekong belt.

The risk of not doing so is that the tourism industry in Cambodia becomes more stagnant, meaning less potential for growth, new jobs, and revenues, and less appeal for international visitors beyond token, one-time visits to world heritage sites. Finally, Cambodia risks losing the opportunity of following the virtuous examples of neighbouring countries, which have managed to set up special economic tourist zones in selected areas, which are now booming. An example is Phu Quoc island, in Vietnam, off the coast of Cambodia. Phu Quoc offers investors a beneficial package involving reduced VAT rates, reduced visa requirements for international travelers, and other incentives; its visitors have boomed.

IMPACT ON BUSINESS

**2024
RECOMMENDATION**

✓ **Set investment sites for special economic tourism zones, with a comprehensive package of financial and regulatory benefits for investors.**

We therefore respectfully recommend that the Royal Government of Cambodia create a set of fiscal incentives automatically granted to companies developing selected tourism-related activities or geographic areas, and that these opportunities be market and promoted energetically within the investing community.

Therefore, the RGC is likely to take on a more active steering role in determining which communities and areas of the country receive FDI, increasing their development levels. Setting special economic zones for tourism activity and investment can have several benefits for Cambodia's tourism sector. Firstly, it can attract more investment and funding into the sector, leading to the development of new tourism infrastructure and attractions. Secondly, it can create more job opportunities for local people, helping to boost the economy and reduce poverty. Thirdly, it can provide a more streamlined regulatory framework for investors, reducing bureaucracy and making it easier to do business in the country. Finally, it can help to promote sustainable tourism practices and protect the country's natural and cultural heritage.

Working Group on Minimum Wage

NEW

Under Prakas No. 247/22 dated 21 September 2022 issued by the Ministry of Labour and Vocational Training, workers employed in the textile, garment, and footwear manufacturing sector, and the travel product/bag manufacturing sector, are entitled to a minimum wage of USD 198 per month for probationary workers and USD 200 per month for regular workers, effective from 1 January 2023.

ISSUE DESCRIPTION

Furthermore, the Law on Minimum Wages enacted in 2018 guarantees a minimum wage for workers covered by the Labour Law. These include most employees working in the private sector, except for those in the air and maritime transportation sectors. To date, however, the MLVT has not issued Prakas on the minimum wage for sectors other than those mentioned above.

Any agreement, whether written or verbal, providing a minimum wage lower than the level determined by the MoLVT will be null and void.

The tourism industry is fragile. Its prosperity relies, more than in other sectors, on enabling external factors, such as the spending power of foreign tourists and economies, and international travel restrictions. Without these factors present, the industry is very vulnerable to massive shocks and downsizings, with massive social and economic implications, particularly in a developing economy such as Cambodia.

Through the COVID-19 pandemic, we witnessed the devastating effects brought on by imposed international travel restrictions on the Cambodian tourism industry. Total revenue in the sector went down from USD 4.9 billion in 2019 to a mere USD 184 million in 2021. Thousands of tourism and hospitality workers lost their jobs, with an estimated 650,000 pre-COVID-19 workforce dwindling to much smaller numbers. Many of the workers were forced to return to their home villages in Cambodia.

To offset these dramatic social and economic changes, the Cambodian Ministry of Tourism stepped in to help, announcing support packages to workers in the tourism and hospitality sector in 2020. These packages included covering 20% of the workers' minimum wages and enrolling them in professional training.

Although the Ministry of Tourism has a history of supporting the industry financially, there is currently no comprehensive support system in place in case of future shocks. The limitations of the industry are still there, as they are connected to the intrinsic nature of the industry itself: high turnover, low wages, and vulnerability to external factors. A minimum wage would potentially provide much-needed financial stability, help offset some of the industry's inherent precariousness, and increase the appeal of the industry for the low-skilled segment of Cambodia's workforce, which is considerable. It would also protect workers from the current inflation.

IMPACT ON BUSINESS

Though the idea of instituting a minimum wage for tourism workers can be attractive to consider for social justice reasons, there are also challenges to consider. Compared to sectors that have an established minimum wage, such as the garment industry, the tourism sector is much more heterogeneous in terms of the size of businesses and the level of compliance with business registration and tax filing requirements set by Cambodian law. The majority of the industry is numerically constituted by small and medium-sized enterprises (SMEs), often family-owned, many of which are not registered with Cambodian authorities. This would make it challenging for the Royal Government of Cambodia to track down and distribute minimum wages to workers in these businesses. However, there are also significant numbers of larger establishments, such as internationally-recognised hotel brands, that would not have this issue due to being more compliant on average.

2024
RECOMMENDATION



Create a working group on a minimum wage for the industry.

Given the potential pros and cons of instituting a minimum wage in the industry, we respectfully recommend that the Ministry of Tourism, or other authorities, establish a working group to set a minimum wage for workers in the tourism and hospitality sector.

This will ensure that workers in this sector are fairly compensated for their work and will help to reduce poverty and promote more equal opportunities.

The working group can take inspiration from the successful working group on the minimum wage in the garment industry, which has helped to improve the lives of many workers in that sector. The working group should engage in a transparent and consultative process to determine a fair and reasonable minimum wage for the tourism and hospitality sector.

Service Charges

NEW

For certain client-facing professions, particularly in the tourism and hospitality sectors, non-regular remuneration constitutes a higher-than-average share of a worker's income. Defined as tips, or service charge, this money is usually collected from clients on behalf of workers from company management, at the moment of charging clients with receipts, and then redistributed to workers.

ISSUE DESCRIPTION

Cambodian law has the following to say about the service charge.

Under Article 134 of the Labour Law, tips are remuneration made by clients to personnel of certain establishments such as hotels, restaurants, cafes, bar, and hair salons, and received by the employer as a percentage added to the client's bill with a note "service charge". If an employer chooses to collect such a charge, the tips must be collected by the employer and distributed in full to the personnel in contact with the clientele.

Also, the employer must clearly justify the receipt and the payment to his staff of the amount of tips (Article 135, Labour Law). The method of dividing tips and determining the categories of personnel who should receive them are established by the Customs of the occupation or, if not applicable, by a Prakas from the Ministry in charge of Labour (Article 136, Labour Law).

It is important to note that in Cambodia, employers are given the choice of whether to collect and distribute such service charge, meaning it is not mandatory. The Labour Law does not stipulate specifically on the percentage and the implementation of Service charge. Thus, it is applied based on the company's discretion.

The private sector has adapted organically to this lack of regulatory oversight. Some companies have started offering service charge distribution to front line workers as an integrated benefit when recruiting new staff. In Cambodia, it is seen as attractive for such workers to be able to integrate the base salary with such extras. However, this system has limitations.

Firstly, the lack of clear legal guidance for collecting and distributing the service charge led to some companies abusing the system. In recent years, some Cambodian hospitality establishments have faced protests from their staff, who claimed the hotel management was collecting the service charge from clients but not distributing it back to workers. The staff went on strike. Management and worker representatives then worked together to define the terms of service charges and include them in collective bargaining agreements. These agreements are internal, non-compulsory documents regulating relations between employers and employees in economic sectors in the country. Based on bargaining agreement, employers must define service charge. Employers are free to implement it or not, at whatever terms they want, as long as they pay it fully to employees as stated in Article 134.

These incidents highlighted the first challenge of an unclear legal framework concerning the implementation of service charges.

Secondly, as there is no provision on how to do so, it has become customary for Cambodian tax authorities to interpret company tax records showing service charge collection as a voice of corporate income, meaning such budget lines not only are not tax deductible according to the General Department of Taxation, they also contribute to increasing a company's tax liability. This means service charges are currently being double taxed in Cambodia, in contravention of established international practices.

IMPACT ON BUSINESS

The unclear regulatory framework around service charges raises two concerns.

Firstly, it contributes to lowering performance incentives for workers in the industry. When service charges are not distributed in a fair and transparent manner, workers are often demotivated and may stop providing good service to customers. This can ultimately lead to lower standards in the industry, which can have a negative impact on the country's reputation and its ability to attract tourists. Evidence seems to suggest several compliant companies would be quite happy to collect and distribute service charges, since they have become an established practice and are considered to be a reward for hard work and good performance.

Furthermore, the lack of regulatory clarity on service charges can also lead to disputes between employers and employees. When workers feel that they are not being compensated fairly for their work, they may become dissatisfied and take unilateral measures, which can cause significant disruptions to the industry and the wider economy.

**2024
RECOMMENDATION**



Clarify service charges' regime.

We therefore respectfully recommend that the Royal Government of Cambodia clarify the implementation of service charge provisions, including by:

- Defining the scope and percentage range of application of service charges, based on criteria including, possibly, workforce and revenue of the company that collects it. There is no need to define a single percentage value for companies to adhere to;
- Ensuring service charges are not double taxed, and ensure they are 100% tax deductible for companies;

- Clarifying which authority/body is responsible for inspecting venues to ensure a fair distribution of service charges among workers, possibly a specially-appointed inspection team from the Ministry of Labour and Vocational Training.

The expected benefits of such actions would be to ensure a fairer business environment, increase tax accountability of companies, add incentives for operators to distribute higher service charges to workers and, ultimately, encourage workers in the industry to be more productive and produce better client satisfaction.

INVESTMENT AND TAX

INVESTMENT AND TAX

2019 WHITE BOOK

2019	Recommendation	Initiated	Statute	Summary
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Legal Review Mechanisms

1	Protection Against Retroactive Implementation of New Laws	2017	Updated	Ensure that future laws and regulations incorporate practical transitional provisions, and that new legal instruments are not applied to impose retroactive penalties for non-compliance.
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2	Availability of an Independent Review Mechanism for the Application of Laws	2017	Updated	Create an independent review mechanism within relevant ministries and public bodies responsible for processing applications and approvals for private entities, and a Supreme Administrative Court.
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Development of New Laws

3	Increasing Investor Confidence Through the Updated Law on Investment	2017	Updated	Offer greater guarantees, incentives and assistance to investors through a new Law on Investment, incorporating recommendations from the private sector.
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2024 WHITE BOOK

Progress Made	Initiative from EuroCham	Status	2024 Recommendation Number
<p>Progress has been observed on giving a right time to implement the new regulations as it has been observed for the implementation of the pension scheme.</p>	<p>EuroCham is grateful to the Royal Government for its effort in setting transitional provisions for new laws and regulations and is looking forward to seeing them implemented to an even greater degree in the future.</p>	<p>Retained</p>	<p>65</p>
<p>At present, there is no mechanism through which businesses can request to have decisions or actions taken by public officials independently reviewed to ensure that they are in accordance with the Kingdom's laws and regulations, and to establish whether these legal instruments are being applied consistently and indiscriminately.</p>	<p>EuroCham maintains its position to create an independent review mechanism within relevant ministries and public bodies responsible for processing applications and approvals for private entities, and a Supreme Administrative Court.</p>	<p>Updated</p>	<p>66</p>
<p>In October 2021, the new Law on Investment was promulgated, establishing an open, transparent, and predictable legal framework to attract and promote quality, effective and efficient investments by Cambodian nationals or foreigners in the Kingdom of Cambodia.</p>	<p>Working in collaboration with the Council for the Development of Cambodia, EuroCham has released the Special Briefing on the Law on Investment. With this law being updated, the issue is considered solved.</p>	<p>Resolved</p>	

2019 WHITE BOOK

4	Prioritising the Development of New Commercial Laws	2017	Updated	Prioritise the finalisation of the Law on Competition, Law on E-Commerce, Law on Commercial Contracts and Law on Consumer Protection, and commit to adopting these laws before the end of 2019.
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Protection of Intellectual Property Rights

5	Introduce a Pre-Registration Gazetting Requirement for New Trademark Applications	2017	Retained	Introduce a pre-registration gazetting requirement for new trademark applications.
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6	Legal Framework for Stronger Measures in the Protection of Intellectual Property Rights	2017	Retained	Develop a more detailed legal framework to enable stronger provisional measures in the protection of intellectual property rights.
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8	Introduce Specific Remedies for Intellectual Property Rights Infringement Cases	2017	Retained	Consult with the private sector to develop legal instruments to define specific remedies for Intellectual Property Rights infringement cases.
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2024 WHITE BOOK

A new Law on Competition was promulgated in the country in October 2021. It regulates any activities that distort, restrict or prevent fair competition. The new Law on Electronic Commerce was enacted in November 2019. It regulates domestic and cross-border e-commerce activities in Cambodia, establishes legal certainty for electronic transactions, and enacts a number of important protections for consumers. Also promulgated in November 2019, the Law on Consumer Protection establishes rules to guarantee the rights of consumers and to ensure that businesses conduct commercial competition in Cambodia fairly.

EuroCham is grateful to the Royal Government of Cambodia for its strenuous efforts in helping pass this legislation and respectfully recommends the pushing of further measures to improve the overall business environment, by adopting a new Commercial Contracts Law, for instance.

Updated

67

At present, although some marks applied online appear in an online database, an officially public gazetting of new trademarks occurs only after a successful registration, which provides other parties no opportunity to review the applied trademarks prior to their registration.

EuroCham retains this recommendation.

Retained

68

Cambodia's current regime of provisional measures, as prescribed under the Trademark Law, does not provide detailed and clear procedures to enable relevant administrative authorities to provide support to businesses who have had their marks infringed upon.

In the absence of a robust legal framework on IPR protection, EuroCham maintains this recommendation.

Retained

69

Cambodia is still using normal Civil Code provisions when considering damages for IPR infringement cases.

Considering the persisting lack of specific remedies for IPR infringement cases, EuroCham Cambodia decided to retain this recommendation.

Retained

70

2019 WHITE BOOK

9	Establish a Formalised Alternative Dispute Resolution Process Through Relevant Ministries	2017	Retained	Create a formalised Alternative Dispute Resolution process to address trademark rights infringement cases through relevant ministries.
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Development of Securities Regulatory Framework

16	Tax Loss Carryforward During Ownership Change	2019	New	Consider adopting a Shareholder Continuity Test to determine the extent in which a change of ownership has occurred within a shareholding company.
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17	Stamp Duty on Share Capital Increase	2019	New	Recognise that Stamp Duty should not apply when a capital increase is completed disproportionately by one shareholder, as the holdings of the remaining shareholders have not changed ownership.
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Tax Formalisation Process

18	Voluntary Disclosure	2019	New	Consider reducing the penalties applied to taxpayers who voluntarily disclose previous tax irregularities prior to an audit notification being issued.
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2024 WHITE BOOK

The Department of Intellectual Property Rights under the Ministry of Commerce has developed a special 'hybrid' procedure that aims to help to find solutions on cases of trademark rights infringement through an alternative dispute resolution - the Preliminary Alternative Disputes Resolution (PADR).

However, the certainty, predictability and transparency of the PADR could be questionable because there is currently no regulation detailing its procedures and the responsibilities of each party in the process.

EuroCham respectfully recommends that the PADR procedure of the Department of Intellectual Property Rights be formalised, by adopting regulations that clarify procedures and roles of the Department during the process of the PADR.

Retained

71

With the Prakas No 098, there is no restriction on forfeiting carried forward tax losses to change of ownership anymore.

With the publication of Prakas No.98, this issue is considered solved. EuroCham appreciates this new regulation and believes it will bring positive influence on the business environment by encouraging businesses to take greater risks.

Resolved

The GDT is treating the percentage of capital increase by one shareholder as a valid change to the ownership of an entity rather than taking into consideration the actual holdings of each shareholder.

EuroCham respectfully requests that the GDT reconsider its application of Stamp Duty on capital increases when completed by one shareholder, as the actual holdings of the remaining shareholders will have not changed, nor its ownership.

Retained

72

The General Department of Taxation (GDT) continues to register considerable success in its drive towards formalising the Kingdom's taxation system, as evidenced by the strong year-on-year increase in tax revenues that far exceed annual GDP growth. Through the issuing of Prakas No.217 on Tax Amnesty in March 2022, the GDT offered an incentive for local companies to comply with outstanding tax returns in March 2022.

Recognising that the GDT already acknowledges the benefits of offering taxpayers an opportunity to become compliant, EuroCham respectfully recommends that the GDT continue offering ongoing voluntary disclosure programmes for all taxpayers, to correct previous tax irregularities.

Updated

73

2019 WHITE BOOK

VAT

19	Value Added Tax Provisions Relating to Travel Agents	2017	Updated	Consider introducing industry-specific VAT provisions for travel agents so as to more fairly reflect the nature of these businesses.
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Unfair Tax Treatment

20	Unfair Tax Treatment of Seniority Indemnity Payments	2019	New	Revise Instruction No. 003 MEF to remove the Cambodian nationality clause to ensure fair tax treatment of Seniority Indemnity Payments.
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Qualified Investment Projects

21	Incentives for Qualified Investment Projects	2016	Updated	Consider re-introducing the automatic exemption from Minimum Tax for Qualified Investment Projects during their tax holiday period.
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2024 WHITE BOOK

Cambodia's General Department of Taxation (GDT) introduced in February 2020 Prakas No.204 on Tax Compliance of Tour Operators, which modified the VAT requirements for tour operators. For those operators that can demonstrate through paperwork that they're receiving commissions on sales with customers, for example, their VAT liability is now calculated only on the amount of the commission and not on their total profit.

With the Prakas No. 204, Travel Agents have a now taxation regime that better reflects the reality of the industry. The issue is now considered as resolved.

Resolved

74

On the 24th of March 2020 the MEF released Instruction No.002 amending Instruction No.003 on Tax Exemption of Seniority Indemnity Payment. This regulation removes the Cambodian nationality clause regarding the taxation of seniority back payments.

EuroCham welcomes the reforms brought by the Royal Government of Cambodia on seniority back payments. This issue is considered as solved.

Resolved

Following the adoption of the New Law on Investment, the Royal Government of Cambodia adopted the Sub Decree of the Law on Investment in June 2023. This Sub Decree brings clarification on several aspects of the Law, notably on the regime of Qualified Investment Projects (QIPs), Expanded Qualified Investment Projects (EQIPs) and Guaranteed Investment Projects (GIPs).

In July 2023, EuroCham organised an Afternoon Talk with the active participation of the Council for the Development of Cambodia. As this implementing Sub Decree is filling a regulatory empty space, this issue is considered solved .

Resolved

Protection Against Retroactive Implementation of New Laws

RETAINED

ISSUE DESCRIPTION Concerns regarding the implementation of new retroactive laws have been raised by numerous EuroCham Sectoral Committees and has been a key issue discussed within our White Books. Examples include:

Within human resources, the unexpected introduction of Prakas No.443 on the Payment of Seniority Indemnity in September 2018 caused severe uncertainty for the entire private sector, largely due to the inclusion of a retroactive payment component. Prakas No.443 now requires employers to compensate all employees on undetermined duration contracts with a biannual payment equivalent to 15 days of wages and other fringe benefits for each year of working, up to 12 years of service. Employers are also required to retroactively compensate employees for the length of their service accumulated before Prakas No.443 was enacted, referred to as a back payment. Although businesses recognise the added protection this legislation would bring to workers in some industries, the retroactive application has created an unforeseen ongoing liability for all employers for a business decision that has not occurred, as prior to the legislation, compensation was only applicable if an employee was terminated, similar to most other countries.

Through the productive dialogue between the Royal Government of Cambodia and the private sector (including EuroCham, Cambodia Chamber of Commerce and 30 other business associations), the financial impact of Prakas No.443 has been reduced for sectors outside the garment, footwear and textile industry. In March 2019, the Ministry of Labour and Vocational Training issued Instruction No.42 to delay the enforcement of the retro-active component until December 2021, and reduced the number of days compensation is to be settled each year from 15 days to six days for every year of service before 2019.

Additionally, in the real estate and construction sector, uncertainty is mounting over the upcoming Construction Law with the incorporated Building Code and Environmental Impact Assessment requirements, as developers are unclear about what their obligations will be under these new regulations. In particular, there is concern that penalties for non-compliance may be applied against projects that have been completed prior to the regulations, or that there may not be a sufficient transition period to allow such projects to be altered and brought into compliance before penalties are applied.

IMPACT ON BUSINESS Businesses require foresight and predictability in their legal obligations in order to engage in effective long term strategic and financial planning. Where the regulatory environment is unpredictable and new laws can be applied retroactively or with insufficient transition periods, this creates regulatory risks and additional costs for businesses.

Legislation such as Prakas No.443 has been adopted with limited participation from the private sector, resulting in new, unprecedented and unanticipated financial burden for businesses, which damages Cambodia's reputation as a business-friendly environment. This issue of retroactivity was also raised during the Government-Private Sector Forum (G-PSF) chaired by the Prime Minister in March 2019, as it negatively impacts Cambodia's competitiveness and discourages further investment, since businesses cannot be sure that they will remain unaffected by the consequences of retroactively applied future laws.

✓ **Ensure that future laws and regulations incorporate practical transitional provisions, and that new legal instruments are not applied to impose retroactive penalties for non-compliance.**

**2024
RECOMMENDATION**

We would like to acknowledge the consolatory and fair approach taken the Royal Government of Cambodia to alleviate the concerns raised by private sector regarding Prakas No.443 on Seniority Indemnity Payment, and our members welcome the positive results that emerged from the constructive dialogue.

In respect to the development of future laws and regulations, we respectfully recommend that the Royal Government of Cambodia incorporates practical transitional provisions, including where necessary a period of time after the passing of the new legislation to allow businesses reasonable opportunity to adapt their practices to ensure compliance. Processes for publishing and disseminating new laws should be included in this review to ensure that the private sector has sufficient and timely awareness of upcoming laws. To increase trust and strengthen engagement with the private sector, we encourage the Royal Government of Cambodia to involve wider stakeholders in the development of new regulations where feasible, as this will promote a more considered and targeted approach to policy making.

In particular, we recommend that the Royal Government of Cambodia adopt the general principle that new legal instruments should not be applied to impose retroactive penalties for non-compliance, and that any penalties would only come into effect after a well-defined transition period.

Availability of an Independent Review Mechanism for the Application of Laws

RETAINED

ISSUE DESCRIPTION In some specific cases, investment projects can be hindered or significantly delayed where, for any reason, access to normal government services such as registration and licencing can be denied despite the investors seemingly meeting the criteria for such access. Furthermore, the new online business registration process does not always function as designed - users are often required to provide paper copies of their supporting documentation in addition to completing the online templates, or to resubmit their application due to errors in the system. This further adds to the delays that are being experienced.

At present, there is no mechanism through which businesses can request to have decisions or actions taken by public officials independently reviewed to ensure that they are in accordance with the Kingdom's laws and regulations, and to establish whether these legal instruments are being applied consistently and indiscriminately.

Many countries, including regional neighbours such as Thailand and Vietnam, have in place a system of Administrative Courts through which private individuals or businesses that perceive themselves to have been treated irregularly by a public body can make an appeal and request to have their case independently reviewed.

IMPACT ON BUSINESS The lack of an independent review mechanism for the application of laws increases the level of regulatory risk perceived by prospective investors in their evaluation of Cambodia, which has a negative impact upon investment inflows. In particular, international banks and lending institutions are much less willing to offer funding for investments in Cambodia if regulatory risk is perceived to be too high.

To introduce such a mechanism would enhance investor confidence and, furthermore, would strengthen the capacity of the Royal Government of Cambodia to ensure effective implementation of its own laws and regulations.

✓ **Create an independent review mechanism within relevant ministries and public bodies responsible for processing applications and approvals for private entities, and a Supreme Administrative Court.**

**2024
RECOMMENDATION**

We respectfully recommend the creation of an independent review mechanism for cases involving disputes between public institutions and private entities. Whereas a Supreme Administrative Court would serve as the final appeals destination, we suggest that independent dispute resolution mechanisms be introduced within each Ministry and public authority that processes applications and approvals for private entities. We cite the Committee of Tax Arbitration (CTA), established by Sub Decree No.03 on The Organisation and Function of the Committee of Tax Arbitration (6 January 2016), as an institution that can potentially serve as an example of such dispute resolution mechanisms. Through the CTA, taxpayers can appeal interpretations of tax regulations made by the General Department of Taxation or General Department of Customs and Excise in relation to their tax liabilities, and can have their case independently reviewed.

We recommend that the Ministry involve the private sector during this development process. The active participation of the private sector will ensure that the Appeal Board accurately reflects the needs of the business community and will enhance the transparency and legitimacy of the mechanism once established.

Furthermore, we request that the Ministry of Commerce commit to a “maximum response time” for business registration applications and agree to have cases independently reviewed where this time is exceeded.

Development of New Commercial Laws

UPDATED

ISSUE DESCRIPTION In 2019's White Book, EuroCham encouraged the Royal Government of Cambodia (RGC) to adopt four important new commercial laws: the Law on Competition, the Law on E-Commerce, the Law on Commercial Contracts, and the Law on Consumer Protection.

We are grateful to the RGC for its strenuous efforts in helping pass this legislation. A new Law on Competition was promulgated in the country in October 2021. It regulates any activities that distort, restrict or prevent fair competition. It established and determined the authority of the Cambodia Competition Commission. It restricts agreements which restrain, restrict or distort competition, such as horizontal (price fixing, restricting sales of goods, allocating geographical areas between competitors, allocating customers between competitors, favouring bidders in bids for contracts in public procurement) or vertical agreements. It also prevents activities which entail the abuse of a dominant market position, such as refusing to supply goods or services to a competitor.

The new Law on Electronic Commerce was enacted in November 2019. It regulates domestic and cross-border e-commerce activities in Cambodia, establishes legal certainty for electronic transactions, and enacts a number of important protections for consumers.

Also promulgated in November 2019, the Law on Consumer Protection establishes rules to guarantee the rights of consumers and to ensure that businesses conduct commercial competition in Cambodia fairly. It establishes the National Committee on Consumer Protection as the country's competent authority for consumer protection and empowers consumers in each industry to form an association to protect their interests.

Despite the progress seen on the adoption of these three laws, which are clear laudable steps in the direction of a more favourable commercial and business environment, unfortunately, we haven't seen similar results concerning the adoption of a Law on Commercial Contracts.

IMPACT ON BUSINESS Without the aforementioned laws in place, consumers, businesses and investors are susceptible to opportunistic and unethical practices and the overall business environment can be perceived as unpredictable. Furthermore, if Cambodia continues to delay the adoption of laws that are required as part of its ASEAN and WTO commitments, its reputation and standing within the region and wider international community could diminish. This would likely significantly impact the attraction of the Kingdom as a potential investment destination and the Royal Government of Cambodia's (RGC) efforts to achieve greater economic diversity.

An example comes from the real estate sector. Businesses that lease commercial property in Cambodia regularly encounter problems in securing reliable long-term leases. There are high levels of speculation in the Cambodian commercial property market, and commercial tenants are often faced with landlords that are only willing to commit to short term leases and seek to considerably increase rental fees upon each renewal negotiation. In many other countries, commercial lease agreements can be secured through specialised contracts that offer additional protection for the tenant against these practices, such as an extended guaranteed minimum term and or an automatic right to renewal. For these specialised contracts to be legally applicable, a supporting legal framework must be in place. The RGC has recognised the need for a Law on Commercial Contracts and a draft law to have been under consideration several years ago, however, as mentioned, there has been no recent concrete progress towards adopting such a law.



Prioritise the adoption of a new Commercial Contracts Law.

**2024
RECOMMENDATION**

We therefore respectfully recommend that the Royal Government of Cambodia follow through with its progress in improving the overall business environment, by pushing forward with the adoption of a new Commercial Contracts Law.

Adopting new Commercial Contract regulations in Cambodia can provide several beneficial impacts. Firstly, it can help to create a more transparent and predictable business environment, which can attract foreign investment and support economic growth. Secondly, it can help to improve the efficiency of commercial transactions, making it easier and faster for businesses to enter into contracts and conduct business. Thirdly, it can help to reduce the risk of legal disputes and provide greater legal certainty for businesses, which can help to reduce costs and increase productivity. Lastly, it can help to align Cambodia's commercial laws with international best practices, improving the country's competitiveness in the global market.

Pre-Registration Gazetting Requirement for New Trademark Applications

RETAINED

ISSUE DESCRIPTION Cambodia's Intellectual Property Rights (IPR) regime provides opportunity for individuals or companies to file notices of opposition against a trademark registration within 90 days from the date of publication of a registered trademark. The opposition may be filed on the grounds that a party has registered a trademark in Cambodia for which the opposing party considers itself to be the rightful trademark owner.

At present, although some marks applied online appear in an online database, an officially public gazetting of new trademarks occurs only after a successful registration, which provides other parties no opportunity to review the applied trademarks prior to their registration.

IMPACT ON BUSINESS Companies need to have trust into Cambodia's IPR regime, failure to enable such condition would bring about several challenges.

Firstly, it would discourage foreign investment, as businesses may be hesitant to invest in a country that does not offer adequate protection for their intellectual property. This can limit the growth of the Cambodian economy and limit opportunities for job creation.

Secondly, a perceived weak IPR regime would limit innovation and creativity in Cambodia. Without proper protection for their intellectual property, creators and innovators may be less likely to invest time and resources into developing new ideas and products. This can limit the country's ability to compete in the global market and limit its potential for economic growth.

Thirdly, it would limit access to new technologies and products. Without adequate protection for intellectual property, businesses may be less likely to bring new products and technologies to the Cambodian market, limiting opportunities for consumers and businesses alike.

Overall, a reputable IPR regime is essential for the development of a competitive and innovative economy in Cambodia, and the failure to establish such a system could limit the country's economic potential.

✓ **Introduce a pre-registration gazetting requirement for new trademark applications.**

**2024
RECOMMENDATION**

Following best practices from neighbouring ASEAN countries and elsewhere, we respectfully recommend the introduction of a requirement to publicly gazette all new trademark registrations applications 2 to 3 months prior to a decision being taken by the Department of Intellectual Property. This will provide opportunity for other interested entities or third parties to lodge notices of objection before a decision of registration is reached.

Having a gazette requirement for companies to review registered trademarks in Cambodia can provide several positive impacts. Firstly, it can help to prevent trademark infringement and protect intellectual property rights. This can help to foster a more competitive and innovative business environment in Cambodia, which can attract foreign investment and support economic growth. Secondly, it can provide greater transparency and clarity for businesses, as they can review trademarks that have been registered by others and avoid potential legal disputes. Lastly, it can help to ensure that trademarks are being used in accordance with the law, which can help to maintain the integrity of the trademark registration system and support the development of a fair and efficient legal system in Cambodia.

Protection of Intellectual Property Rights

RETAINED

ISSUE DESCRIPTION Cambodia's current regime of provisional measures, as prescribed under the Trademark Law, does not provide detailed and clear procedures to enable relevant administrative authorities to provide support to businesses who have had their marks infringed upon:

Under Cambodian law, provisional measures against Intellectual Property Rights (IPR) infringement may only be ordered by a competent court - a judicial judge is the only authority with competence to approve urgent measures. Court proceedings in Cambodia are perceived to be costly and time-consuming, and it is questionable whether the trademark right holder may obtain prompt and timely provisional measures for preventing an actual or imminent infringement or to preserve evidences;

Furthermore, the Trademark Law and its implementing regulations do not prescribe the types of provisional measures that could be ordered by the Court upon request of the rights holder. Cambodian courts have little experience in solving trademark infringement cases, and it is questionable whether the judge may order an efficient interim relief that is adapted suitably to each infringement case.

In many other countries, the state takes a greater responsibility for investigating incidents of trademark infringement, and it is the responsibility of the enforcing institution to initiate proceedings against infringing companies. For example, in Thailand, the Department of Special Investigations, which sits under the Ministry of Justice, takes responsibility for investigating economic crimes of high complexity or technology, including IPR infringement cases above a certain monetary value threshold. The Department of Special Investigations is able to bring cases to a specialised intellectual property court. Similarly, in scenarios where enforcement action needs to be taken swiftly, such as where a counterfeit production site or warehouse has been identified, enforcement agents in Vietnam have the authority to temporarily confiscate the goods, means, and instruments used for such infringement while an investigation is undertaken. By contrast, in Cambodia, injunctions are available only upon application by the brand owner to the courts, which can take longer and therefore decrease the effectiveness of the injunction.

IMPACT ON BUSINESS The Royal Government of Cambodia recognises the importance of protecting IPR not only to meet Cambodia's international trade agreement obligations, but also to provide the necessary security and protections to enable further private sector investment. Where robust IPR laws are being passed yet enforcement is more limited, this lessens the positive effect that Cambodia's developing IPR framework can have on the Kingdom's investment environment and national economy.

✓ **Develop a more detailed legal framework to enable stronger provisional measures in the protection of intellectual property rights.**

**2024
RECOMMENDATION**

We respectfully request the Royal Government of Cambodia, through the relevant ministries and authorities, takes a greater role in the investigation of IPR infringement cases and in bringing such cases to court. The following two recommendations would help to realise this objective:

- a. The Trademark Law and its implementing regulations should define what constitutes effective provisional measures for preventing an actual or imminent infringement and preserving evidence. Provisional measures such as the seizure of alleged counterfeit goods for evidence purposes, the seizure of stock, and the freezing of assets and bank accounts of alleged counterfeiters, should be provided under Cambodian law.
- b. Furthermore, consideration should be given to reviewing the exclusive competence of the court to order such provisional measures. Empowering relevant administrative authorities to undertake provisional measures without needing to await a court order would help to support trademark rights owners in time-sensitive scenarios where the immediate imposition of an injunction would help to cease IPR infringement activities and preserve evidence to be later presented to the courts. The prescribing and monitoring of additional powers to be granted to these administrative authorities could be administered through a 'Sub-Committee for Enforcement' under the existing National Committee for Intellectual Property Rights.

Regarding this latter recommendation, it is worth noting that the Committee for Combating Against Counterfeit Products of High Risk for Health and Social Security is already mandated to take necessary actions to eliminate counterfeit products of high risk for health and safety which are circulating in the Cambodian market. In such scenarios, the Committee is authorised to confiscate such products and to prepare a case file to be submitted to the Court. Thus, the Committee is implicitly empowered to implement provisional measures consisting of confiscation of counterfeit products. Similar power should be extended to other specialised committees for the suppression of infringement or to other enforcement agencies.

Intellectual Property Rights Infringement Cases

RETAINED

ISSUE DESCRIPTION Many countries, including Vietnam, have introduced articles into laws to prescribe the damages that can be claimed through the courts by brand owners against entities that have infringed upon their Intellectual Property Rights (IPR). Such damages may include ‘material damages’ such as revenue opportunity losses, as well as ‘spiritual damages’ in which the actions of the infringing party have damaged the brand owner’s non-monetary assets such as the prestige and reputation of the brand. Profits retained by the offending party as a result of the infringing actions are often required to be returned to the brand owner.

Cambodia does not have such provisions - the courts use normal Civil Code provisions when considering damages for IPR infringement cases. This formulation tends to result in lower levels of compensation than would be expected in an equivalent case in many other countries. Furthermore, the Civil Code does not contain any provisions that require profits retained by the offending party as a result of the infringing actions to be returned to the brand owner.

IMPACT ON BUSINESS The lack of specific remedies for IPR infringement cases, resulting in relatively low levels of compensation being awarded to brand owners through the courts, means that the risk of having to pay damages to the brand owner does not serve as a large deterrent effect to entities considering engaging in IPR infringement. Indeed, as profits can be retained by the offending party, there can be an economic incentive to engage in such activity. This lessens the array of tools available to protect the IPR of legitimate brand owners.

**2024
RECOMMENDATION**

✓ **Consult with the private sector to develop legal instruments to define specific remedies for Intellectual Property Rights infringement cases.**

We respectfully recommend that the Royal Government of Cambodia consult with the private sector to develop legal instruments to define specific remedies for IPR infringement cases. The objectives of such instruments should be to more fairly compensate the brand owner for damages incurred and to act as a deterrent against prospective IPR infringement activities.

Specifically, amendments to relevant intellectual property laws should be made to clarify the following issues in relation to IPR cases:

- The basic elements to take into account for the calculation of civil compensation;
- The modality for determining damages;
- Types of reparatory damages.

Furthermore, the option of introducing punitive damages in case of large-scale infringement or infringement committed by organised crime groups should be considered. Note that punitive damages aim at punishing the defendant in a civil lawsuit and deterring them from committing other infringing acts in the future. Thus, in addition to damages for actual prejudices caused by the infringing act, the judge may order the defendant to return all the profits resulting from infringement to the rights holder. This may include all the material and equipment used for committing infringement.

Intellectual Property Rights Dispute Resolution Process

RETAINED

ISSUE DESCRIPTION The Department of Intellectual Property Rights under the Ministry of Commerce has developed a special ‘hybrid’ procedure that aims to help to find solutions on cases of trademark rights infringement through an alternative dispute resolution - the Preliminary Alternative Disputes Resolution (PADR). The implementation of PADR has been remarkably successful.

However, the certainty, predictability and transparency of the PADR could be questionable because there is currently no regulation detailing its procedures and the responsibilities of each party in the process.

IMPACT ON BUSINESS The PADR process carries the potential to significantly improve Cambodia’s Intellectual Property Rights (IPR) landscape by providing an efficient and cost-effective means of resolving trademark rights disputes between parties under the oversight of the Ministry. This being the case, some businesses are likely to be cautious about engaging in a PADR process where there is no regulation specifying its procedures and clearly describing the role to be played by the Department of Intellectual Property Rights. Introducing a more formalised process would help to make PADR a more viable option for the support of a greater number of trademark rights owners.

2024
RECOMMENDATION

✓ **Create a formalised Alternative Dispute Resolution process to address trademark rights infringement cases through relevant ministries.**

We respectfully recommend that the PADR procedure of the Department of Intellectual Property Rights be formalised by adopting regulation that specify the PADR procedures and the roles of the Department during the process of the PADR.

Furthermore, we propose that the formalised PADR undertaken by the Department should in future be used as a model for other relevant administrative authorities including the Department of Industrial Property under the Ministry of Industry, Science, Technology and Innovation as well as the Department of Copyright under the Ministry of Culture and Fine Arts. There is a need for these relevant administrative authorities to adopt their own regulations to implement the PADR for various types of IPRs.

Stamp Duty on Share Capital Increase

RETAINED

The promulgation of the Law on Financial Management 2013 introduced the provision to subject the transfer of shares within a Cambodian company to a stamp duty of 0.1% of the value of shares. While this practice is commonplace in many countries, EuroCham's members report that the General Department of Taxation (GDT) has also been applying this stamp duty to situations where an existing shareholder has increased their capital within a shareholding company, without all of the other shareholders also doing so.

ISSUE DESCRIPTION

This means that even though the total holdings of the shareholders that have not subscribed to a capital increase remains as before, the GDT stipulates that as the percentage of ownership has been altered, the shareholder undertaking the capital increase is required to pay 0.1% Stamp Duty of the value of shares. In effect, the GDT is treating the percentage of capital increase by one shareholder as a valid change to the ownership of an entity rather than taking into consideration the actual holdings of each shareholder.

Using an example below to illustrate this issue,

Shareholder A owns 100 shares worth USD 1 million = 50% ownership
Shareholder B owns 100 Shares worth USD 1 million = 50% ownership
If Shareholder B increases their capital by USD 500,000

Shareholder A still owns 100 shares worth USD 1 million = 33% ownership
Shareholder B now owns 150 shares worth USD 1.5 million = 67% ownership

In this example, the capital increase undertaken by Shareholder B has diluted the ownership of Shareholder A, as new shares have been issued allowing Shareholder B to have a majority stake over Shareholder A within the entity. However, as there has not been an actual transfer of shares between two separate parties and because the total holdings of Shareholder A has not changed, Stamp Duty should not apply.

This interpretation by the GDT causes uncertainty for compliant taxpayers and places an additional financial burden upon shareholders, thereby increasing the cost of doing business. From an investor's perspective, this interpretation effectively taxes those that are seeking to invest in Cambodian businesses and could discourage further investment as it disregards the reasoning a shareholder may be increasing their capital, such as to fund growth plans which could create new employment opportunities.

IMPACT ON BUSINESS

Hong Kong previously levied a "Capital Duty" on businesses that completed an increase of their share capital, though this was abolished in 2012 with the aim of enhancing Hong Kong's investment attractiveness and competitiveness as an international business centre.

2024
RECOMMENDATION

- ✓ **Recognise that Stamp Duty should not apply when a capital increase is completed disproportionately by one shareholder, as the holdings of the remaining shareholders have not changed ownership.**

We respectfully request that the GDT reconsider its application of Stamp Duty on capital increases when completed by one shareholder, as the actual holdings of the remaining shareholders will have not changed, nor its ownership. By doing so, the GDT would help encourage further investment into Cambodian businesses by reducing the cost of doing business within the Kingdom.

Voluntary Disclosure

UPDATED

The General Department of Taxation (GDT) continues to register considerable success in its drive towards formalising the Kingdom's taxation system, as evidenced by the strong year-on-year increase in tax revenues that far exceed annual GDP growth. The GDT collected a total of USD 3.4 billion in taxes in 2022, an almost 24% increase compared to 2021. While this formalisation has been effective in improving the efficiencies of the tax regime, throughout this transition phase, it has often proved challenging for many businesses operating in Cambodia to ensure that their tax obligations have been appropriately met.

ISSUE DESCRIPTION

These challenges are most apparent for businesses that have been operating since the period in which Cambodia's taxation system was less structured and full compliance was less systematic. During this time, businesses were often unaware or uncertain that they may have had underpaid the required amount of tax, rather than intentionally attempting to evade what they owed. Many of the businesses that were operating during this period of limited enforcement went on to pursue full compliance with all subsequent legal obligations.

Taking this into account, businesses experienced severe reassessments of their liabilities from this period. Long-established companies discovered that their tax liabilities were being calculated from a point much earlier than when compliance was the norm, and were therefore found to have substantially underpaid their tax. Considering additional monthly interest and fines were also imposed on top of the reassessed taxes, many businesses struggled to manage this unexpected financial burden as they sought to rectify their historical non-compliance. The monthly interest and fines applied amounted significantly and, in some cases, even exceeded the underpaid tax itself.

EuroCham recognised that a well-functioning taxation system is a necessity for strong and sustainable economic development, and the corresponding benefits associated with such tax systems can often reduce the costs of doing business. Taking this into account, it can be argued that the companies that contributed the greatest to Cambodia's strong economic progress by operating here for the longest period, were being overwhelmingly impacted by punitive measures for their non-compliance during a time when this was accepted.

This created an uneven distribution of the tax burden on businesses that have been responsible for ongoing employment opportunities, skills development, tax revenue and a positive corporate environment. Contrarily, businesses that have established themselves since the formalisation, were able to enter the market with full knowledge of their legal and tax expectations, reducing the opportunities of inadvertently underpaying their obligations, while benefiting from the improved state of the Kingdom.

Despite these past challenges, more recent developments have been welcomed by EuroCham. Through the issuing of Prakas No.217 on Tax Amnesty in March 2022, the GDT offered an incentive for local companies to comply with outstanding tax returns in March 2022.

This is similar to what is done in other countries. To overcome similar issues relating to non-compliance, tax administrations provide taxpayers with an opportunity to voluntarily disclose previous tax shortfalls so that they receive a reduced punishment, providing that this is done prior to the notification that an audit is required. This encourages previous non-compliant taxpayers to come forward to correct their tax liabilities under specific circumstances.

Importantly, this differs from an amnesty period as it is not time sensitive and taxpayers who voluntarily disclose are still required to pay more than if they were already fully compliant, however they receive a less severe punishment than those that do not disclose but are identified through auditing. Within ASEAN, such voluntary disclosure programmes are in effect in Singapore and Malaysia as a method to encourage taxpayers to correct irregularities and recover missing revenue. While in Indonesia, following a successful nine-month amnesty period in 2016, a voluntary disclosure programme operated until June 2019, with lower tax rates applied for those that voluntarily report, otherwise a heavy penalty of 200% of their tax assessment will apply if identified through an investigation.

IMPACT ON BUSINESS

While the GDT has made excellent progress in increasing public revenues and formalising the Kingdom’s taxation regime, the methods employed can at times be particularly burdensome for companies seeking full compliance during this transition. Many of these companies accept that they may have underpaid their tax during the period of lax enforcement and are therefore taking steps to reconcile what is owed, though the punitive monthly interest and fines is significantly impacting on their operations.

If long-established businesses are required to pay a tax notification with additional interest and fines, much larger than what they had initially anticipated, the uncertainty may cause these businesses to reevaluate their future investment or expansion decisions, or even the Cambodian market. Similarly, these businesses are likely to become uncompetitive and may be forced to close their operations, resulting in unemployment and loss of tax revenue. This would be particularly disappointing as Cambodia would lose businesses that are well-experienced in operating here and understand the market better than most new entrants as they have remained through the more challenging times to facilitate the growth of the economy.

Implementing a voluntary disclosure programme not only benefits the taxpayer with a reduced financial obligation, but it allows governments to secure missing revenue through a less resource intensive administrative process than if conducting their own audit, while levelling the playing field for all compliant taxpayers. In Cambodia, this would allow the GDT to refocus their remaining resources on stronger detection of those that continue to intentionally evade their tax obligations. When communicated effectively, this would encourage greater compliance, increase the willingness to disclose and reduce overall tax evasion as all taxpayers would be aware that the risk of detection has increased considerably.

✓ **Continue offering voluntary disclosure options to taxpayers for previous tax irregularities prior to an audit notification being issued.**

**2024
RECOMMENDATION**

Recognising that the GDT already acknowledges the benefits of offering taxpayers an opportunity to become compliant, EuroCham respectfully recommends that the GDT continue offering ongoing voluntary disclosure programmes for all taxpayers to correct previous tax irregularities. By doing so, this would reflect the realities of earlier compliance with Cambodia's taxation system and take into consideration the contribution that long-established businesses have made to the overall development of Cambodia.

The terms of such programme should take a balanced approach between providing sufficient incentives for those that were previously non-compliant to come forward within a specified timeframe, while not rewarding or encouraging such conduct in the first place, and this should be applied consistently for all taxpayers. This will increase future rates of compliance through greater awareness, while reinforcing the behaviour of compliant taxpayers.

HUMAN RESOURCES

HUMAN RESOURCES

2019 WHITE BOOK

2019	Recommendation	Initiated	Status	Summary
Employing Foreign Staff				
10	Replace Predefined Contract Template with Standardised Online Form	2017	Updated	As the contract templet required by the MoLVT is insufficiently detailed, employers are unable to formally register the full details of their agreements with employees which can leave room for potential abuse of employment conditions.
Enterprise Infirmaries				
11	Enterprise Infirmaries in Medium-sized Businesses	2017	Updated	Amend the Labour Law to revise the requirement that businesses employing more than 50 employees must have their own on-site infirmaries.
Apprenticeship Training Requirements				
12	Recognition of Alternative Forms of Work-based Learning	2016	Updated	The internship programmes become a central strategy of the private sector to resolve the skills gap that exists in Cambodia. However, internships are not yet recognised by the Ministry of Labour and Vocational Training as a valid alternative to apprenticeship programmes.
13	Management of Apprenticeship Funds	2019	New	The companies that are unable to comply with the apprenticeship requirements stipulated by the Labour Law shall pay an Apprenticeship Tax of 1% of the total annual salaries paid by the company. Failure to do so will otherwise result in fines for non-compliance. However, the deployment of the apprenticeship may overlook certain sectors as the Ministry has not yet published guidelines on their recognition.

2024 WHITE BOOK

Progress Made	Result	Status	2024 Recommendation Number
<p>The MoLVT has clarified that employers are not required to use the predefined template contract if their own contract includes all of specific details. However, EuroCham’s members report that they are still required to complete the template contract for each new foreign employee.</p>	<p>We respectfully recommend that the Ministry replace the predefined contract template for foreign employees with a standardised online form containing the fundamental details of a formal employment contract.</p>	<p>Updated</p>	<p>74</p>
<p>In 2020, the MLVT issued Notification No.004/20 on “Usage of Joint Infirmaries and Healthcare Facilities instead of Establishing Infirmaries in the Entreprises/ Establishments”. This Notification specified that the requirement that businesses employing more than 50 staff members must have their own on-site infirmaries, is no longer compulsory.</p>	<p>Thanks to the Notification No.004/20, the issue is considered as resolved.</p>	<p>Resolved</p>	
<p>EuroCham is aware that the RGC is working on this issue with the support of ILO and GIZ.</p>	<p>We respectfully request that the Ministry of Labour and Vocational Training formally recognise a suitable internship programme.</p>	<p>Retained</p>	<p>75</p>
<p>The implementation and management of National Social Security Fund (NSSF) and the setting up of the Skills Development Fund (SDF) by the Ministry of Economy and Finance provides a positive model for the RGC on how to engage with the private sector on the management of apprenticeship funds.</p>	<p>Continue engaging with the private sector in the planning and management of funds collected from the Apprenticeship Tax.</p>	<p>Retained</p>	<p>76</p>

2019 WHITE BOOK

14	Deduct Training Expenses for Apprenticeships	2019	New	Permit businesses to deduct reasonable training expenses used to meet the Labour Law's apprenticeship requirement, on a pro-rata basis from the applicable Apprenticeship Tax.
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Public-Private Sector Communication

15	Accessibility of Information	2016	Updated	Consider expanding the Foreign Workers Centralised Management System to enable all labour administrative procedures to be completed through the online service.
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Working Conditions

New 2024 Recommendation	Work Overtime Limits	New	New	Overtime limits in Cambodia are calculated on a daily basis (maximum of 2 hours/day is allowed); this does not take into account the nature of specific lines of work for which such a requirement can be harmful to company operations. The current overtime limit calculation does not allow the companies to adjust their allowance to accommodate work peaks during the months of the year.
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2024 WHITE BOOK

There is still uncertainty for businesses that wish to have their training programmes for existing workers recognised to fulfil the requirement and whether their increased training expense will be taken into account when assessing the Apprenticeship Tax. The additional costs to business can become burdensome due to the skills gap in Cambodia.

Permit businesses to deduct reasonable training expenses used to meet the Labour Law's apprenticeship requirement, on a pro-rata basis from the applicable Apprenticeship Tax.

Retained

77

The Foreign Workers Centralised Management System has expanded its capacities, notably by giving the possibility to update the Ministry on staff departures and new hires, overtime requirements and the registration of foreign employee contracts.

We therefore consider this issue as resolved, since all the required labour administrative procedures can be carried out through the existing online system.

Resolved

The current overtime limit calculations do not allow companies to adjust their allowance to accommodate diverging work peaks during the months of the year. If these companies cannot calculate overtime on a more long-term basis (as opposed to a daily limit), while at the same time needing to put staff to work overtime to gain crucial revenue, this inflexibility could be detrimental to companies and staff alike.

Recalculate work overtime limits on a monthly rather than daily basis, setting a maximum amount of monthly working hours to 260.

New

78

Employment Contract Online Registration

UPDATED

ISSUE DESCRIPTION According to Prakas No.196, Article 3, owners or directors of companies employing a foreign national must register the employment contract of a foreign employee with the Department of Employment and Manpower of the Ministry of Labour and Vocational Training or its municipal and provincial departments. Although the Ministry has now clarified that employers are not required to use the predefined template contract if their own contracts include all of the specified details, in practice, EuroCham’s members report that they are still required to complete the template contract for each foreign employee.

As the template contract is somewhat simplistic, it does not provide sufficient detail on areas that employers would normally expect to cover within a contract, this instead means that foreign employees are bound by two different employment contracts, which could have conflicting terms and conditions. Similarly, use of this contract template forces employers to register foreign employees on fixed duration contracts, overlooking that foreign employees can legally be employed indefinitely in Cambodia. This requires employers to resubmit these template contracts every two years, bearing the additional cost and administrative burden to do so.

Because this template may not cover all the necessary details and conditions that should be included in a formal employment contract, this can lead to misunderstandings and disputes between employers and employees, which can harm both parties and negatively impact the country’s economy.

IMPACT ON BUSINESS As the contract template required by the Ministry of Labour and Vocational Training is insufficiently detailed, employers are unable to formally register the full details of their agreements with employees. This means that employers require foreign employees to sign a separate, more detailed contract, creating uncertainty as this secondary contract lacks formal recognition. This leaves scope for potential abuse of employment conditions as the contract provided to the Ministry could have different details compared to the formal agreement, such as a lower salary than is actually paid to the employee as a means to minimise the tax payable. Maintaining this status quo is inefficient for both the Royal Government of Cambodia and employers – authorities do not have full visibility of agreements between employers and employees, while employers have no recourse to have their contractual agreements with employees recognised by the Royal Government of Cambodia.

Furthermore, restricting foreign employees to fixed term contracts unfairly disadvantages employees who bring expertise and facilitate knowledge transfer for the benefit of the Cambodian economy. While we recognise that the Royal Government of Cambodia may wish to ensure that roles are not permanently filled by foreigners to provide opportunities for Cambodian citizens, employers are already required to pay a fee if they exceed the quota for foreign employees and should not be penalised further. Accordingly, employers require an equal opportunity to offer foreign employees with the stability and security of indefinite employment to attract talented candidates and undertake long-term strategic business planning.

✓ **Replace the predefined contract template for foreign employees with a standardised online form containing the fundamental details of a formal employment contract.**

**2024
RECOMMENDATION**

Acknowledging that formal employment contracts are comprehensive documents with complex terms and conditions, it would be a comparable administrative burden for the Ministry of Labour and Vocational Training to process the contents of each. Therefore, we respectfully recommend that the Ministry replace the predefined contract template with a more simplified standardised foreign employee form. We envisage that this standardised form would contain the fundamental details of an employment contract and working conditions such as salary, contract length and holidays, and include a declaration outlining that the Royal Government of Cambodia does not endorse the contents of the employment contract to limit liability.

To bring further administrative efficiencies, this form could be completed and submitted via the Ministry's online platform, alongside the foreign employment quota and work permit systems. This would align well with the Ministry's push to modernise its practices and would alleviate the existing challenges experienced with the dissemination of information to frontline Ministry officials. Furthermore, standardising this process would also remove the restriction placed on employers to register foreign employees on fixed term contracts, as the form would follow the same details of their formal contract and provide foreign employees with the same stability and job security as Cambodian employees.

Furthermore, this recommendation would provide more convenience to employers and foreign employees and to make administrative process more efficient and digitalised. Implementing a standardised online form for foreign employee contracts would have several positive impacts on Cambodia.

Firstly, it would help to attract more foreign talent to the country by providing them with a clear and transparent employment contract. This would benefit businesses operating in Cambodia, as they would have access to a wider pool of skilled workers.

Secondly, it would help to improve working conditions for foreign employees in Cambodia. By providing a standardised employment contract, employers would be required to provide fair wages, benefits, and working conditions for their foreign employees. This would improve the overall reputation of Cambodia as an attractive destination for foreign investment.

Finally, it would help to reduce disputes between employers and employees by ensuring that all necessary details are included in the contract. This would save time and resources for both parties involved and would help to maintain positive relationships between employers and employees.

Alternative Forms of Work-based Learning

RETAINED

Apprenticeships and internships are both forms of work-based learning that have become increasingly effective tools to enhance education and workforce development, by providing young people with an opportunity to validate their learning under practical conditions in the workplace. This helps to bridge the skills gap that exists between what is taught in education facilities and the actual needs of the private sector, while also allowing businesses to benefit from a large pool of cost-effective, educated labour.

ISSUE DESCRIPTION

Traditionally, apprenticeships are formal vocational training programmes that prepare individuals for a specific technical profession or trade within physically demanding sectors such as construction or manufacturing, and often take between one to six years to complete, with a guaranteed job on completion. In comparison, internships are generally less structured short-term placements of between one to six months, often for university students to gain experience in a public or private organisation within a specific professional career, such as business development or communications, with the possibility of a job after the completion of their studies.

In Cambodia, as there is a strong emphasis placed on higher education, the prevalence of internships is much greater than apprenticeship programmes, as students are choosing to follow professional based careers rather than specialist trades. Although each programme serves a different purpose, both provide young people with vital work-based training to increase their technical capabilities, while also addressing the skills gap for the benefit of the Cambodian economy.

Despite their popularity, internships are not recognised by the Ministry of Labour and Vocational Training as a valid alternative to an apprenticeship programme, which is causing difficulties for many businesses due to the provisions contained in Prakas No.4 on The Training of Apprentices, stipulates that all businesses that employ more than 60 employees; regardless of their industry, must include a certain percentage of their staff as apprentices, with hefty fines of 1% of total annual salaries for non-compliance.

Although we acknowledge the benefits of incentivising businesses to employ more inexperienced staff, as the purpose of an apprenticeship is to train individuals in a specific skilled and manually intensive role, they are ill-suited for businesses involved in the services sector. Internships are instead attractive for such businesses as they provide flexibility to tailor their training and development needs with an individual intern's needs. Similarly, internships requiring less resources to manage when compared to the strict obligations that must be met by employers for apprenticeship programmes to be recognised.

As the expansion of the services sector has been a major contributor of Cambodia's economic growth and job creation, the private sector maintains that public policy should reflect and accommodate the needs of different industries that support ongoing efforts to diversify the economy and strengthen workforce capacity.

IMPACT ON BUSINESS

Not recognising internships as a legal alternative to apprenticeships can bring several risks to young Cambodians who are prospective interns, universities, service-sector companies, and the Royal Government of Cambodia's (RGC) educational agenda.

Firstly, prospective interns may miss out on valuable training opportunities and work experience, which can limit their career prospects and make it more difficult for them to find employment.

Secondly, universities may have difficulty placing students in internships, which can limit their ability to provide a well-rounded education to their students. This can ultimately limit the competitiveness of Cambodian universities and the skills of their graduates.

Thirdly, service-sector companies may struggle to find skilled employees, which can limit their ability to grow and compete in the global market. This can ultimately limit the growth of the Cambodian economy and its ability to attract foreign investment.

Lastly, the RGC's educational agenda may be limited if internships are not recognised as a legal alternative to apprenticeships. This can limit the RGC's ability to provide training opportunities to young people and limit the development of a skilled workforce in Cambodia.

2024
RECOMMENDATION

✓ **Formally recognise suitable internship programmes as a viable alternative to an apprenticeship when assessing compliance with Prakas No.4.**

While we acknowledge that it is challenging to develop a robust training strategy that is suitable for all industries, we respectfully recommend that the Royal Government of Cambodia take steps to encourage the adoption of suitable internship programmes, by recognising them as a valid alternative to apprenticeships for the private sector. This would enable the Ministry of Labour and Vocational Training to take a company's internship programme into consideration when assessing their compliance with Prakas No.4 and be in line with the subsequent Instruction No.42/15 that allows companies to select a worker in probation or those learning new skills to fulfil the yearly apprenticeship requirement.

Furthermore, we suggest that the Ministry consult with both the private sector and education institutes to develop a set of practical implementation guidelines for them to follow to demonstrate that their internship programmes are compliant.

Internship programmes are mutually beneficial for students, universities and businesses alike, consequently they have become the central strategy of the private sector to resolve the skills gap that exists in Cambodia. Internships better prepare students for the transition into the business environment by providing them with tangible experience and mentoring support, allowing them to develop important soft skills and establish professional networks that they would otherwise have limited exposure to.

Similarly, internships enable universities to build stronger relationships with the business community, leading to more comprehensive curricula and talented cohorts, while businesses receive affordable and educated employees that they can shape from an early stage. This interdependent relationship ultimately strengthens the capabilities of Cambodia's labour force by reducing the skill gap and contributes to a more competitive and productive economy.

Management of Apprenticeship Funds

RETAINED

ISSUE DESCRIPTION

Prakas No.4, Article 8 states that for companies that are unable to comply with the apprenticeship requirements stipulated by the Labour Law, such companies shall pay an apprenticeship tax of 1% of the total annual salaries paid by the company, failing to do so will otherwise result in fines for non-compliance. This Prakas also affirmed that the collected funds are to be deposited into a cash fund that the Ministry of Labour and Vocational Training will use for training development, in collaboration with the Ministry of Economy and Finance and other relevant institutions.

Whilst our members certainly welcome the financing of much needed training and skills development, there are concerns that without private sector involvement, the deployment of the Apprenticeship funds may overlook certain sectors as the Ministry has not yet published guidelines on their use. As the purpose of the funds are to increase the abilities of Cambodian citizens and ultimately raise the productivity and competitiveness of businesses, the private sector is best positioned to advise on the priority areas that stand to benefit the most from improved training and additional funding. Without such involvement, there is an increased risk that the training delivered will be inappropriate for the needs of industry, and the current skills gap that exists across many sectors will continue.

The Royal Government of Cambodia (RGC) has already recognised the importance and benefit of involving a wider group of stakeholders in the planning and management of public funds, as seen by the governing body responsible for the implementation and management of the National Social Security Fund (NSSF), created in 2007. This body is comprised of representatives from the relevant ministries, employers, workers and trade unions, to ensure all stakeholders are given a viable voice in the use of the funds.

Regarding stakeholder engagement in technical and vocational education training, the RGC has also made commendable efforts to more closely involve the private sector in the provision of training to Cambodian workers. The Skills Development Fund (SDF) was set up by the Ministry of Economy and Finance in 2018. It is an industry-driven workforce development programme, providing public funds to complement those from private companies, to build the capacity of their workers by training them across vocational skills in key economic sectors such as manufacturing, construction, ICT, electronics and tourism. As of early 2023, it had implemented 95 training projects, benefitting 10,709 workers in Cambodia, at the expense of USD 5.8 million. SDF relies on a strong network of support from the private and educational sector, comprising 231 enterprises, 33 training providers and 15 business associations.

The range and extent of private-sector engagement in the implementation of the NSSF and the SDF can provide positive inspiration for the RGC on how to engage with the private sector on the management of Apprenticeship funds as well.

Lack of involvement on the part of the private sector in the planning and management of funds for apprenticeship training could carry risks for Cambodia’s business environment and economic development agenda.

Firstly, it could limit the effectiveness of the apprenticeship training programme. The private sector has a wealth of knowledge and experience in the industry, and their involvement in the management of funds could help ensure that the training provided meets the needs of businesses and is relevant to the current job market.

Secondly, not involving the private sector could limit the number of training opportunities available. Private sector companies may be more likely to offer apprenticeships if they are involved in the management of funds, as they could ensure that the training provided meets their specific needs.

Thirdly, not involving the private sector in the management of funds could limit the growth and competitiveness of businesses in Cambodia. Without a skilled workforce, businesses may struggle to compete in the global market, limiting economic growth and development.

Lastly, it could limit the RGC’s ability to achieve its skills development agenda. The implementation of such agenda will be more challenging without the support of the private sector.

✓ **Continue engaging with the private sector in the planning and management of funds collected from the Apprenticeship Tax.**

2024
RECOMMENDATION

We respectfully call for the Ministry of Labour and Vocational Training to continue engaging with representatives of the private sector – particularly via the country’s business associations - to be actively engaged in the planning and management of the funds collected from the Apprenticeship Tax for deployment into workforce training and development.

By doing so, the Ministry will increase the likelihood that the funds will be used on training programmes that maximise the skills and abilities of Cambodian citizens in areas where the economy most demands and effectively prepare individuals for entry into the workforce. We anticipate that by involving more stakeholders in the planning and management, the Royal Government of Cambodia will be able to vastly accelerate its plans for the development of the country’s human capital and workforce.

Training Expenses for Apprenticeships

RETAINED

ISSUE DESCRIPTION

The publication of Instruction No.42/15 by the Ministry of Labour and Vocational Training in November 2015, reaffirmed the apprenticeship obligation stipulated by the Labour Law that all enterprises employing more than 60 workers shall employ one-tenth of their workforce as apprentices, with varying ratios for larger businesses. If businesses are unable to comply, they must pay an Apprenticeship Tax of 1% of the total annual salaries paid by the company or be subjected to additional fines. The instruction also notified businesses that if they were struggling to secure applicants for apprenticeships, they can fulfil the legal requirement with workers that are in their probation period or those that need new skills.

While this Instruction did provide much needed clarity, uncertainty still remains for businesses that wish to have their training programmes for existing workers recognised to fulfil the requirement and whether their increased training expenses will be taken into account when assessing the Apprenticeship Tax. As the apprenticeship requirement ratio is particularly demanding on businesses, some businesses will fail to achieve the necessary level due to difficulties in attracting new apprentices in light of the success of Cambodia’s current employment market. Thus, there is likely to be a gap between the number of apprentices a business employs and the level required by law, and business will be forced to spend more on training, which may impact profitability.

As such, it would be unfair to tax businesses that have attempted to fulfil their requirement at the same rate as those businesses that have made no attempt, as this will incentivise businesses to save on the additional training expenditure to offset the cost of the Apprenticeship Tax. Instead, businesses could be permitted to deduct their training expenditure to fulfil the obligation at a reasonable rate against the 1% tax levied, as this will encourage businesses to spend more on training and to proactively seek out more apprentices.

IMPACT ON BUSINESS

Many businesses are eager to increase the knowledge and skills of their workers and encourage the youth of Cambodia to undertake meaningful apprenticeship programmes. However, the additional costs to businesses can be particularly burdensome in Cambodia due to the skills gap that is being reported by most employers in the private sector. Therefore, business need to be incentivised to create and support training opportunities that meet the Royal Government of Cambodia’s (RGC) requirements. Otherwise, the benefits of their inflated expenses will not be justified, as they will be punished by the Apprenticeship Tax regardless of their actions.

Human capital investment is a key component of economic growth, as prioritising higher skills development will ensure the future competitiveness of Cambodia's labour market. Offering the private sector incentives to increase their training expenses is an effective alternative to the RGC committing more of its own public funding to reach the same economic goals. Incentivising businesses enables the private sector to bear more of the responsibility of training the workforce, and ensure that the training delivered will target the needs of the business, in areas where the market demands.

✓ **Permit businesses to deduct reasonable training expenses used to meet the Labour Law's apprenticeship requirement, on a pro-rata basis from the applicable Apprenticeship Tax.**

**2024
RECOMMENDATION**

We recommend that the Ministry of Labour and Vocational Training consider permitting businesses to deduct reasonable expenses used to finance additional training to meet the apprenticeship requirement of the Labour Law, on a pro rata basis against the applicable Apprenticeship Tax. We respectfully encourage the Ministry to engage in consultations with the private sector to come to an agreement on what should constitute reasonable training expenses, and EuroCham would warmly welcome the opportunity to facilitate such engagement.

We envisage that by enabling businesses to deduct training expenses, the private sector will be incentivised into increase their training expenditures and create more meaningful entry level positions, strengthening Cambodia's workforce development and securing the Kingdom's continued economic growth.

Work Overtime Limits

NEW

ISSUE DESCRIPTION There are three major laws and regulations governing overtime work in Cambodia: the Labour Law 1997 (LL) (Articles 137-140); Prakas No.80/99 on Overtime Work Besides Regular Working Hours; and Notification No.41/11 of the Ministry of Labour and Vocational Training.

Overtime work is work performed beyond normal working hours. Under the Labour Law, normal working hours cannot exceed eight hours per day or 48 hours per week. For example, if your normal working hours are from 8:00am to 12:00pm and 1:30pm to 5:30pm, work performed after 5:30pm is considered overtime work.

Some of the requirements for overtime to be valid legally include:

- It must be urgent and exceptional (LL, Art. 139).
- It must be voluntary (Prakas No.80/99, Art. 4).
- It must not be more than two hours per day (AC Award 10/04).

The fact that overtime limits in Cambodia are calculated on a daily basis (as mentioned above, a maximum of two hours of overtime per day is allowed) does not take into account the nature of specific lines of work, for which such a requirement can be harmful to company operations.

For example, companies in the manufacturing and services sectors operate in very different ways. Factories tend to produce regular outputs throughout the year, meaning staff are expected to work a fairly regular schedule over this period. By contrast, many services professions (legal, HR, consulting, etc.) tend to operate on a per-project rather than output basis, meaning the workload can fluctuate significantly during the year, in accordance with client demands.

This divergence in work rhythm between companies in manufacturing and services means that overtime considerations are different for these companies. Staff in service companies might benefit more from an overtime limit that allows them to adjust their work schedule to accommodate occasional more intense working months, and compensate for less intense periods.

The current overtime limit calculations do not allow companies to adjust their allowance to accommodate diverging work peaks during the months of the year. If these companies cannot calculate overtime on a more long-term basis (as opposed to a daily limit), while at the same time needing to put staff to work overtime to gain crucial revenue, this inflexibility could be detrimental to companies and staff alike. This would be counter-intuitive, since the institution of legal work overtime limits is meant to protect workers' wellbeing.

If companies struggle to be able to put staff in overtime during crucial, hardworking months, this could either encourage them to under-report the actual overtime from work time sheets, or it could put them in a situation where they are earning less revenue, meaning it could encourage them to downsize the workforce in response to this. These outcomes would be the opposite of what was intended by the institutions of Labour Law provisions on overtime.

✓ **Recalculate work overtime limits on a monthly rather than daily basis, setting a maximum amount of monthly working hours to 260.**

**2024
RECOMMENDATION**

We respectfully recommend that the Ministry of Labour and Vocational Training amend the legislation concerning overtime work limits, so that overtime limits be calculated monthly, rather than daily. In addition, we would recommend that the new limit for maximum working hours over the period of a month be set to 260.

This figure includes both the amount of monthly regular working hours, set by Cambodian law to 48 hours per week – the equivalent of 192 hours per month - and the maximum amount of overtime allowed in one month, calculated at 68.

Allowing companies more flexibility in setting maximum overtime limits for their staff could provide benefits such as increased productivity, improved employee satisfaction, and reduced labour costs. Companies could adjust overtime limits to meet changing business needs. This flexibility could also allow for better work-life balance for employees, leading to improved job satisfaction and retention rates. Additionally, this approach could encourage innovation and growth, as companies could adapt to market changes and take on new opportunities with the support of a flexible and efficient workforce. Finally, it would provide an additional incentive for companies to report on their staff overtime amounts correctly.

Abbreviations

ABBREVIATION	FULL NAME	ABBREVIATION	FULL NAME
5G	5th Generation	MEF	Ministry of Economy and Finance
ACM	Asbestos containing Material	MISTI	Ministry of Industry, Science, Technology and Innovation
ASEAN	Association of Southeast Asian Nations	MLVT	Ministry of Labour and Vocational Training
ASYCUDA	Automated Systems for Customs Data	MME	Ministry of Mines and Energy
CA	Conservation Agriculture	MoC	Ministry of Commerce
CCF	Consumer Protection Competition and Fraud Repression Directorate-General	MoE	Ministry of Environment
CF	Contract Farming	MoH	Ministry of Health
CGCC	Credit Guarantee Corporation of Cambodia	MoT	Ministry of Tourism
CNAP	Cambodian National Asbestos Profile	MPTC	Ministry of Post and Telecommunications
CNSW	Cambodia National Single Window	MPWT	Ministry of Public Works and Transport
CVDS	Customs Valuation Declaration System	MSW	Municipal Solid Waste
DEFA	Digital Economy Framework Agreement	NDC	Nationally Determined Contribution
EdC	Electricity of Cambodia	NEEP	National Energy Efficiency Policy
EIA	Environmental Impact Assessment	NGO	Non-governmental organisation
EMA	European Medicines Agency	NSSF	National Social Security Fund
EPR	Extended Producer Responsibility	NTM	Non-tariff Measure
FMCG	Fast Moving Consumer Goods	OTC	Over-the-Counter
FTA	Free-trade Agreement	PAP	Pre-arrival Processing
GDCE	General Department of Customs and Excise	QIP	Qualified Investment Project
GDP	Gross Domestic Product	QR	Quick Response
GDPR	General Data Protection Regulation	RCEP	Regional Comprehensive Economic Partnership
GDT	General Department of Taxation	RGC	Royal Government of Cambodia
G-PSF	Government-Private Sector Forum	RoO	Rules of Origin
H.E.	His/Her Excellency	SDF	Skills Development Fund
HPAI	Highly Pathogenic Avian Influenza	SEZ	Special Economic Zone
ICT	Information and Communications technology	SME	Small-medium Enterprise
IPR	Intellectual Property Rights	SPS	Sanitary and Phytosanitary Standards
ISC	Institute of Standards of Cambodia	TRC	Telecommunication Regulator of Cambodia
LCPO	Licenses, certificates, permits and other	VAT	Value-added Tax
LDC	Least-developed Country	WCO	World Customs Organisation
LTS4CN	Long-Term Strategy for Carbon Neutrality	WHO	World Health Organisation
MAFF	Ministry of Agriculture, Fisheries, and Forestry	WTO	World Trade Organisation

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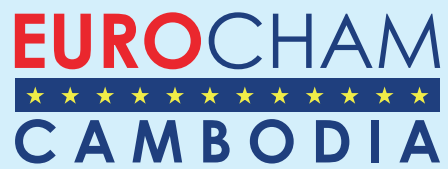
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