

# CAMBODIA ECONOMIC DEVELOPMENT & INVESTMENT OPPORTUNITIES

ACLEDA Bank Plc-JCA Business Matching Event

By: Dr. HOR Chantha Economist ACLEDA Bank Plc. November 20<sup>th</sup>, 2023 Phnom Penh, ACLEDA Bank Headquarters

# **Presentation Outlines**



- I. Cambodia's Achievement of the Past 25 Years
- II. Cambodia's Current Economic Situation
- III. Key Recent Development
- IV. Government Pentagon Strategy Phase I
- V. Why Invest In Cambodia?
- VI. The Triumphs ACLEDA: A Three-Decade Journey



# I. Cambodia's Achievement of the Past 25 Years (1998-2022)

## **Cambodia's Achievement of the Past 25 Years**



Has made momentum progress in education and vocation training in both quality and quantity.

**Aspects** 

Through the Win-Win Policy, Cambodia has achieved and maintained the sustained full peace since the end of 1998

**Economics &** 

**Financial** 

**Aspects** 

Social & **Cultural Aspects** 

**Political & Diplomatic** 

1998-2022

- Achieved high and sustainable economic growth 7%
- GDP grew from \$3.11B to \$29.6B (10-fold increase)
- GDP per Capita increased from \$253 to \$ 1784 (7-fold increase)
- Maintained pre-COVID-19 poverty rate below 10%.
- Government revenue rose from 8% to 23% of GDP.
- Government expenditure rose from 13% to 27% of GDP.
- Low external public debt at 24.9% in 2022
- FDI inflow increases 15 times (2007-2022
- Banking's assets, loans, and deposits collectively grew by 274%, 193%, and 150% as of 2022.

25 Years of **Achievements** 

**Institutional** Governance

- Have been notably improved and modernized. National and provincial roads **11,042 km** and expressways 187.5km from PP-Preah Sihanouk.
- **Infrastructure Connectivity**

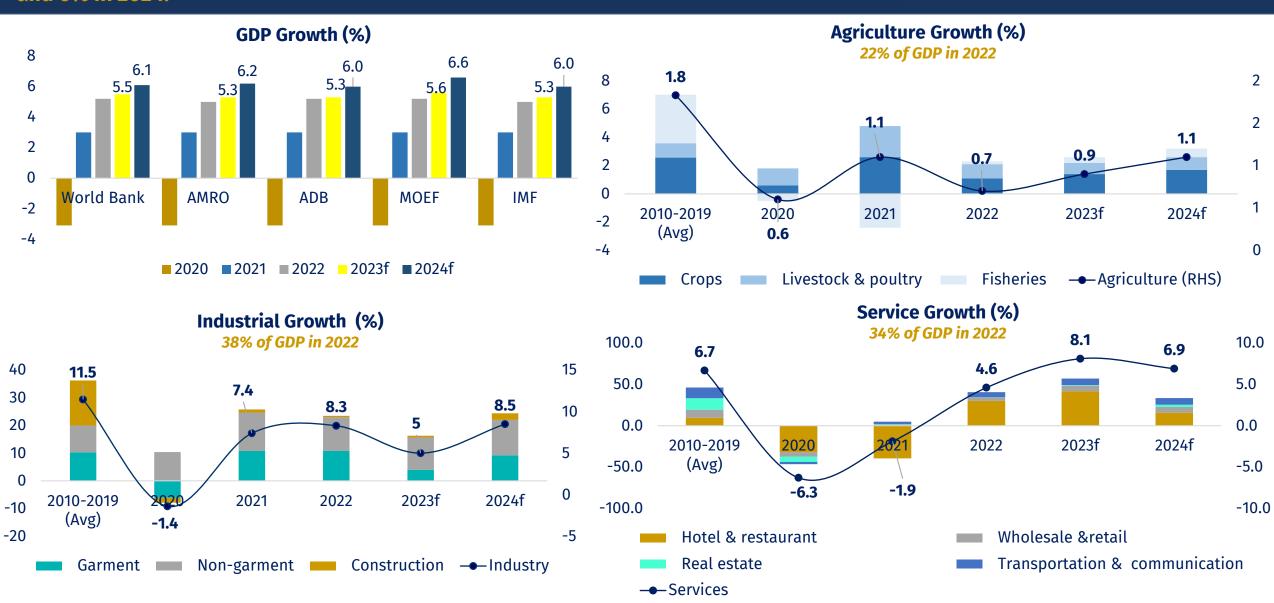
Has made outstanding progress in institutional and governance reforms



# **II. Cambodia's Current Economic Situation**

Cambodia's economy gained momentum in 2022, driven by a strong recovery in manufacturing and service. Projections anticipate further growth at 5.3% in 2023 and 6% in 2024.

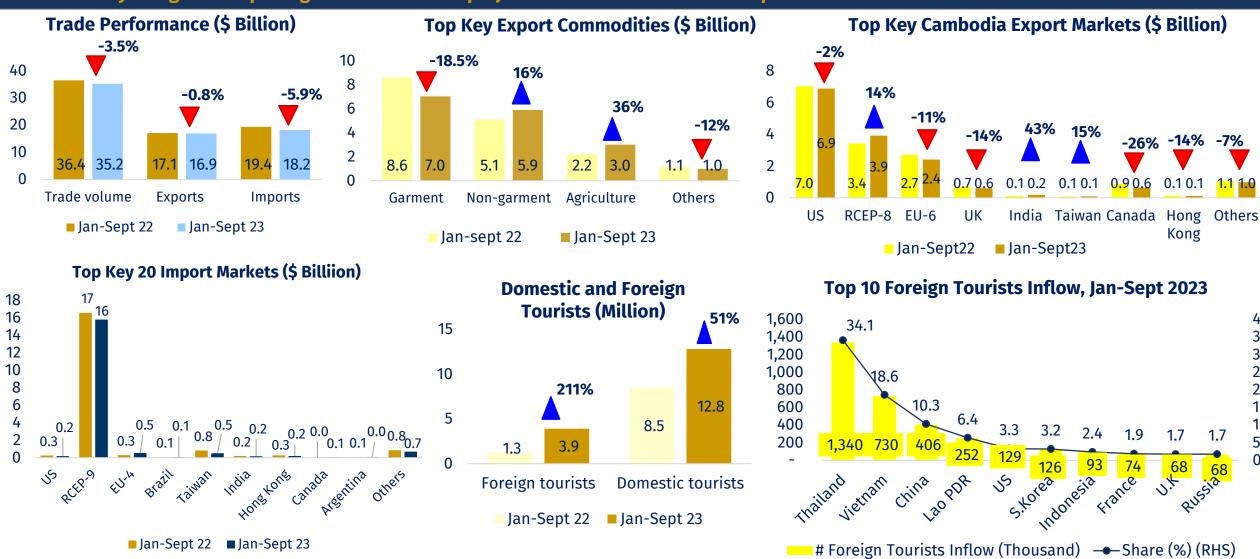




In the first 9-month of 2023, Cambodia's economic recovery showcased commendable progress, fueled by recovery of services, non-garment exports, and agricultural exports. Positive signs of



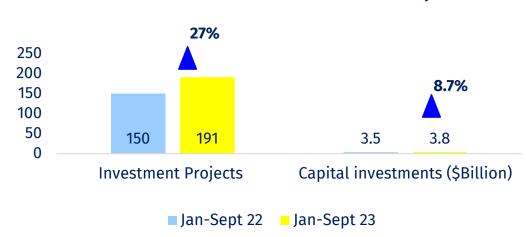
FDI's recovery and gradual upswing new construction projects further contribute to this positive trend.

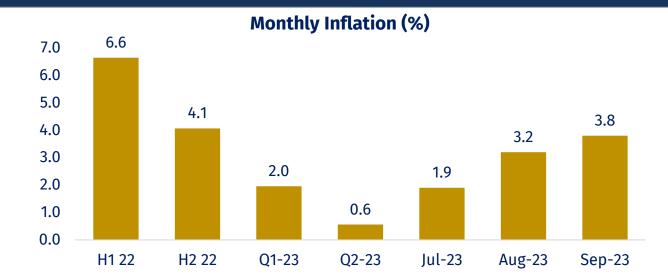


**Note:** RCEP-9 (RCEP-8: China, Japan, Vietnam, Thailand, Malaysia, Singapore, Indonesia, South Korea)+Laos; EU-6: Germany, Belgium, Netherlands, France, Spain, & Italy. EU-4: Finland, Italy, Germany, Denmark. Garment, nongarment, and agriculture commodities were aggregated from the top 20 exported commodities listed in GDCE



## **Number and Value of New Investment Projects**





## **Number and Values of Construction Investments**



## **Monthly Exchange Rate (Riel/USD)**





# **III. Key Recent Development**

## Cambodia is actively investing infrastructure development to improve connectivity, facilitate trade, diversify tourism, and attract investments.



#### **Logistic System Improvement** Master Plan of Cambodia

Sustainable transport infrastructure SMRT Logistics Human and Technical development in Logistics Strengthening of legal and institute framework



Phnom Penh-Kampot Length: 135km Cost: \$220 million 2018-6/2022

2018-2025 2008-2021 Fund: China

International

Dara Sakor 2018-03/2022

Airport Location: Koh Kong Total Area: 700 h.a. Cost: \$350 million



## Kampot Tourism Seaport Location: Kampot Cost: \$20 million



## **Key Milestones of Infrastructure Development as Government's Top Priority**



**New Siem Reap-Angkor** International Airport Location: SR Province Total area: 750 h.a Cost: \$1.1 Billion

2020-11/2023



Sihanouk Ville Road Improvements Lines: 34 Length: 84.5 km Cost: \$300 million Fund: Government 2019-10/2022

2019-12/2021



Siem Reap Road Improvements Lines: 38 Length: 108.74 KM Cost: \$149 million Fund: Government 2019-2024



National Road 10 Connection: Battambong-Koh Kong Length: 198km Cost: \$188 million Fund: China 2020-2030



PP-Bavet Expressway Connection: PP-Svav Riena Length: 135km Cost: \$1.3 billion Fund: China

2022-2027



Completed (\$ 4.3 billion)

On-going (\$ 3.55 billion)

Understudy (\$ 8.2 billion)

-Focus on: 174 Projects (Roads, Railways, Ports, Waterways, Logistics and Interactive transportation) -Required Investments: \$ 50 Billion

2022-2030

## Phnom Penh- 2019-3/2023

Sihanouk ville Expressway Length: 190km Cost: \$2 billion Fund: China



#### 11/2020-2023 New PP Int' Airport Location: Kandal Province Total Area: 2600 h.a Cost: \$1.5 billion



### Sihanouk Ville Autonomous Port New container terminal

Length 350m Depth: -14.5m Accommodate vessel with 60,000 DWT (93% of Asia-Pacific Ship routes) Target Vessels size: 5,000 TEUs Container Yard (backside): 140,000 m2



## **New Initiatives (Under Study)**

- -PP-SR-Poipet Expressway: \$2.5 Billion
- -High-Speed Railways (PP-PoiPet): \$4 Billion
- -Bassac River-Kep Sea Waterway Link: \$ 1.7 Billion



Road NR 5

Length: 407.45 km

Cost: \$ 746.45 million

Fund: Japanese Gov. Loan

SR-Pursat-Battambang-

(Cambodia-Thailand) &

Banteay Meanchey) &

International Links

Connection: Domestics (PP-

**Source:** Compiled by authors from many sources

## **Recent Free Trade Agreements**





## Recent FTAs to Diversify Export Markets and Investments

#### Cambodia-China FTA

- -Tariff-free: 98% of Cambodia's export to China, 90% of China's exports to Cambodia
- -Cambodia's export to China: milled rice, bananas, mangos, cassava, fishery, and apparel,
- -Cambodia's imports from China: raw garment materials, machinery, vehicles, foodstuffs, electronics, and medicines, among others.

Jan 2022 December 2022



#### Regional Comprehensive Economic Partnership (RCEP)

- -A largest trading bloc
- -30% of the World's GDP
- -30% of the World's population
- -28% of total global trade



#### Cambodia-S. Korea FTA

- **-Tariff-free:** 95% of Cambodia's export to Korea, 92% of S. Korean exports to Cambodia
- -Cambodia's export to S.Korea; peppers, bananas, cashew nuts, potatoes, pineapples, coffee, fruits, corn, longans, tobaccos, meats, aquaculture products, sugar, rubbers, apparel, textiles, footwear, bicycles, travel materials, bags, accessories, industrial goods and more.
- -Cambodia's imports from S. Korea: electronic devices, automobiles, construction machinery, agriculture machinery, raw cloth material, processed cloth, cosmetics, food, groceries, construction materials and spare parts, and more.

#### Goal:

- -Diversify export markets,
- -Increase provincial economic productivity,
- -Diversify economic basis



into force early 2024

Signed June 2023 & expected enter

## Cambodia-United Arab Emirates (UAE) Comprehensive Economic Partnership Agreement (CEPA)

-Eliminating tariffs on most goods traded, reducing non-tariff barriers, and promoting trade in service and investment

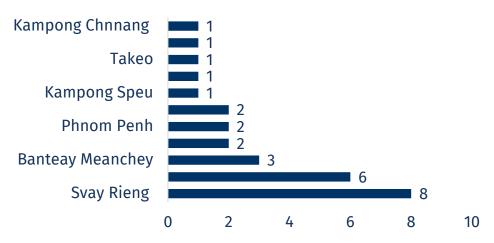
Source: Compiled by authors from many sources

## **Investment and Business Expansion in Special Economic Zones**

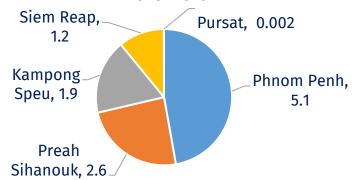


 As of 2020, Cambodia has 28 special economic zones with a total investment of \$3.7 billion, primarily located in the border provinces of Cambodia-Thailand, Cambodia-Vietnam, Phnom Penh, and the Coastal area.

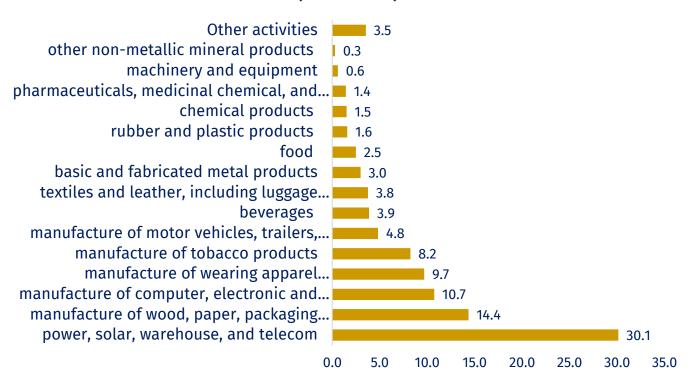
## **Number of Special Economic Zone, 2006-2020**



# Distribution of FDI in Cambodia (\$US Billion), 2015-2019



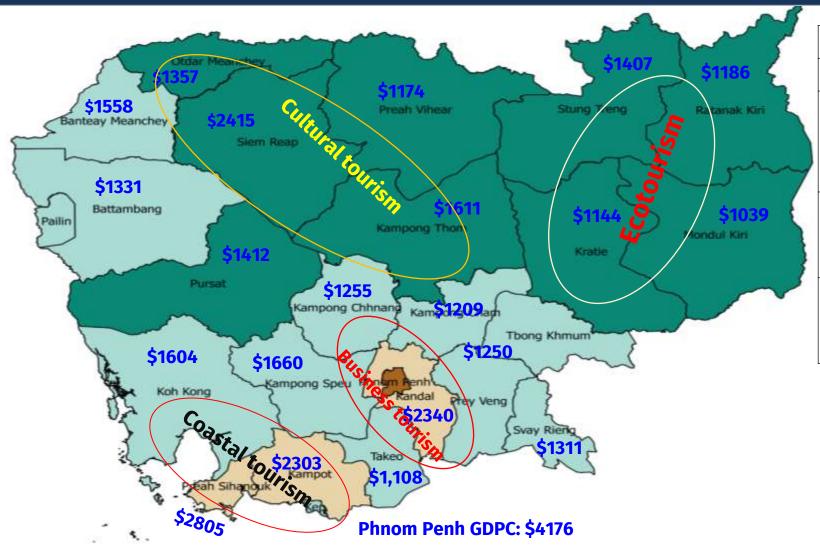
# % Share of Foreign Investment Capital in SEZs by Activities (2006-2020)



Source: Chuop Theot Therith (2022)

# Diversifying Tourism Destinations: Elevating Provincial GDPC in Key Tourism Hubs (Siem Reap, Phnom Penh, & Preah Sihanouk), Surpassing the National Average





Key Strategic Tourism		GDP Per Capita,	Average Income,
Spots	Provinces	2019	2019
Business tourism			
Total pop: 2,129,371	Phnom Penh	\$4176	\$4176
Cultural Tourism (Northwest) <b>Total pop: 2,196,376</b>	Seim Reap	\$2415	\$1639
	Kampong Thom	\$1611	
	Oddar	·	
	Meanchey	\$1357	
	Preah Vihear	\$1174	
Ecotourism (Northeast) <b>Total pop: 825, 066</b>	Kratie	\$1144	\$1194
	Mondulkiri	\$1039	
	Ratanakiri	\$1186	
	Stoueng		
	Treng	\$1407	
Coastal tourism (Southwest) <b>Total pop: 998, 148</b>	Kampot	\$2303	\$2254
	Koh Kong	\$1604	
	Кер	\$2303	
	Preah		
	Sihanouk	\$2805	

**Source:** Calculated by author using various data sources

Source: Many sources: Newspapers, World Banks, NIS, and Governor Press Note: GDPC is the GDP per capita. The data in \$ inside the map is the GDPC for each province in 2019

## **Key Government Policy, Initiatives, & Direction**



## **Key Government Policies and Direction**

Master Plan for Kep Tourism

Development (2022-2035)

Aims: Attract investors and

Diversified tourist places:

tourism, mountain tourism, &

April 11, 2022

coastal tourism, island

Cambodia Digital Economy & Society Policy Framework 2021-2035 Three main Pillars:

Digital business Digital people Digital government

June 2021

October 2021 December 2021

Agriculture Agro-industry Garment

Strategic Framework and

Recovery in a New Normal

**Programs for Economic** 

Non-garment Tourism Digital sector\*

(2021-2023)

Key sectors

March 2022

Siem Reap Tourism Master Plan (2021-2023) Focus 6 priority destinations:

Angkor Archaeological park, Phnom Kulen national park Banteay Srei protected area Siem Reap town area Tonle sap lake area, tourists & new infrastructures Siem Reap Thmey tourism area

Target

2023: Domestic (2.2M), International (1.3M) 2035: Domestic (6.6M), International (4.2M) tourism in the downtown area.

> August 1, 2022 September 9, 2022

National Energy Efficiency Policy (2022-2030) Aims:

 Reduce energy consumption by boosting energy efficiency and fostering sustainable development.

-lower Cambodia's dependency on energy imports and reduce the need for investments in new energy infrastructure,

7th Mandate government Pentagonal Strategy Phase I: Building the Foundation toward realizing the Cambodia Vision 2050

-5 Mottos: Growth, Employment, Equity, Efficiency, and Sustainability

- -5 Strategic objectives
- -5 Key Priority Strategies
- -5 Pentagon Strategies
- -5 Core Pentagon Strategies
- -5 Overarching Environment
- -6 Priorities program from 2023

**Government Vision:** High-income 2050 GDP: \$304B GNI: \$13,760 2030

2050

2015-2030

**Industrial Development** Policy (2015-2030)

Aims: transform Cambodia's industrial structure from a labor-intensive to a skilldriven industry, and promote high-value-added and sustainable industries.

#### Focused Sectors:

 -Garment and textiles. footwear &leather products, electronics, agriculture and food processing, construction materials. metal and machinery, automotive, and tourism

#### **New Investment Law 2021**

Aims: attract more investors on top priorities sectors by offering various comprehensive incentives

#### Focused-sectors:

-High-tech industries -High value-added manufacturing, Agriculture, agroagriculture, food processing, electrical and electronic, spare part, mechanical and machinery, SMEs, tourism, SEZ, and digital industries, green energy, green technology

## Cambodia Garment, Footwear &Travel Goods (GFT) Sector **Development Strategy 2022-**

Aim: develop the GTF sector in Cambodia to become environmentally sustainable, resilient, focused on highvalue products, unique & highly competitive, as well as a basis to support economic diversification in Cambodia by 2027.

#### Master Plan for Mondulkiri Tourism Development (2022-2035)

- -To become an international ecotourism destination
- -By 2035, attract international tourists about 900,000 annually, domestics tourists about 2 million,
- -Generate 80,000 jobs and \$ 500 million of direct income
- -Turn province: natural flowers, vegetables, fruits, and meat for both domestic and internal markets

#### National Agriculture Development 2022-2030 Policy (2022-2030)

#### **Key Focus Areas:**

- -Modernization and commercialization of the agricultural value chain
- -Public and private investments in the agriculture sector
- -Sustainable growth and resilience to climate change
- -Institutional reform and cross-cutting issues

#### Specific goals:

- -Increasing agriculture productivity
- -Diversifying crop production
- -developing value-added products

2023-2028

**Government Vision:** Upper-Middle income 2030

GDP: \$77B GNI: \$4,030

Source: Compiled by authors from many sources



# IV. Government Pentagon Strategy Phase I

## **Government Pentagon Strategy Phase I (2023-2028)**





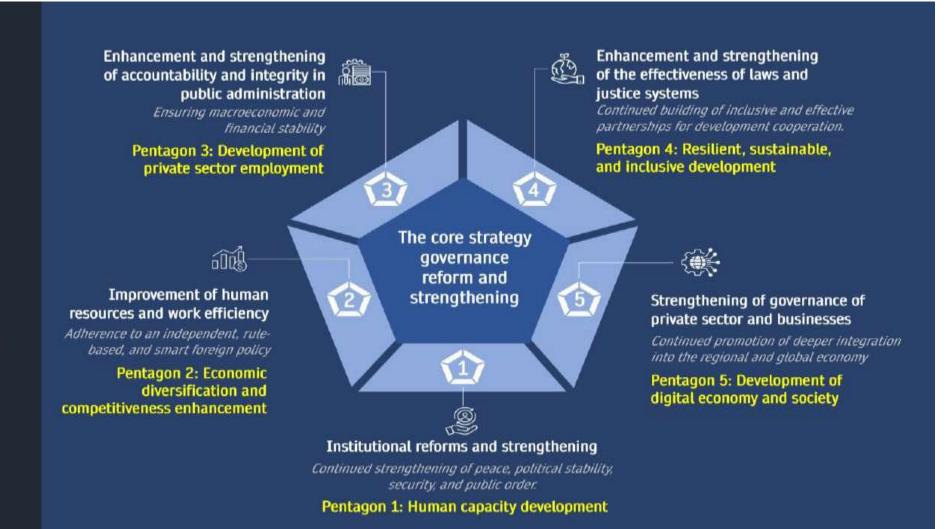
ROYAL GOVERNMENT OF CAMBODIA

# PENTAGONAL STRATEGY PHASE I

For Growth, Employment, Equity, Efficiency, and Sustainability.

Building the foundation towards realizing the Cambodia vision 2050

August 2023



16

#Dalen Nhim

## **Government: 6 Priorities Program from 2023**



Deploy agriculture technical staffs to Communes/Sangkats across country

Promote production, marketability, and price stability for agricultural products through allocating \$100 million budgets and more.

**5.** Coordinate **Mechanism Financing** program

- Providing protection & creating of enabling environment for business and trade, as well as providing vocational and technical trainings to companies, and **MSME**
- Providing social protection to self-employed

4. **Promote** Informal **Economy**  **Agriculture** technical staff

6 **Priorities Program** 

**Institutionalizing** national social security

Support **1.5 million** at-risk households, through equity funds. ✓ Support 3 million family member social security funds

**Provide** 

**Healthcare** 

**Services** 

**Provide** 

**Vocational** 

&Technical

✓ 1.5 million students studying at level-1 certificate of technical and professional program at state-own vocational training center, free.

Support 4.3 million of poor, vulnerable, and atrisk households during economic crisis and any emergencies



Cambodia into a civilized nation, characterized by the following key attributes:



Is a vibrant society.



Is high-income and resilient economy.



Are highly knowledgeable and have at least one skill in life.



Live in dignity and happiness, and enjoy equal access, equal rights, and equal opportunities in social protection.



Is a country that enjoys harmony, resilience, and inclusivity of physical and natural environment, and has a good balance between development and conservation.



# V. Why invest in Cambodia?

## Why Invest in Cambodia?



## 1. Open Economy



- No Restricted sector
- No local participation requirement
- No Capital Control

# 5. Favorable FTAs to Access Big Markets



## 2. Fast-growing & stable economy



- GDP's Growth (7.8%), 2000-2019
- Stable Exchange rate
- Low Inflation Rate

## **US:** Generalized System of Preferences (GSP)

- **Europe:** Everything But Not Arm (EBA)
- S. Korea: Cambodia-S. Korea FTAs
- China: Cambodia-China FTAs
- RCEP: ASEAN+ Australia, New Zealand, China, Japan, South Korea.
- ASEAN FTAs, ASEAN+1 with China, Japan, Hong Kong, S. Korea, India, Australia, New Zealand

# 3. Strategic Location & Connectivity (in the middle of ASEAN &CLMVT)



## **ASEAN (2022)**

- Total Population: 673M
- FDI inflow: \$ 224B
- GDP: \$3.6T
- GDP's Growth: 4.9% (2000-2022)
- Travel by Air: 2-3h

## **CLMVT (2022)**

- Total Population: 247M
- FDI inflow: \$ 35B
- GDP: \$ 1.01 T
- GDP's Growth: 6.1% (2000-2022)
- Travel by Air: 1-1:30h

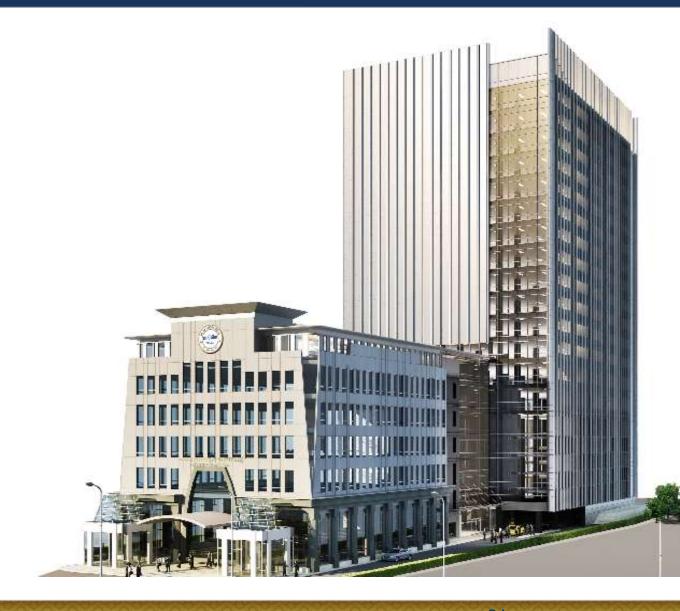
# 4. Competitive & Dexterous Labor Forces



- Young and growing population (median age 26 Years old, 65% of its population falling within the workingage bracket)
- Low monthly minimum wages with dexterous workforce: \$200 in 2023, and \$ 204 in 2024.

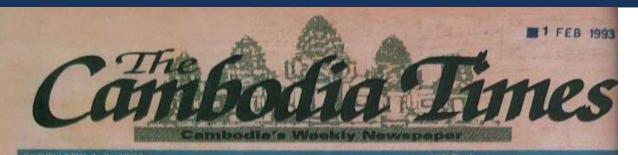


VI. The Triumphs of ACLEDA: A Three-Decade Journey



## 1. ACLEDA's Success Story: A 3-Decade Journey





## Progress agencies localised

by Maria Cecilia Dy

PHNOM PENH: The Local Economic Development Agencies, which previously operated under the aegis of the United Nations Organisations, have been localised.

This is to enable local leadership and sourcing of funds for its operation other than depending on the United Nations Development Programme and the International Labour Organisation which led and financed it in the past.

Twenty eight members of the agencies met here on Jan 19 to form the Association of Local Economic Development Agencies.

It elected a returning

refugee, In Channy, as its president and decided to seek non-governmental organisation status with the Supreme National Council.

Roel Hakemulder of ILO said putting the body under local leadership now helped to pave way for the gradual withdrawal of the two international organisations from the scene.

UNDP and ILO started the agencies on a short term basis with the hope of locals taking over.

The role of the renewed body will remain unchanged in that of entrepreneur training to develop the skills of Cambodians in a changing situa-

So far, it has trained 40 Cambodians in skills which will help them get into businesses. The two courses were held last year.

Successful trainees, who can prove viability of their business on the basis of product de-



In Channy ... first Cambodian ald agency chief

mand and location, are eligible to low interest loans of up of US\$2,000.

To help speed up the process of helping Cambodians into business, loans are also given to those already trained by other accredited agencies.

Priority for training are given to those who need it most, like women head of families, returness, demobilised soldiers, handicapped and those displaced due to re-settlement.

The agency is represented in Battam-

bang, Siem Reap, Kampong Cham and Sisophon.

Each of these offices have a chief officer, credit officer, trainer and a informal sector agent.

Although the agencies prefer to train Cambodians in manufacturing, it also assists in some cases those who want to go into micro business like sellling cigarettes.

In Channy says that US\$613,000 is available for the business loans this year; half which is for the micro businesses.

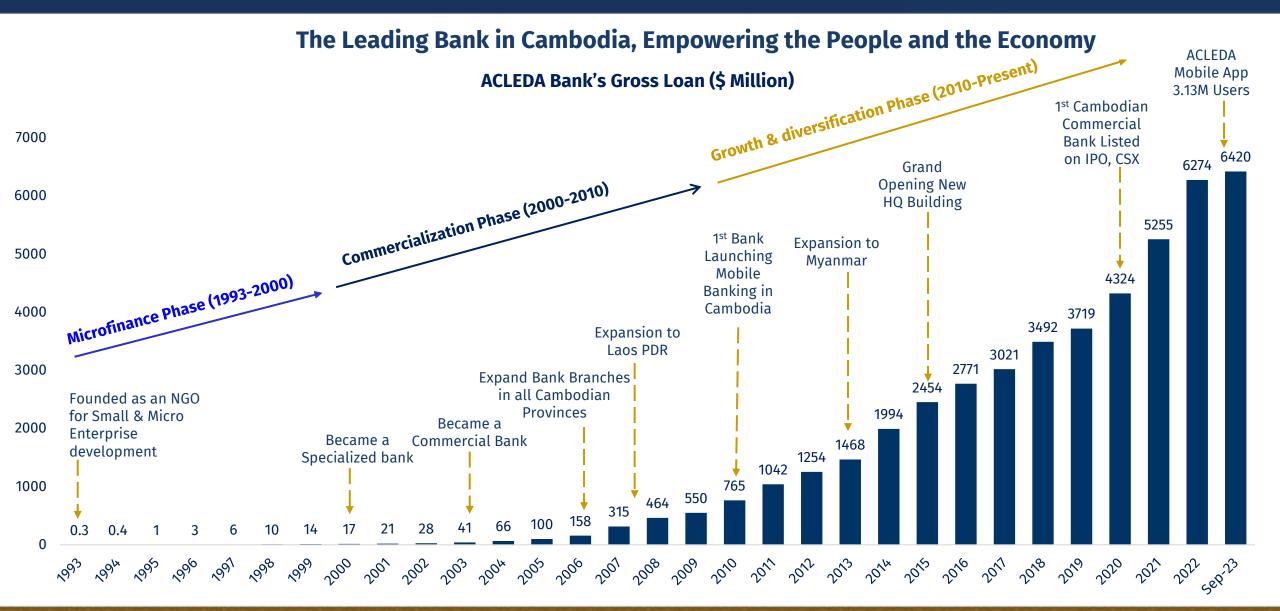
# ACLEDA's Success: 3-Decade Journey From a National NGO to #1 Bank in Cambodia

**US\$613,000** 



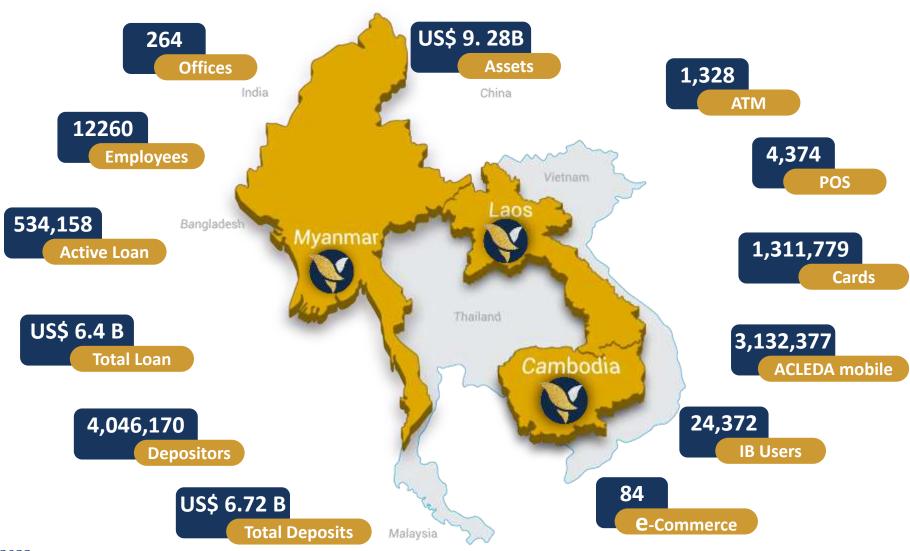
## 2. ACLEDA's 3-Decade Milestones





# 3. ACLEDA Growth and Expansion (1)

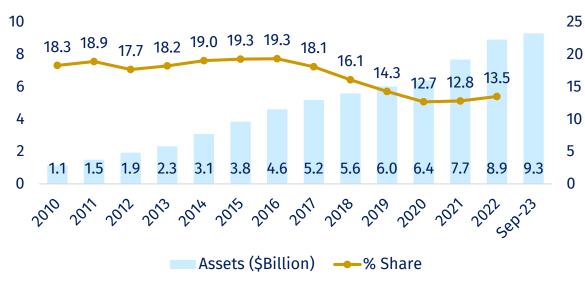




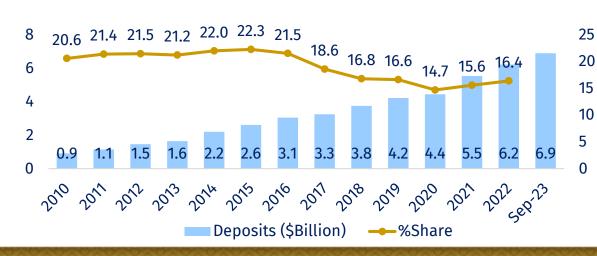
# 3. ACLEDA Growth and Expansion (2)



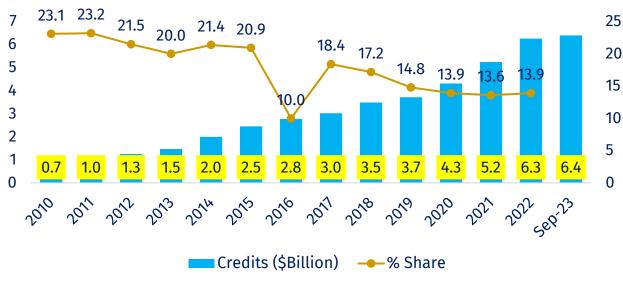




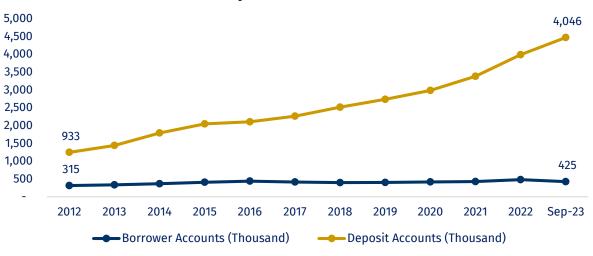
## **ACLEDA Bank's Deposits and Its Market Share**



## **ACLEDA Bank's Credits and Its Market Share**



## **Borrower and Deposit Accounts at ACLEDA Bank**



# 4. ACLEDA Innovative Banking Solution

ATM/Card

**POS ACLEDA Unity CDM** 





August 2023 February 2022 May 2007 Dec 2007 Apr 2010 Dec 2012 Jul 2014 Jun 2015 **March 2022** Apr 2017 Jun 2019 Dec 2020 Oct 2021 May 2022

**KHQR Oversea Transfer via** 

**ACLEDA** mobile

via QR Code with

**Thailand** 

Rebranded

**Self Service** 

e-Commerce ToanChet Banking (SSB) ACLEDA mobile Code

Via QR Code

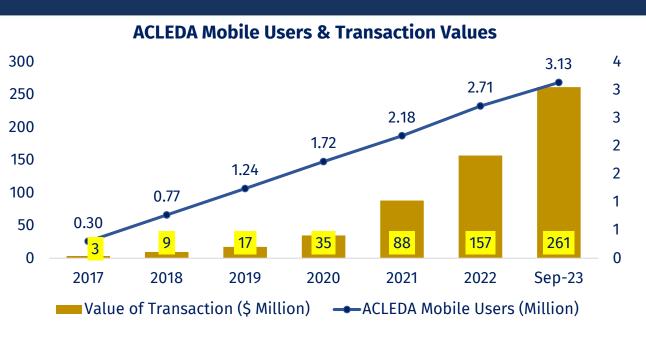
with Vietnam

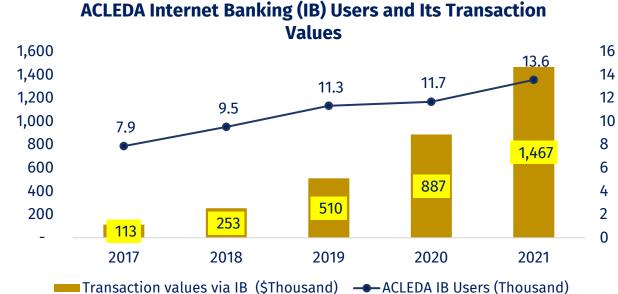
Via

**QR Code with Laos** 

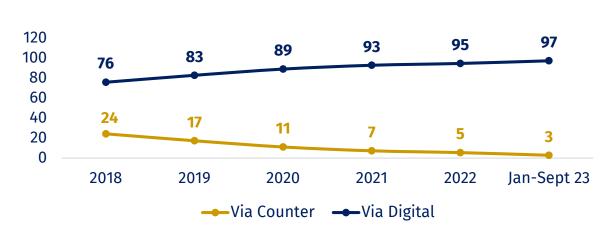
# 4. ACLEDA Innovative Banking Solution



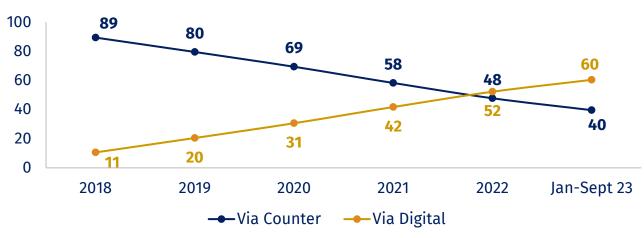




## **Overall % Share of Transactions Volume**



## **Overall % Share of Transactions in Value**



# 5. Other ACLEDA Key Product/Services Solution

**Referral Support** 

Life Assurance Service



## Further Product/Services Solution:

#### Credit

- Small-Sized Enterprise Loan
- ► Medium-Sized Enterprise and Corporate Loan
- ► Overdraft
- ► Revolving Credit Line
- ▶ Trade Finance Facility
- Bank Guarantee Facility
- ► Personal Loan
- ► Car Loan
- ▶ Motorbike Loan
- ► Student Loan
- ► Housing Loan
- ► Home Improvement Loan
- ▶ Financial Lease

## Deposits

- ► Savings Account
- ▶ Demand Deposit Account
- ➤ Current Account
- ► Term Deposit
- ► Euro Flex Account
- ► Securities Account
- ► Monk Account and Pagoda Fund Account
- ► Individual Retirement Account

**Financial Health Check** 

- ► Health Savings Account
- ► Education Savings Account
- ► Future Kid Account

#### Cash Management

- ► Bank Confirmation
- ► Cashier's Check
- ► Payroll Service
- ▶ Cash Collection Service
- ▶ Supplier Payment
- ▶ Cash Consolidation Accounts
- ► Standing Order / Direct Debit
- Foreign/Traveller Cheque Purchasing
- ► Safe Box Service
- ► Tax Payment Service
- ► Forward Exchange Contract
- ► Bulk/Package Payment Service
- ► Foreign Exchange

### **Trade Finance**

- ► Documentary Collection
- ► Letter of Credit (L/C)
- Shipping Guarantee
- ► Bid Guarantee
- ▶ Payment Guarantee
- ► Advance Payment Guarantee
- ► Performance Guarantee
- ► Retention Money Guarantee

#### **Digital Services**

► ACLEDA Internet Bank

អេស៊ីលីដ

- ► ACLEDA mobile
- ► ACLEDA E-Shop
- ► ACLEDA E-Commerce
- ► ACLEDA ATM
- ► ACLEDA POS
- ► Term Deposit Machine
- Virtual Teller Machine
- Virtual Card
- ▶ Top Up Service

## Funds Transfers

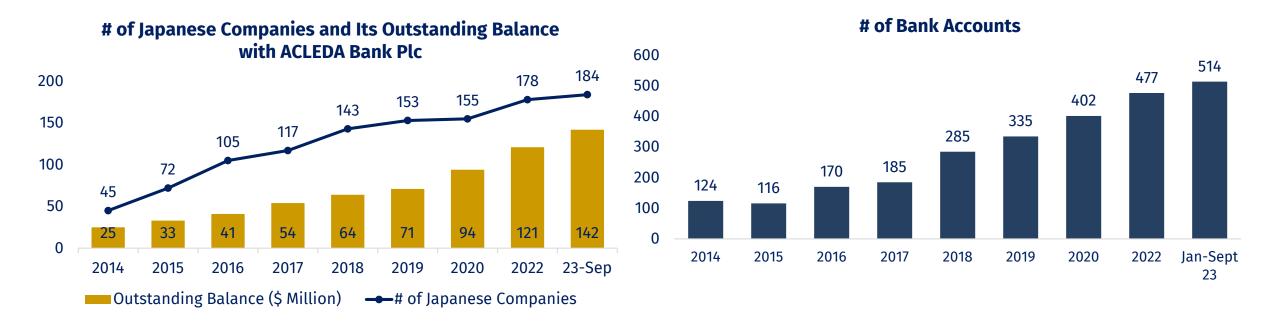
- ► Local Funds Transfers
- International Funds Transfers via SWIFT
- International Funds Transfers via Western Union
- International Funds Transfers via Payone and Hana Bank
- International Funds Transfers from Japan and South Korea
- ▶ International Funds Trafer via MoneyGram
- International Funds Trafer via Thunes
- ► International Funds Trafer via API

# 6. ACLEDA Business Alliance with Sumitomo Mitsui Banking Corporation (SMBC)



Since 2014, SMBC has been seconding a senior consultant to the Foreign Corporate Unit of ACLEDA Bank Plc., aiming to enhance the integration of financial services for ACLEDA Bank Plc.'s customers.

As of September 2023, ACLEDA's Business Alliance (SMBC) has extended support to 184 Japanese corporate companies, with a cumulative outstanding balance of \$ 142 million across 2608 accounts.



Our Call Centre serve customers 24/7.

+855 (0)23 994 444 +855 (0)15 999 233

Inquiry@acledabank.com.kh

Source: ACLEDA Bank Plc

# 7. Future Outlook of ACLEDA Bank Development



## **Digital Banking Expansion**



The Bank expands digital services for enhanced customer experiences.

# Cross-Border Regional Payment Solution

across borders.



The Bank persistently enhances its cross-border payment services within the region, striving to ensure convenience, speed, and safe for customers to sending and receiving money

## **Financial Inclusion**



The Bank extends services to underserved populations, network expansion in rural areas and simplified banking products.

## **Sustainable Finance**



The Bank integrates ESG principles into lending and investment practices amid growing global importance.

## **Cybersecurity**



The Bank continues investment in robust cybersecurity measures to safeguard customer data.



