

## **JBIC Signs ODA Loan Agreement with the Royal Government of Cambodia: Promoting FDI and Creating Employment Opportunities by Developing a Special Economic Zone (SEZ)**

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1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed on March 20 an ODA loan agreement in Phnom Penh totaling up to 318 million yen with the Royal Government of Cambodia to finance the Sihanoukville Port SEZ Development Project (E/S).
2. Under this project, a special economic zone (SEZ) with an area of about 70 hectares (15 times as large as the Tokyo Dome) will be developed adjacent to the Sihanoukville Port, the only international seaport in Cambodia and one that was also developed by ODA loans. The proceeds of the loan will be used for engineering services (including detailed design and assistance for the bidding process) prior to infrastructure development such as land grading and roads and power facilities. Proceeds will also be used for technical assistance for institutional aspects of the SEZ program, including the enhancement of administrative capacity, development of the legal and regulatory framework, and support for investment promotion activities.
3. Since achieving accession to the World Trade Organization (WTO) in October 2004, Cambodia has taken steps to develop several laws and regulations related to investment and economic activities. However, there are no small number of bottlenecks to attracting investment, including cumbersome administrative procedures and weak infrastructure. Indeed, foreign direct investment (FDI) inflows over the past decade (1994-2003) have remained at one-tenth of those in Vietnam. Emulating successful examples of the neighboring Asian countries, the Government of Cambodia is thus planning to promote a SEZ development policy in order to remove the bottlenecks to the investment climate and thereby attract FDI. Toward this end, in addition to infrastructure development JBIC will also assist the Government's effort through this project by providing policy advice regarding the legal and institutional aspects of SEZ development policies in collaboration with the World Bank and the Japan International Cooperation Agency (JICA).
4. During the CLV (Cambodia, Laos, and Vietnam)-Japan Summit in December 2005, the Government of Japan launched a new initiative to support the promotion of private-sector investment and trade as one priority area in assisting the development of the Greater Mekong Subregion (GMS).[1] This project is being undertaken as part of this initiative. To date, JBIC has supported the rehabilitation and expansion projects of the Sihanoukville Port and a telecommunication backbone network project, and has also provided the government with policy proposals on investment promotion and facilitation (Blue Book) for improving the investment climate. JBIC will continue to provide multifaceted support for improving the investment climate and invigorating economic activity in the private sector.

[\(Click here for details.\)](#)

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[1] The Greater Mekong Subregion (GMS) is comprised of Cambodia, Laos, Myanmar, Vietnam, Thailand, and Yunnan Province, China, in the basin of the Mekong River that runs through Indochina from north to south. The GMS has an area of 2.3 million square kilometers (about six times larger than Japan) and a population of 250 million (twice more populous than Japan).

**1. Loan Amount and Terms**

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Sihanoukville Port SEZ Development Project (E/S)	318	0.90	30/10	General Untied

**2. Project Executing Agency**

Council for the Development of Cambodia  
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Port Authority of Sihanoukville  
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**3. Political and Economic Conditions in Cambodia**

After years of turmoil, the 1991 Paris Peace Accords paved the way for the establishment of the Royal Government of Cambodia in 1993. Following the factional fighting in 1997, Prime Minister Hun Sen formed a new government in 1998, which has since taken steady steps toward bringing about stable political and economic conditions. As a result, Cambodia formally acceded to the Association of Southeast Asian Nations (ASEAN) in April 1999 and to the World Trade Organization (WTO) in October 2004. The country is thus steadily coming back to the global community.

On the economic front, the Cambodian economy has registered a robust 5~7% growth rate in recent years. On the other hand, however, per capita GDP in Cambodia hovers at around US\$350, the lowest level among ASEAN member countries, and the poverty rates are as high as 35% as of 2004. In addition, with young people occupying a large percentage of the country's population, over 250,000 new workers are projected to flow into the labor market annually from now until 2010. From the prospect of poverty reduction and ensuring social stability, the creation of employment through development of the private sector is urgently called for.